

**FINAL OFFICIAL STATEMENT DATED SEPTEMBER 11, 2017**

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



**\$12,720,000**  
**CITY OF MARSHALLTOWN**  
**Marshall County, Iowa**  
**General Obligation Municipal Building Bonds, Series 2017**

**Dated Date of Delivery****Book-Entry****Due June 1, 2019 - 2037**

The \$12,720,000 General Obligation Municipal Building Bonds, Series 2017 (the "Bonds") are being issued by the City of Marshalltown, Marshall County, Iowa (the "City"). Interest is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2018. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on June 1 in the following years and amounts.

**AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

Principal Amount	Due June 1	Interest Rate	Yield	CUSIP Number(1)	Principal Amount	Due June 1	Interest Rate	Yield	CUSIP Number(1)
\$535,000	2019	3.000%	0.900%	572767 XR7	\$ 375,000	2028*	3.000%	2.200%	572767 YA3
525,000	2020	3.000%	1.000%	572767 XS5	390,000	2029*	3.000%	2.400%	572767 YB1
155,000	2021	3.000%	1.100%	572767 XT3	915,000	2030*	3.000%	2.830%	572767 YC9
100,000	2022	3.000%	1.200%	572767 XU0	950,000	2031*	3.000%	2.930%	572767 YD7
505,000	2023	3.000%	1.350%	572767 XV8	990,000	2032	3.000%	3.030%	572767 YE5
515,000	2024	3.000%	1.500%	572767 XW6	*****	****	*****	*****	*****
535,000	2025	3.000%	1.700%	572767 XX4	1,105,000	2035	3.000%	3.100%	572767 YH8
350,000	2026*	3.000%	1.850%	572767 XY2	1,155,000	2036	3.000%	3.150%	572767 YJ4
360,000	2027*	3.000%	2.000%	572767 XZ9	1,180,000	2037	3.000%	3.180%	572767 YK1
\$2,080,000 .....					3.000% Term Bonds due June 1, 2034 Yield..... 3.050% 572767 YG0				

\*These maturities have been priced to call.

For further details see "MANDATORY REDEMPTION" herein.

**OPTIONAL REDEMPTION**

Bonds due June 1, 2019 - 2025, inclusive, are not subject to optional redemption. Bonds due June 1, 2026 - 2037, inclusive, are callable in whole or in part on any date on or after June 1, 2025, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the City and within any maturity by lot. See "OPTIONAL REDEMPTION" herein.

**PURPOSE, LEGALITY AND SECURITY**

Bond proceeds are expected to be used: (i) to finance the construction, furnishing and equipping of a facility for the joint use of the municipal police and fire departments, including construction of related infrastructure improvements and acquiring real estate; and (ii) to pay the costs of issuance of the Bonds. See "THE PROJECT" herein.

In the opinion of Bond Counsel, Dorsey & Whitney LLP, Des Moines, Iowa, the Bonds will constitute valid and legally binding general obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors' rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion. The City will furnish the written approving opinion of Bond Counsel, Dorsey & Whitney LLP, Des Moines, Iowa, evidencing legality of the Bonds and that the interest thereon is exempt from federal income taxes as and to the extent discussed under the heading "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein.

The City **does not intend** to designate the Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, and certain other conditions. It is expected that the Bonds will be made available for delivery on or about October 10, 2017.

***Speer Financial, Inc.***  
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(1) CUSIP numbers appearing in this Final Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw Hill Financial Inc. The City is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Bonds or as set forth on the cover of this Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

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## BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement which are provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

<b>Issuer:</b>	City of Marshalltown, Marshall County, Iowa.
<b>Issue:</b>	\$12,720,000* General Obligation Municipal Building Bonds, Series 2017.
<b>Dated Date:</b>	Date of delivery (expected to be on or about October 10, 2017).
<b>Interest Due:</b>	Each June 1 and December 1, commencing June 1, 2018.
<b>Principal Due:</b>	Serially each June 1, commencing June 1, 2019 through 2037, as detailed on the front page of this Final Official Statement.
<b>Optional Redemption:</b>	Bonds maturing on or after June 1, 2026, are callable at the option of the City on any date on or after June 1, 2025, at a price of par plus accrued interest. See <b>“OPTIONAL REDEMPTION”</b> herein.
<b>Mandatory Redemption:</b>	The Bonds are subject to mandatory redemption. See <b>“MANDATORY REDEMPTION”</b> herein.
<b>Authorization:</b>	The Bonds are being issued pursuant to authority established in Code of Iowa, Chapter 384, and all laws amendatory thereof and supplementary thereto, and a special municipal election held on August 2, 2016 with a 65% approval rate of the voters.
<b>Security:</b>	The Bonds are valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors’ rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.
<b>Investment Rating:</b>	The Bonds have been rated “Aa2” by Moody’s Investors Service. See <b>“INVESTMENT RATING”</b> herein.
<b>Purpose:</b>	The Bond proceeds are expected to be used: (i) to finance the construction, furnishing and equipping of a facility for the joint use of the municipal police and fire departments, including construction of related infrastructure improvements and acquiring real estate; and (ii) to pay the costs of issuance of the Bonds. See the <b>“THE PROJECT”</b> herein.
<b>Tax Exemption:</b>	Dorsey & Whitney LLP, Des Moines, Iowa, will provide an opinion as to the tax exemption of the Bonds as discussed under <b>“TAX EXEMPTION AND RELATED CONSIDERATIONS”</b> in this Final Official Statement.
<b>Not Bank Qualified:</b>	The Bonds <b>are not</b> “qualified tax-exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
<b>Bond Registrar/Paying Agent:</b>	Bankers Trust Company, Des Moines, Iowa.
<b>Delivery:</b>	The Bonds are expected to be delivered on or about October 10, 2017.
<b>Book-Entry Form:</b>	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Bonds. See APPENDIX B herein.
<b>Denomination:</b>	\$5,000 or integral multiples thereof.
<b>Municipal Advisor:</b>	Speer Financial, Inc., Waterloo, Iowa and Chicago, Illinois.

**CITY OF MARSHALLTOWN**  
**Marshall County, Iowa**

James L. Lowrance  
*Mayor*

**Council Members**

Mike Gowdy	Joel Greer	
Al Hoop	Dan Kester	Leon Lamer
Bill Martin	Bethany Wirin	

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**Officials**

Jessica Kinser  
*City Administrator*

Shari Coughenour  
*City Clerk*

Diana Steiner  
*Finance Director*

Roger Schoell, Esq.  
*City Attorney*

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**BONDHOLDERS' RISKS**

**Secondary Market**

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

**Ratings Loss**

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa2" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

### **Forward-Looking Statements**

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

### **Tax Matters and Loss of Tax Exemption**

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

It is possible that legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Prospective purchasers should consult with their own tax advisors regarding any pending or proposed federal income tax legislation. The likelihood of any pending or future legislation being enacted or whether the currently proposed terms of any pending legislation will be altered or removed during the legislative process cannot be reliably predicted.

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

### **DTC-Beneficial Owners**

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

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

## **Continuing Disclosure**

A failure by the City to comply with continuing disclosure obligations (see **“CONTINUING DISCLOSURE”** herein) will not constitute an event of default on the Bonds. Any such failure must be disclosed in accordance with Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and may adversely affect the transferability and liquidity of the Bonds and their market price.

## **Suitability of Investment**

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Final Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

## **Bankruptcy**

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors’ rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Bonds will be similarly qualified.

## **Federal Tax Legislation**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

## **Tax Levy Procedures**

The Bonds are general obligations of the City, payable from and secured by a continuing ad valorem tax levied against all of the taxable property valuation within the City. See **“PROPERTY ASSESSMENT AND TAX INFORMATION”** herein for more details. As part of the budgetary process each fiscal year, the City will have an obligation to request a debt service levy to be applied against all of the taxable property within the City. A failure on the part of the City to make a timely levy request or a levy request by the City that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.



## **Other Factors**

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

## **THE CITY**

The City is located in East Central Iowa and was incorporated in 1863 under the laws of the state of Iowa (the “State”), later amended in July 1975, under the City Home Rule Act. The City is approximately 19.19 square miles with a 2010 Census population of 27,552, which is a 5.93% increase over the 2000 Census population of 26,009. The City is the largest city in Marshall County (the “County”).

## **City Organization and Services**

The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The Mayor and Council are elected for a four year staggered term rotation, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator, hired by the City Council is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the City Clerk and department managers. Policy is established by the Mayor and the City Council.

The City employs approximately 208 full-time equivalent employees, including sworn police officers and firefighters. The different City departments are organized under five unions. All union contracts have been ratified and expire on June 30, 2020.

The City provides the following services as authorized by its charter: public safety, public works, culture and recreation, and community development. The City also provides additional services including sewage collection and disposal, compost facility, a transit system, storm water system, and municipal parking lots. The Fire Department has 10 trucks and special vehicles, including a boat, and operates out of one station. City government services are administered at City Hall. The City owns and operates a water works system and a sewage collection, and secondary treatment system. The City’s Water Works is organized as a separate entity and is managed by a separate board of trustees, which is appointed by the Mayor and City Council.

## **Community Life**

The City considers itself a central hub for the State and offers four diverse golf courses, art galleries, historic Main Street, antique shopping, annual festivals and events/architectural tours, Lincoln Highway, indoor and outdoor aquatic centers, and 9.6 miles of bike and walking trails. The City is located just 30 miles north of the Iowa Speedway of Newton and close to vineyards and wineries, a Las Vegas-style casino and other attractions. The City offers a small town lifestyle within reach of a large metropolitan area for culture and transportation.

In addition, the Marshall Economic Development (MED) continues to serve the City by stimulating economic growth. The more recent successful projects include assistance with the Menards, Alliant Energy power plant, and TIG Distribution Center. These projects and others affected by the organization with a capital investment of more than 200 million dollars.

## Education

The Marshalltown Community School District is the largest of two school districts serving the City and has a total enrollment of approximately 5,435 students. East Marshall School District has an enrollment of approximately 554.

Vocational and technical education courses are available from Iowa Valley Community College District. This community college district is comprised of Ellsworth Community College in Iowa Falls, Iowa Valley Continuing Education, Buena Vista College and Marshalltown Community College in the City, and Iowa Valley Grinnell, located in Grinnell. The community college has enrollment of approximately 3,622 full-time and part-time students. College and graduate level degree programs are available from several colleges and universities including the University of Iowa, located 100 miles southeast of the City in Iowa City; Iowa State University, located 41 miles west of the City in Ames, Drake University, located 52 miles southwest in Des Moines, and the University of Northern Iowa located 52 miles northeast in Cedar Falls.

## Transportation

The City is located 52 miles northeast of Des Moines, Iowa, approximately 245 miles northeast of Kansas City, Missouri and, 320 miles west of Chicago, Illinois. It is accessible by U.S. Highway 30 and State Highway 14. Interstate 80 runs south of the City approximately 30 miles, linking the City to other communities east and west throughout Iowa and the nation. The Union Pacific Railroad runs through the City and provides a direct route from Chicago to the West Coast. Its north-south lines run through nearby Des Moines connecting Minneapolis and Kansas City.

## SOCIOECONOMIC INFORMATION

The following demographic information is for the City. Additional comparisons are made with the County and the State.

## Population

The following table reflects population trends for the City, the County and the State.

### Population Comparison(1)

Year	The City	Percent Change	The County	Percent Change	The State	Percent Change
1970 .....	26,219	n/a	41,076	n/a	2,824,376	n/a
1980 .....	26,938	2.74%	41,652	1.40%	2,913,808	3.17%
1990 .....	25,178	(6.53%)	38,276	(8.11%)	2,776,755	(4.70%)
2000 .....	26,009	3.30%	39,311	2.70%	2,926,324	5.39%
2010 .....	27,552	5.93%	40,648	3.40%	3,046,355	4.10%

Note: (1) Source: U.S. Bureau of the Census.

## Employment

Following are lists of large employers located in the City.

### Major City Employers(1)

Name	Product/Service	Approximate Employment(2)
JBS USA, LLC. a/k/a Swift & Company .....	Pork Processing.....	2,300
Emerson Process Management, LLC .....	Relays and Industrial Controls .....	1,135
Marshalltown Community School District .....	Education .....	950
Iowa Valley Community College District .....	Higher Education .....	935(3)
Lennox Industries, Inc. ....	Refrigeration and Heating Equipment .....	915
Iowa Veterans Home.....	Nursing Care Facility .....	860
Unity Point Health.....	Health Care .....	540
Hy-Vee .....	Grocery Store .....	445
Walmart.....	Retail Store.....	300
City of Marshalltown .....	Government.....	210
McFarland Clinic.....	Health Care .....	185
Marshall County .....	Government.....	170
Mid Iowa Community Action (MICA) .....	Human Services .....	170
Packaging Corporation of America .....	Shipping Containers .....	130
Marshalltown Company .....	Masonry and Concrete Tools.....	100
Mechdyne Corporation .....	Electronic Computers.....	100
Mid-Iowa Workshops, Inc. ....	Packaging and Assembling.....	100

- Notes: (1) Source: Areas Chamber of Commerce, selected telephone surveys, and the 2017 Manufacturers' News Inc.  
(2) Includes part-time employees and seasonal employees.  
(3) Includes all employees of the District including those in facilities not located in the City.

The following tables show employment by industry and by occupation for the City, the County and the State as reported by the U.S. Census Bureau 2011 - 2015 American Community Survey 5-year estimated values.

### Employment By Industry(1)

Classification	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	195	1.6%	698	3.6%	61,617	3.9%
Construction.....	863	7.1%	1,398	7.2%	97,457	6.2%
Manufacturing.....	3,614	29.5%	5,122	26.4%	239,613	15.2%
Wholesale trade .....	250	2.0%	507	2.6%	44,824	2.8%
Retail trade.....	1,124	9.2%	1,930	9.9%	184,108	11.7%
Transportation and warehousing, and utilities.....	602	4.9%	984	5.1%	72,148	4.6%
Information .....	137	1.1%	245	1.3%	27,694	1.8%
Finance and insurance, and real estate and rental and leasing.....	291	2.4%	636	3.3%	117,133	7.4%
Professional, scientific, and management, and administrative and waste management services .....	771	6.3%	1,085	5.6%	112,752	7.2%
Educational services, and health care and social assistance .....	2,673	21.9%	4,242	21.9%	382,209	24.3%
Arts, entertainment, and recreation, and accommodation and food services.....	826	6.8%	1,099	5.7%	117,422	7.5%
Other services, except public administration .....	567	4.6%	895	4.6%	66,559	4.2%
Public administration .....	318	2.6%	568	2.9%	49,974	3.2%
Total .....	12,231	100.0%	19,409	100.0%	1,573,510	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-Year Estimates from 2011 - 2015.

### Employment By Occupation(1)

Classification	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Management, business, science, and arts occupations .....	3,004	24.6%	5,239	27.0%	542,576	34.5%
Service occupations .....	2,428	19.9%	3,463	17.8%	261,689	16.6%
Sales and office occupations .....	2,332	19.1%	3,933	20.3%	367,136	23.3%
Natural resources, construction, and maintenance occupations.....	1,264	10.3%	2,095	10.8%	147,292	9.4%
Production, transportation, and material moving occupations .....	3,203	26.2%	4,679	24.1%	254,817	16.2%
Total .....	12,231	100.0%	19,409	100.0%	1,573,510	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-Year Estimates from 2011 - 2015.

The following shows the annual average unemployment rates for the County, the State and the United States.

### Annual Average Unemployment Rates(1)

Calendar Year	The County	The State	United States
2008 .....	5.2%	4.2%	5.8%
2009 .....	7.3%	6.4%	9.3%
2010 .....	6.8%	6.0%	9.6%
2011 .....	6.6%	5.5%	8.9%
2012 .....	6.4%	5.0%	8.1%
2013 .....	6.0%	4.7%	7.4%
2014 .....	5.4%	4.3%	6.2%
2015 .....	5.2%	3.8%	5.3%
2016 .....	4.9%	3.7%	4.9%
2017(2) .....	4.0%	3.2%	4.4%

Notes: (1) Source: Iowa Workforce Development and U.S. Bureau of Labor Statistics.  
 (2) Preliminary rates for the month of June 2017.

### Building Permits

Building permits have averaged \$33,018,600 annually over the last five fiscal years in the City.

### City Building Permits(1)

Fiscal Year	Number of Permits	Total Value
2008.....	188	\$47,940,400
2009.....	154	26,948,800
2010.....	111	21,750,300
2011.....	132	28,597,000
2012.....	159	15,798,000
2013.....	143	18,988,000
2014.....	114	53,428,000
2015.....	126	37,843,000
2016.....	131	25,349,000
2017.....	148	29,485,000

Note: (1) Source: the City.

### Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the City's owner-occupied homes was \$99,000. This compares to \$104,500 for the County and \$129,200 for the State. The following table represents the five year average market value of specified owner-occupied units for the City, the County and the State at the time of the 2011 - 2015 American Community Survey.

### Home Values(1)

Value	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000 .....	788	12.0%	1,393	12.6%	99,287	11.2%
\$50,000 to \$99,999.....	2,547	38.7%	3,811	34.4%	216,328	24.5%
\$100,000 to \$149,999.....	1,785	27.1%	2,880	26.0%	201,698	22.8%
\$150,000 to \$199,999.....	620	9.4%	1,373	12.4%	151,787	17.2%
\$200,000 to \$299,999.....	592	9.0%	1,106	10.0%	135,180	15.3%
\$300,000 to \$499,999.....	228	3.5%	441	4.0%	59,446	6.7%
\$500,000 to \$999,999.....	0	0.0%	53	0.5%	15,485	1.8%
\$1,000,000 or more .....	27	0.4%	29	0.3%	4,597	0.5%
Total .....	6,587	100.0%	11,086	100.0%	883,808	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 - 2015.

### Mortgage Status(1)

Mortgage Status	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Housing units with a mortgage.....	4,056	61.6%	6,639	59.9%	541,161	61.2%
Housing units without a mortgage.....	<u>2,531</u>	<u>38.4%</u>	<u>4,447</u>	<u>40.1%</u>	<u>342,647</u>	<u>38.8%</u>
Total .....	6,587	100.0%	11,086	100.0%	883,808	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 - 2015.

### Income

The U.S. Census Bureau 5-year estimated values reported that the City had a median family income of \$54,480. This compares to \$61,662 for the County and \$67,466 for the State. The following table represents the distribution of family incomes for the City, the County and the State at the time of the 2011 - 2015 American Community Survey.

### Family Income(1)

Income	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Less than \$10,000 .....	273	4.1%	327	3.1%	26,913	3.4%
\$10,000 to \$14,999 .....	147	2.2%	217	2.1%	18,627	2.3%
\$15,000 to \$24,999 .....	440	6.6%	596	5.7%	51,011	6.4%
\$25,000 to \$34,999 .....	728	11.0%	998	9.5%	66,927	8.4%
\$35,000 to \$49,999 .....	1,158	17.5%	1,565	14.9%	107,269	13.5%
\$50,000 to \$74,999 .....	1,871	28.2%	2,989	28.5%	177,374	22.2%
\$75,000 to \$99,999 .....	922	13.9%	1,669	15.9%	137,743	17.3%
\$100,000 to \$149,999 .....	816	12.3%	1,620	15.4%	135,257	17.0%
\$150,000 to \$199,999 .....	132	2.0%	292	2.8%	41,758	5.2%
\$200,000 or more .....	<u>142</u>	<u>2.1%</u>	<u>221</u>	<u>2.1%</u>	<u>34,602</u>	<u>4.3%</u>
Total .....	6,629	100.0%	10,494	100.0%	797,481	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 to 2015.

The U.S. Census Bureau 5-year estimated values reported that the City had a median household income of \$50,396. This compares to \$53,351 for the County and \$53,183 for the State. The following table represents the distribution of household incomes for the City, the County and the State at the time of the 2011 - 2015 American Community Survey.

### Household Income(1)

Income	The City		The County		The State	
	Number	Percent	Number	Percent	Number	Percent
Less than \$10,000 .....	525	5.3%	719	4.7%	76,474	6.2%
\$10,000 to \$14,999 .....	493	4.9%	667	4.4%	63,657	5.1%
\$15,000 to \$24,999 .....	1,271	12.7%	1,647	10.8%	129,499	10.5%
\$25,000 to \$34,999 .....	1,007	10.1%	1,479	9.7%	131,466	10.6%
\$35,000 to \$49,999 .....	1,626	16.3%	2,342	15.3%	178,302	14.4%
\$50,000 to \$74,999 .....	2,463	24.7%	3,855	25.2%	247,858	20.0%
\$75,000 to \$99,999 .....	1,298	13.0%	2,151	14.1%	168,910	13.7%
\$100,000 to \$149,999 .....	900	9.0%	1,751	11.4%	154,870	12.5%
\$150,000 to \$199,999 .....	203	2.0%	380	2.5%	46,153	3.7%
\$200,000 or more .....	<u>202</u>	<u>2.0%</u>	<u>306</u>	<u>2.0%</u>	<u>39,220</u>	<u>3.2%</u>
Total .....	9,988	100.0%	15,297	100.0%	1,236,409	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2011 - 2015.

## Agriculture

Shown below is information on the agricultural value of the County and the statewide average.

### Average Value Per Acre(1)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Average Value Per Acre:					
Marshall County.....	\$8,339	\$8,976	\$8,550	\$7,995	\$7,474
State of Iowa.....	8,296	8,716	7,943	7,633	7,183

Note: (1) Source: Cooperative Extension Service - Iowa State University.

## Local Option Sales Tax

The City approved a 1% local option sales and service tax ("Local Option Tax") at a special referendum. The Local Option Tax for the City became effective April 1, 2000. In 2011 the City held a referendum, which was approved by voters, to extend the Local Option Tax through fiscal year 2025. The City held a special referendum on August 1, 2017 to change the allocation of the Local Option Tax. Effective November 1, 2017, the City's Local Option Tax proceeds will be designated 78% for property tax relief, and the remaining 22% to be used for any legal purpose.

Once approved, a Local Option Tax can only be repealed through a public referendum at which a majority voting approve the repeal or tax rate change. Contiguous municipalities are one unit for this purpose. If a Local Option Tax is not imposed county-wide, then the question of repeal is voted upon only by voters in such areas of a county where the tax has been imposed. A Local Option Tax may not be repealed within one year of the effective date.

The State of Iowa Department of Revenue (the "Department") administers collection and disbursement of all local option sales and services taxes in conjunction with administration of the State-wide sales, services and use tax presently assessed at 6%. The Department is required by statute to remit at least 95% of the estimated tax receipts to a county board of supervisors (for taxes imposed in unincorporated areas) and to each incorporated city. Such remittances are on a monthly basis. Once a year the Department reconciles its monthly estimated payments and makes an adjustment payment or debit at the November 10 payment date. Remittance of collections within a county are based upon the following statutory formula for county-wide collections:

- 75 percent: Based on a pro rata share of population (the most recent certified federal census) of those incorporated or unincorporated areas in a county which have approved a Local Option Tax.
- 25 percent: Based on a pro rata share of total property tax dollars levied during the three year period beginning July 1, 1982, through June 30, 1985, for those incorporated or unincorporated areas of a county which have approved a Local Option Tax.

Local Option Taxes are based on the same sales currently taxed by the state-wide 6% sales and services tax, with the present statutory exceptions of (i) certain sales of motor fuel or special fuel as defined in Chapter 452A, (ii) the rental of rooms, apartments or sleeping quarters taxed under Chapter 423A (hotel/motel tax) during the period the hotel/motel tax is imposed, (iii) the sale of natural gas or electric energy in a city or county where the gross receipts are subject to a franchise fee or user fee during the period the franchise or user fee is imposed, (iv) the sales price from a pay television service consisting of a direct-to-home satellite service, (v) the sale of equipment by the State Department of Transportation or (vi) certain construction-related equipment and other items.

The following table shows the trend of City Local Option tax receipts.

### Local Option Tax Receipts(1)

Fiscal Year Ending June 30	Local Option Sales Tax Receipts(2)	Percent Change +(-)
2009.....	\$2,745,703	n/a
2010.....	2,707,066	(1.41%)
2011.....	2,915,686	7.71%
2012.....	2,997,102	2.79%
2013.....	2,895,143	(3.40%)
2014.....	3,014,944	4.14%
2015.....	3,165,062	4.98%
2016.....	4,323,828	36.61%(3)
2017.....	3,339,918(4)	(22.76%)
2018.....	3,138,928(4)	(6.02%)

- Notes: (1) Source: Iowa Department of Revenue.  
 (2) Includes a makeup payment in November attributable to the previous fiscal year.  
 (3) Increase due to construction of power plant project.  
 (4) Collections received or expected to be received, not including any allowance for the reconciliation payment.

### Retail Sales

The Department of Revenue of the State of Iowa provides retail sales figures based on sales tax reports for years ending June 30. The Department of Revenue figures provide recent data to confirm trends in retail sales activity in the City. The following amounts exclude the City's Local Option Tax.

### Retail Taxable Sales(1)

Fiscal Year Ending June 30	Taxable Sales	Annual Percent Change + (-)
2007(2).....	\$317,862,988	n/a
2008(2).....	331,472,166	4.28%
2009.....	324,595,803	(2.07%)
2010.....	301,294,760	(7.18%)
2011.....	304,662,931	1.12%
2012.....	322,643,986	5.90%
2013.....	321,699,702	(0.29%)
2014.....	328,920,980	2.24%
2015.....	331,780,905	0.87%
2016.....	352,326,540	6.19%

Growth from 2007 to 2016..... 10.84%

- Notes: (1) Source: the Iowa Department of Revenue.  
 (2) Fiscal years 2007 and 2008 amounts reflect a year ending March 31st.

### THE PROJECT

Bond proceeds are expected to be used: (i) to finance the construction, furnishing and equipping of a facility for the joint use of the municipal police and fire departments, including construction of related infrastructure improvements and acquiring real estate; and (ii) to pay the costs of issuance of the Bonds.

## DEBT INFORMATION

After issuance of the Bonds, the City will have outstanding \$42,804,337 principal amount of general obligation debt. In addition, the City has outstanding approximately \$15,334,838 principal amount of water pollution control revenue debt.

The City has a general obligation legal debt limit equal to 5% of Actual Valuation. For the January 1, 2016 Actual Valuation of \$1,452,830,148 (including tax increment valuation and excluding military exemption valuation) applied to fiscal year 2017/18, the total limit is \$72,641,507. Including the Bonds, the estimated principal amount of bonded and non-bonded debt applicable to this limit is \$46,794,337 which includes \$3,990,000 in TIF rebates, resulting in a net legal debt margin of \$25,847,170.

The City does not expect to issue any additional general obligation debt in calendar year 2017.

### Summary of Outstanding General Obligation Debt(1) (Principal Only)

Bonded Debt:	
Series 2009A .....	\$ 300,000
Series 2011 .....	4,005,000
Series 2011B .....	1,685,000
Series 2012A .....	4,125,000
Series 2012B .....	1,975,000
Series 2013 .....	4,895,000
Series 2014 .....	1,590,000
Series 2015 .....	2,000,000
Series 2016A .....	4,580,000
Series 2016B .....	4,780,000
The Bonds .....	12,720,000
Other Loans:	
Software .....	21,150
Fire Equipment .....	128,187
Total .....	<u>\$42,804,337</u>

Note: (1) Source: the City.

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**General Obligation Debt(1)**  
 (Principal Only)

Fiscal Year Ending June 30	Series 2009A	Series 2011	Series 2011B	Series 2012A	Series 2012B	Series 2013	Series 2014	Software Loan	Series 2015	Fire Equipment Loan	Series 2016A
2018.....	\$300,000	\$ 380,000	\$ 145,000	\$ 350,000	\$ 355,000	\$ 950,000	\$ 175,000	\$21,150	\$ 200,000	\$ 28,486	\$ 240,000
2019.....	0	395,000	150,000	400,000	345,000	970,000	275,000	0	250,000	28,486	325,000
2020.....	0	410,000	155,000	400,000	335,000	975,000	275,000	0	275,000	28,486	330,000
2021.....	0	425,000	160,000	400,000	330,000	1,000,000	300,000	0	325,000	28,486	335,000
2022.....	0	440,000	165,000	425,000	320,000	1,000,000	325,000	0	350,000	14,243	340,000
2023.....	0	460,000	170,000	425,000	290,000	0	240,000	0	375,000	0	550,000
2024.....	0	475,000	175,000	400,000	0	0	0	0	225,000	0	580,000
2025.....	0	500,000	180,000	425,000	0	0	0	0	0	0	605,000
2026.....	0	520,000	190,000	450,000	0	0	0	0	0	0	170,000
2027.....	0	0	195,000	450,000	0	0	0	0	0	0	175,000
2028.....	0	0	0	0	0	0	0	0	0	0	220,000
2029.....	0	0	0	0	0	0	0	0	0	0	230,000
2030.....	0	0	0	0	0	0	0	0	0	0	235,000
2031.....	0	0	0	0	0	0	0	0	0	0	245,000
2032.....	0	0	0	0	0	0	0	0	0	0	0
2033.....	0	0	0	0	0	0	0	0	0	0	0
2034.....	0	0	0	0	0	0	0	0	0	0	0
2035.....	0	0	0	0	0	0	0	0	0	0	0
2036.....	0	0	0	0	0	0	0	0	0	0	0
2037.....	0	0	0	0	0	0	0	0	0	0	0
Total.....	\$300,000	\$4,005,000	\$1,685,000	\$4,125,000	\$1,975,000	\$4,895,000	\$1,590,000	\$21,150	\$2,000,000	\$128,187	\$4,580,000

Fiscal Year Ending June 30	Series 2016B	Total Outstanding General Obligation Debt	The Bonds	Total General Obligation Debt	Cumulative Principal Retired	
					Amount	Percent
2018.....	\$1,080,000	\$ 4,224,636	\$ 0	\$ 4,224,636	\$ 4,224,636	9.87%
2019.....	220,000	3,358,486	535,000	3,893,486	8,118,122	18.97%
2020.....	220,000	3,403,486	525,000	3,928,486	12,046,608	28.14%
2021.....	225,000	3,528,486	155,000	3,683,486	15,730,094	36.75%
2022.....	260,000	3,639,243	100,000	3,739,243	19,469,337	45.48%
2023.....	270,000	2,780,000	505,000	3,285,000	22,754,337	53.16%
2024.....	275,000	2,130,000	515,000	2,645,000	25,399,337	59.34%
2025.....	275,000	1,985,000	535,000	2,520,000	27,919,337	65.23%
2026.....	475,000	1,805,000	350,000	2,155,000	30,074,337	70.26%
2027.....	485,000	1,305,000	360,000	1,665,000	31,739,337	74.15%
2028.....	495,000	715,000	375,000	1,090,000	32,829,337	76.70%
2029.....	500,000	730,000	390,000	1,120,000	33,949,337	79.31%
2027.....	0	235,000	915,000	1,150,000	35,099,337	82.00%
2028.....	0	245,000	950,000	1,195,000	36,294,337	84.79%
2030.....	0	0	990,000	990,000	37,284,337	87.10%
2027.....	0	0	1,020,000	1,020,000	38,304,337	89.49%
2028.....	0	0	1,060,000	1,060,000	39,364,337	91.96%
2029.....	0	0	1,105,000	1,105,000	40,469,337	94.54%
2030.....	0	0	1,155,000	1,155,000	41,624,337	97.24%
2031.....	0	0	1,180,000	1,180,000	42,804,337	100.00%
Total.....	\$4,780,000	\$30,084,337	\$12,720,000	\$42,804,337		

Note: (1) Source: the City.

### Statement of Bonded Indebtedness(1)(2)

City Actual Value, January 1, 2016..... \$1,452,830,148  
City Taxable Value, January 1, 2016..... \$ 829,271,134

	Total	Applicable		Ratio to City Actual Value	Ratio to City Taxable Value	Per Capita (2010 Pop. 27,552)
		Percent	Amount			
Direct Bonded Debt .....	\$42,804,337	100.00%	\$42,804,337	2.95%	5.16%	\$1,553.58
Overlapping Debt:						
East Marshall Community School District ....	\$ 2,680,000	1.00%	\$ 26,800	0.00%	0.00%	\$ 0.97
Marshalltown Community School District .....	13,160,000	80.84%	10,638,544	0.73%	1.28%	386.13
Iowa Valley Community College(3) .....	2,440,000	16.66%	406,504	0.03%	0.05%	14.75
Marshall County .....	645,000	49.26%	317,727	0.02%	0.04%	11.53
Total Overlapping Bonded Debt(3) .....	\$16,245,000		\$11,389,575	0.78%	1.37%	\$ 413.38
Total Direct and Overlapping Bonded Debt(3) .....			\$54,193,912	3.73%	6.53%	\$1,966.96
Per Capita Actual Value .....						\$52,730.48
Per Capita Taxable Value .....						\$30,098.40

Notes: (1) Source: the City, Audited Financial Statements and EMMA for the County, School Districts and Community College.  
(2) As of the date of sale for the Direct Bonded Debt and August 10, 2017 for Overlapping Debt.  
(3) Excludes \$4,730,000 in Industrial New Jobs Training Certificates, which are retired by proceeds from anticipated job credits from withholding taxes.

### PROPERTY ASSESSMENT AND TAX INFORMATION

#### Property Tax Assessment

In compliance with Section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Taxable Valuation. Such rollback percentages may be changed in future years. Certain historical rollback percentages for residential, multi-residential, agricultural and commercial valuations are as follows:

#### Percentages for Taxable Valuation After Rollbacks(1)

Fiscal Year	Residential	Multi- Residential(2)	Ag Land & Buildings	Commercial
2008/09.....	44.0803%	N/A	90.1023%	99.7312%
2009/10.....	45.5893%	N/A	93.8568%	100.0000%
2010/11.....	46.9094%	N/A	66.2715%	100.0000%
2011/12.....	48.5299%	N/A	69.0152%	100.0000%
2012/13.....	50.7518%	N/A	57.5411%	100.0000%
2013/14.....	52.8166%	N/A	59.9334%	100.0000%
2014/15.....	54.4002%	N/A	43.3997%	95.0000%
2015/16.....	55.7335%	N/A	44.7021%	90.0000%
2016/17.....	55.6259%	86.2500%	46.1068%	90.0000%
2017/18.....	56.9391%	82.5000%	47.4996%	90.0000%

Notes: (1) Source: the Iowa Department of Revenue.  
(2) New category beginning with fiscal year 2017.

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following tax year. For example, the assessments finalized on January 1, 2016, are used to calculate tax liability for the tax year starting July 1, 2017 through June 30, 2018.

## Property Tax Collection

Each county is required by State law to collect all tax levies within its jurisdiction and remit, before the fifteenth of each month, the amount collected through the last day of the preceding month to underlying units of government, including the City. Property tax payments are made at the office of each county treasurer in full or one-half by September 30 and March 31, pursuant to the Code of Iowa, Sections 445.36 and 445.37. Where the first half of any property tax has not been paid by October 1, such installment becomes delinquent. If the second installment is not paid, it becomes delinquent on April 1. Delinquent taxes and special assessments are subject to a penalty at the rate of one and one-half percent per month, to a maximum of eighteen percent per annum.

If taxes are not paid when due, the property may be offered at the regular tax sale on the third Tuesday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property, and funds so received are applied to the payment of taxes. A property owner may redeem from the regular tax sale, but failing redemption within two years, the tax sale purchaser is entitled to a deed which in general conveys the title free and clear of all liens except future installments of taxes.

### Actual (100%) Valuations for the City(1)(2)

Property Class	Fiscal Year: Levy Year:	2013/14 2012	2014/15 2013	2015/16 2014	2016/17 2015	2017/18 2016
Residential .....		\$ 846,987,305	\$ 801,332,119	\$ 803,732,949	\$ 807,301,571	\$ 809,821,936
Agricultural .....		7,835,158	10,359,779	10,293,332	10,117,916	9,853,499
Commercial .....		256,412,504	240,130,945	239,239,462	214,809,890	217,077,808
Industrial .....		67,569,635	68,266,920	68,624,625	69,490,286	71,218,793
Multi-residential(3) .....		0	0	0	32,072,856	32,339,360
Railroads .....		4,472,784	2,877,663	3,107,197	3,573,135	4,334,016
Utilities without Gas and Electric(4) .....		4,144,444	3,914,703	4,467,385	3,061,092	2,825,595
Gas and Electric Utility(4) .....		153,467,212	165,363,180	203,378,461	226,574,365	307,764,842
Less: Military Exemption .....		(2,808,523)	(2,685,934)	(2,561,932)	(2,488,999)	(2,405,701)
Total .....		\$1,338,080,519	\$1,289,559,375	\$1,330,281,479	\$1,364,512,112	\$1,452,830,148
Percent Change +/- .....		1.59%(5)	(3.63%)	3.16%	2.57%	6.47%

- Notes: (1) Source: Iowa Department of Management.  
(2) Includes tax increment finance (TIF) valuations used in the following amounts:

January 1:	2012	2013	2014	2015	2016
TIF Valuation .....	\$44,270,422	\$37,409,137	\$40,194,757	\$14,353,482	\$5,394,151

- (3) New Class as of January 1, 2015, previously reported as Commercial Property.  
(4) See "PROPERTY TAX INFORMATION - Utility Property Tax Replacement" herein.  
(5) Based on 2011 Actual Valuation of \$1,317,197,627.

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For the January 1, 2016 levy year, the City's Taxable Valuation was comprised of approximately 56% residential, 24% commercial, 9% utilities, 8% industrial, 3% multi-residential and less than 1% agriculture and military exemption.

### Taxable ("Rollback") Valuations for the City(1)(2)

Property Class	Fiscal Year: Levy Year:	2013/14 2012	2014/15 2013	2015/16 2014	2016/17 2015	2017/18 2016
Residential .....		\$447,349,979	\$435,926,120	\$447,948,671	\$449,068,758	\$461,105,154
Agricultural .....		4,695,878	4,496,113	4,601,327	4,665,045	4,680,367
Commercial .....		256,412,504	228,124,764	215,315,517	193,328,904	195,370,030
Industrial .....		67,569,635	64,853,588	61,762,165	62,541,260	64,096,916
Multi-residential(3) .....		0	0	0	27,662,865	26,680,016
Railroads .....		4,472,784	2,733,780	2,796,477	3,215,822	3,900,614
Utilities without Gas and Electric(4) .....		4,144,444	3,914,703	4,467,385	3,061,092	2,825,595
Gas and Electric Utility(4) .....		59,212,487	60,932,833	60,930,476	61,169,942	73,018,143
Less: Military Exemption .....		(2,808,523)	(2,685,934)	(2,561,932)	(2,488,999)	(2,405,701)
Total .....		\$841,049,188	\$798,295,967	\$795,260,086	\$802,224,689	\$829,271,134
Percent Change +/- .....		3.58%(5)	(5.08%)	(0.38%)	0.88%	3.37%

- Notes: (1) Source: Iowa Department of Management.  
(2) Includes tax increment finance (TIF) valuations used in the following amounts:

January 1:	2012	2013	2014	2015	2016
TIF Valuation .....	\$44,270,422	\$37,409,137	\$40,194,757	\$14,353,482	\$5,394,151

- (3) New Class as of January 1, 2015, previously reported as Commercial Property.  
(4) See "PROPERTY TAX INFORMATION - Utility Property Tax Replacement" herein.  
(5) Based on 2011 Taxable Valuation of \$811,956,728.

The following shows the trend in the City's tax extensions and collections.

### Tax Extensions and Collections(1)

Levy Year	Fiscal Year	Amount Levied	Amount Collected(2)	Percent Collected
2007 .....	2008-09 .....	\$ 9,842,687	\$ 9,457,213	96.08%
2008 .....	2009-10 .....	10,171,934	9,800,280	96.35%
2009 .....	2010-11 .....	10,308,433	9,830,036	95.36%
2010 .....	2011-12 .....	11,022,661	10,771,181	97.72%
2011 .....	2012-13 .....	11,192,719	11,220,727	100.25%
2012 .....	2013-14 .....	11,374,988	11,134,833	97.89%
2013 .....	2014-15 .....	11,296,887	11,177,823	98.95%
2014 .....	2015-16 .....	11,228,611	11,242,524	100.12%
2015 .....	2016-17 .....	12,034,777	11,992,297	99.65%
2016 .....	2017-18 .....	12,552,215	- In Collection - -	

- Notes: (1) Source: the State of Iowa Department of Management and the City. Includes amounts for Utility Replacement. Does not include levies and collections for the City's tax increment finance district.  
(2) Includes delinquent taxes.

### Principal Taxpayers(1)

Taxpayer Name	Business/Service	Levy Year 2016 Taxable Valuation(2)
Interstate Power & Light Company .....	Utility .....	\$ 67,714,321
Fisher Controls International .....	Manufacturing .....	19,060,695
JBS USA, LLC a/k/a Swift & Company. ....	Meat Processing .....	18,891,837
Menard, Inc. ....	Manufacturing and Retail Store .....	11,387,601
Allen Health Systems, Inc. ....	Health Care .....	10,080,955
Walmart .....	Retail Store .....	9,494,955
Lennox Manufacturing Inc. ....	Manufacturing .....	8,631,806
ITC Midwest LLC .....	Utility .....	5,022,252
Marshalltown, Center IO, LLC .....	Commercial Property .....	4,896,090
Packaging Corporation of America .....	Manufacturing .....	4,623,930
Total .....		\$159,804,442
Ten Largest Taxpayers as Percent of City's 2016 Taxable Valuation (\$829,271,134) .....		19.27%

- Notes: (1) Source: the County.  
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.

## Levy Limits

Normal municipal operations and maintenance costs are generally funded through the corporate property tax levy. Iowa State Code does not allow the municipal general fund to be taxed above \$8.10 per thousand dollars of taxable value in any one year. In addition to the General Fund, there are several other tax funds that the City can create and use for specific purposes.

The property tax rates for the City from levy year 2012 through levy year 2016 are shown below:

### Property Tax Rates: Levy Years 2012 - 2016(1)(2) (Per \$1,000 Actual Valuation)

	Fiscal Year: Levy Year:	2013/14 2012	2014/15 2013	2015/16 2014	2016/17 2015	2017/18 2016
City:						
General Fund .....		\$ 8.09999	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000
Emergency Levy .....		0.00000	0.21270	0.26994	0.27000	0.27000
Debt Service Fund .....		2.83986	3.11044	3.38369	3.63269	3.61913
Employee Benefits .....		2.02211	2.09317	1.80306	1.76288	1.77860
Capital Improvement .....		0.67500	0.67499	0.62169	0.67500	0.67499
Other .....		0.54736	0.57225	0.58419	0.84101	0.83886
Total City Rate .....		\$14.18432	\$14.76355	\$14.76257	\$15.28158	\$15.28158
Marshall County .....		\$ 7.44499	\$ 7.44499	\$ 7.44499	\$ 6.94499	\$ 6.71518
Marshalltown Community School District .....		17.52934	18.15000	18.33104	17.97478	17.94963
Iowa Valley Community College District .....		1.80632	1.79487	1.78170	1.74505	1.36842
Other .....		0.41558	0.45236	0.45121	0.41278	0.38863
Total Tax Rate .....		\$41.38055	\$42.60577	\$42.77151	\$42.35918	\$41.70344

Notes: (1) Source: Iowa Department of Management.  
(2) Does not include the tax rate for agriculture.

## Tax Levy Procedures

The Bonds are general obligations of the City, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the City. As part of the budgetary process each fiscal year, the City will have an obligation to request a debt service levy to be applied against all of the taxable property within the City. A failure on the part of the City to make a timely levy request or a levy request by the City that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bond holders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Notwithstanding the foregoing, Iowa Code section 76.2 provides when an Iowa political subdivision issues bonds, “the governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditor(s) to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

## **Utility Property Tax Replacement**

Property owned by entities involved primarily in the production, delivery, service and sale of electricity and natural gas (“Utilities”) pay a replacement tax based upon the delivery of energy by Utilities in lieu of property taxes. All replacement taxes are allocated among local taxing bodies by the State Department of Revenue and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of Management on the basis of general property tax equivalents. Utility properties paying the replacement tax are exempt from the levy of property tax by political subdivisions. In addition to the replacement tax, Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State.

By statute, the replacement tax collected by the State and allocated among local taxing bodies (including the City) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. It is possible that the general obligation debt capacity of the City could be adjudicated to be proportionately reduced in future years if Utility property were determined to be other than “taxable property” for purposes of computing the City’s debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the City can issue or (ii) adversely affect the City’s ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Bonds. Approximately 9% of the City’s levy year 2016 taxable valuation currently is utility property.

## **Tax Increment Financing**

The Code of Iowa currently authorizes the use of two types of tax increment financing by local taxing districts in the State of Iowa. The first type allows local governments to establish TIF districts to be established for the purposes of financing designated urban renewal projects which contribute to the urban redevelopment and economic development of the immediate area. The taxable valuation for this type of TIF district in the City for levy year 2016 was \$5,394,151.

The second type of tax increment financing was authorized by state legislative action in the mid-1980’s. The area community colleges can establish TIF districts by contract with specific local businesses and industries to provide jobs training programming for new employees of existing expanding businesses or employees of new businesses. The revenues from these job training TIF districts then retires the debt incurred from the issuance of jobs training certificates which finance the cost of jobs training programming over a maximum of ten years. Upon payment of all jobs training certificates, the district dissolves and the incremental value from the new or expanded business reverts to the general tax base. There is no current valuation for this second type of TIF district.

## **Legislation**

From time to time, legislative proposals are pending in Congress and the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described herein. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for taxes levied by the City or have an adverse impact on the future tax collections of the City. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed federal or state tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending federal or state tax legislation.

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the “Act”), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduces the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property to 3%, (ii) assigns a “rollback” (the percentage of a property’s value that is subject to tax) to commercial, industrial and railroad property of 90%, (iii) creates a new property tax classification for multi-residential properties (apartments, nursing homes, assisted living facilities and certain other rental property) and assigns a declining rollback percentage to such properties for each year until the residential rollback percentage is reached in the 2022 assessment year, after which the rollback percentage for such properties will be equal to the residential rollback percentage each assessment year, and (iv) exempts a specified portion of the assessed value of telecommunication properties.

The Act includes a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Beginning in fiscal year 2018 the standing appropriation cannot exceed the actual 2017 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act’s provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3%, the gradual transition for multi-residential properties from the residential rollback percentage (currently 53% of market value), or the reduction in the percentage of telecommunications property that is subject to taxation.

Given the wide scope of the statutory changes, and the State’s discretion in establishing the annual replacement amount that is appropriated each year commencing in fiscal 2018, the impact of the Act on the City’s future property tax collections is uncertain and the City has not attempted to quantify the financial impact of the Act’s provisions on the City’s future operations. It has been projected by Moody’s Investor Service that local governments in Iowa are likely to experience sizeable reductions in tax revenues collected starting in fiscal 2018<sup>1</sup>. According to Moody’s, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of multi-residential developments (such as college towns), or significant amounts of telecommunications property.

Notwithstanding any decrease in property tax revenues that may result from the Act, Iowa Code section 76.2 provides that when an Iowa political subdivision issues bonds, “[t]he governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

From time to time, other legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described in this Final Official Statement. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the City.

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<sup>1</sup> US Public Finance Weekly Credit Outlook, May 30, 2013, Moody’s Investors Service.

## **FINANCIAL INFORMATION**

### **Investment Policy**

Each investment made by the City must be authorized by applicable law and the City's Investment Policy. Only the City Treasurer and City Administrator, as limited by a special City resolution, and others authorized by resolution of the City may invest City funds. The City Treasurer when investing or depositing public funds is required to exercise care, skill, prudence, and diligence.

### **Financial Reports**

The City's financial statements are audited annually by certified public accountants. The City's financial statements are completed on a modified accrual basis of accounting consistent with generally accepted accounting principles applicable to governmental entities. The City's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. The City's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. See **APPENDIX A** for more detail.

### **No Consent or Updated Information Requested of the Auditor**

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this "**FINANCIAL INFORMATION**" section are from the audited financial statements of the City, including the audited financial statements for the fiscal year ended June 30, 2016 (the "2016 Audit"). The 2016 Audit has been prepared by Eide Bailly, L.L.P., Certified Public Accountants, Dubuque, Iowa, (the "Auditor"), and received by the City Council. The City has not requested the Auditor to update information contained in the Excerpted Financial Information and the 2016 Audit; nor has the City requested that the Auditor consent to the use of the Excerpted Financial Information and the 2016 Audit in this Final Official Statement. The inclusion of the Excerpted Financial Information and the 2016 Audit in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the City since the date of the 2016 Audit. Questions or inquiries relating to financial information of the City since the date of the 2016 Audit should be directed to the City.

### **Summary Financial Information**

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. See **APPENDIX A** for the City's 2016 Audit. The City expects its General Fund balance for the fiscal year ending June 30, 2017 to increase by approximately \$266,800. The City has approved a budget for fiscal year 2018 with a decrease of approximately \$290,800 to the General Fund balance. However, with the recent referendum re-allocating the local option sales tax, the City expects the City Council to approve the transfer to the General Fund to eliminate the budgeted deficit. To date, revenues and expenditures are generally within expected budgeted amounts.

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# Statement of Net Position Governmental Activities(1)

	Audited as of June 30				
	2012	2013	2014	2015	2016
<b>ASSETS:</b>					
Cash and Cash Equivalents.....	\$ 20,741,760	\$ 18,141,703	\$13,341,623	\$16,936,244	\$19,233,676
Receivables					
Property Taxes:					
Delinquent .....	135,278	149,627	143,256	119,079	103,928
Succeeding Year .....	11,112,726	11,374,988	11,296,887	11,228,611	12,034,777
Accounts and Unbilled Usage .....	259,382	413,357	439,799	680,741	733,888
Special Assessments.....	100,534	81,914	71,075	56,876	37,888
Due From Component Unit.....	10,501	10,037	11,209	13,690	13,223
Due from Other Governments.....	1,317,611	1,158,089	1,660,946	1,323,859	2,520,104
Inventories.....	179,727	97,321	26,544	107,955	115,380
Prepaid Items .....	325,159	311,520	303,276	275,871	275,975
Deferred Charges					
Bond Issuance Cost .....	0	0	0	0	0
Resources Held in Escrow for Bond Refunding.....	3,077,627	3,030,214	0	0	0
Capital Assets					
Land .....	3,915,612	3,915,612	4,000,012	4,000,014	4,000,014
Land Improvements.....	2,380,584	2,389,084	2,389,084	2,389,084	2,476,257
Buildings and Structures.....	17,645,221	17,690,016	17,674,420	17,707,821	17,707,821
Equipment and Vehicles .....	14,073,645	14,594,933	16,204,870	16,260,561	16,899,577
Infrastructure .....	33,490,429	36,757,660	38,486,018	38,486,018	39,738,566
Construction in Progress .....	1,461,230	574,986	224,207	1,113,923	1,182,096
Accumulated Depreciation .....	<u>(29,795,851)</u>	<u>(32,134,865)</u>	<u>(34,439,796)</u>	<u>(36,806,184)</u>	<u>(39,140,202)</u>
Total Assets.....	<u>\$ 80,431,175</u>	<u>\$ 78,556,196</u>	<u>\$71,833,430</u>	<u>\$73,894,163</u>	<u>\$77,932,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows .....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,141,995</u>	<u>\$ 2,413,973</u>
<b>LIABILITIES:</b>					
Accounts Payable.....	\$ 1,706,359	\$ 1,907,755	\$ 882,759	\$ 870,197	\$ 1,176,610
Accrued Payroll and Payroll Benefits .....	386,468	431,983	448,991	492,561	169,252
Retainage Payable .....	89,926	421,279	15,664	315,217	65,988
Deposits Payable.....	0	0	155,306	152,162	147,156
Deferred Revenue(2)					
Succeeding Year Property Tax .....	11,112,726	11,374,988	0	0	0
Other .....	153,168	153,234	0	0	0
Due to Other Governments .....	99,784	125,596	103,592	100,335	123,866
Accrued Interest Payable.....	67,950	63,524	61,655	34,012	31,868
Noncurrent Liabilities					
Due Within One Year					
Bonds and Notes Payable .....	2,788,840	2,673,841	2,831,717	3,066,991	2,716,447
Compensated Absences Payable .....	637,146	169,892	286,151	311,726	256,980
Due in More Than One Year					
Bonds and Notes Payable .....	21,171,145	24,206,631	18,434,829	17,489,700	16,835,192
Compensated Absences Payable .....	220,355	938,704	837,822	814,847	860,815
Net Pension Liability .....	0	0	0	8,146,627	10,158,993
Net OPEB Liability .....	<u>2,538,956</u>	<u>2,876,495</u>	<u>3,129,798</u>	<u>3,533,359</u>	<u>3,779,077</u>
Total Liabilities.....	<u>\$ 40,972,823</u>	<u>\$ 45,343,922</u>	<u>\$27,188,284</u>	<u>\$35,327,734</u>	<u>\$36,322,244</u>
<b>DEFERRED INFLOWS OF RESOURCES:(2)</b>					
Succeeding Year Property Taxes .....	\$ 0	\$ 0	\$11,296,887	\$11,228,611	\$12,034,777
Pension Related Deferred Inflows.....	0	0	0	3,736,204	1,294,912
Total Deferred Inflows of Resources.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$11,296,887</u>	<u>\$14,964,815</u>	<u>\$13,329,689</u>
<b>NET POSITION:</b>					
Net Invested in Capital Assets .....	\$ 28,325,116	\$ 29,002,766	\$30,504,272	\$32,948,014	\$34,132,724
Restricted for:					
Capital Improvements.....	8,353,089	6,090,445	4,754,750	5,504,376	10,281,063
Community Development .....	520,826	589,387	288,043	216,297	184,110
Debt Service.....	477,164	29,621	48,225	46,959	107,604
Employee Benefits.....	0	0	1,564,035	2,161,420	2,396,249
Emergency Communications .....	0	0	349,082	367,709	492,293
Other Purposes .....	2,512,691	2,997,220	1,453,658	1,822,430	3,345,316
Unrestricted .....	<u>(730,534)</u>	<u>(5,497,165)</u>	<u>(5,613,806)</u>	<u>(17,323,596)</u>	<u>(20,244,351)</u>
Total Net Position .....	<u>\$ 39,458,352</u>	<u>\$ 33,212,274</u>	<u>\$33,348,259</u>	<u>\$25,743,609</u>	<u>\$30,695,008</u>

Notes: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2012 through 2016.

(2) Format change in 2014.

# **Statement of Activities Governmental Activities(1)**

	Audited for Year Ended June 30				
	2012	2013	2014	2015	2016
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
Public Safety .....	\$ (7,954,250)	\$ (7,453,431)	\$ (7,614,121)	\$ (7,641,007)	\$ (7,781,174)
Public Works .....	(3,446,948)	(9,199,921)	(2,964,836)	(1,528,931)	(880,391)
Health and Social Services .....	(198,494)	(200,383)	533,144	(314,146)	(307,071)
Culture and Recreation .....	(2,050,220)	(2,863,832)	(3,080,212)	(2,866,578)	(2,687,881)
Community and Economic Development .....	(951,630)	(822,775)	(1,664,215)	77,114	109,178
General Government .....	(994,405)	(1,148,176)	(1,150,899)	(1,125,422)	(1,034,934)
Interest on Long-Term Debt .....	(563,965)	(628,314)	(627,060)	(425,967)	(429,891)
Total Governmental Activities .....	<u>\$(16,159,912)</u>	<u>\$(22,316,832)</u>	<u>\$(16,568,199)</u>	<u>\$(13,824,937)</u>	<u>\$(13,012,164)</u>
General Revenues					
Taxes:					
Property .....	\$ 9,853,096	\$ 9,967,944	\$ 10,036,577	\$ 9,777,342	\$ 9,534,568
Tax Increment Financing .....	1,513,164	1,138,171	1,475,200	1,219,210	1,276,898
Local Options Sales Tax .....	3,250,865	2,781,316	2,936,344	3,164,249	4,248,087
Utility Excise .....	913,583	820,070	921,454	884,215	903,826
Hotel/Motel .....	372,683	378,567	432,108	474,474	542,180
Mobile Homes .....	12,813	14,198	13,314	12,973	12,931
Unrestricted:					
State Generated Revenues .....	317,412	369,337	453,645	845,140	1,244,225
Investment Earnings .....	173,169	126,436	112,280	53,042	90,717
Miscellaneous Revenues .....	602,269	637,775	493,213	660,348	551,452
Transfers .....	(169,661)	(163,060)	(169,951)	(172,735)	(441,321)
Total General Revenues and Transfers .....	<u>\$ 16,839,393</u>	<u>\$ 16,070,754</u>	<u>\$ 16,704,184</u>	<u>\$ 16,918,258</u>	<u>\$ 17,963,563</u>
Change In Net Position .....	\$ 679,481	\$ (6,246,078)	\$ 135,985	\$ 3,093,321	\$ 4,951,399
Net Position, Beginning .....	<u>\$ 38,778,871</u>	<u>\$ 39,458,352</u>	<u>\$ 33,212,274</u>	<u>\$ 22,650,288(2)</u>	<u>\$ 25,743,609</u>
Net Position, Ending .....	<u>\$ 39,458,352</u>	<u>\$ 33,212,274</u>	<u>\$ 33,348,259</u>	<u>\$ 25,743,609</u>	<u>\$ 30,695,008</u>

Notes: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2012 through 2016.  
 (2) Restated due to GASB 68 implementation.

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**Balance Sheet  
 General Fund(1)**

	Audited as of June 30				
	2012	2013	2014	2015	2016
<b>ASSETS:</b>					
Cash and Cash Equivalents.....	\$ 3,410,860	\$ 4,218,696	\$ 3,517,118	\$ 3,614,228	\$ 3,395,312
Receivables					
Property Taxes:					
Delinquent .....	71,748	77,403	76,069	56,759	54,452
Succeeding Year .....	6,726,645	6,863,531	6,573,120	6,530,994	7,016,662
Accounts and Unbilled Usage .....	168,018	165,113	181,636	219,670	191,908
Due from Other Funds .....	239,588	133,036	223,021	106,099	99,211
Due from Component Units .....	10,501	10,037	11,209	13,690	13,223
Due from Other Governments.....	254,389	252,225	238,335	193,267	228,597
Advance to Other Funds.....	50,000	95,000	0	0	0
Prepaid Items .....	258,309	241,974	249,958	237,568	221,785
Total Assets.....	<u>\$11,190,058</u>	<u>\$12,057,015</u>	<u>\$11,070,466</u>	<u>\$10,972,275</u>	<u>\$11,221,150</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable.....	\$ 110,151	\$ 118,374	\$ 98,361	\$ 248,477	\$ 112,878
Accrued Payroll and Payroll Benefits .....	364,971	410,175	425,464	467,075	159,689
Deferred Revenue(2) .....	6,818,128	6,996,071	0	0	0
Due to Other Governments.....	88,436	125,596	95,133	100,335	114,214
Due to Other Funds .....	0	25,303	0	0	0
Total Liabilities.....	<u>\$ 7,381,686</u>	<u>\$ 7,675,519</u>	<u>\$ 618,958</u>	<u>\$ 815,887</u>	<u>\$ 386,781</u>
Deferred Inflows of Resources: (2)					
Unavailable Revenue-Property Taxes.....	\$ 0	\$ 0	\$ 6,573,120	\$ 6,530,994	\$ 7,016,662
Unavailable Revenue-Other.....	0	0	126,241	62,792	99,158
Unavailable Revenue-Intergovernmental .....	0	0	0	8,839	0
Total Deferred Inflows of Resources .....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,699,361</u>	<u>\$ 6,602,625</u>	<u>\$ 7,115,820</u>
Fund Balances:					
Nonspendable .....	\$ 258,309	\$ 241,974	\$ 249,958	\$ 237,568	\$ 221,785
Restricted .....	517,008	1,153,313	588,928	694,247	725,844
Committed .....	250,000	250,000	250,000	250,000	250,000
Unassigned .....	<u>2,783,055</u>	<u>2,736,209</u>	<u>2,663,261</u>	<u>2,371,948</u>	<u>2,520,920</u>
Total Fund Balances.....	<u>\$ 3,808,372</u>	<u>\$ 4,381,496</u>	<u>\$ 3,752,147</u>	<u>\$ 3,553,763</u>	<u>\$ 3,718,549</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$11,190,058</u>	<u>\$12,057,015</u>	<u>\$11,070,466</u>	<u>\$10,972,275</u>	<u>\$11,221,150</u>

Notes: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2012 through 2016.  
 (2) Format change in 2014.

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## Statement of Revenues, Expenditures and Changes in Fund Balance General Fund(1)

	Audited Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
<b>REVENUES:</b>					
Property Taxes .....	\$ 5,823,981	\$ 5,984,410	\$ 6,049,691	\$ 5,684,978	\$ 5,541,436
Other City Taxes .....	1,160,036	1,138,837	1,187,602	1,224,633	1,308,014
Use of Money and Property .....	110,286	125,428	120,970	101,113	98,862
Licenses and Permits .....	203,813	219,392	391,091	321,446	289,261
Intergovernmental .....	826,746	906,655	809,834	1,012,319	1,263,374
Charges for Service .....	832,879	878,710	807,082	895,920	958,113
Miscellaneous .....	<u>280,425</u>	<u>266,343</u>	<u>279,945</u>	<u>273,096</u>	<u>200,544</u>
Total Revenue .....	\$ 9,238,166	\$ 9,519,775	\$ 9,646,215	\$ 9,513,505	\$ 9,659,604
<b>EXPENDITURES:</b>					
Current:					
Public Safety .....	\$ 7,467,014	\$ 7,774,342	\$ 8,839,884	\$ 8,185,211	\$ 8,472,255
Public Works .....	1,656,092	1,654,301	1,635,380	1,677,313	1,690,083
Health and Social Services .....	410,087	405,393	448,301	441,290	409,924
Culture and Recreation .....	2,689,182	2,679,429	2,581,438	2,684,275	2,448,957
Community and Economic Development .....	100,852	113,965	170,007	131,238	122,437
General Government .....	1,080,363	1,147,332	1,252,426	1,273,399	1,185,537
Debt Service .....	<u>13,840</u>	<u>13,840</u>	<u>13,840</u>	<u>36,716</u>	<u>11,991</u>
Total Expenditures .....	<u>\$13,417,430</u>	<u>\$13,788,602</u>	<u>\$14,941,276</u>	<u>\$14,429,442</u>	<u>\$14,341,184</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures .....	\$ (4,179,264)	\$ (4,268,827)	\$ (5,295,061)	\$ (4,915,937)	\$ (4,681,580)
Other Financing Sources (Uses)					
Transfers (Net)(2) .....	<u>4,211,413</u>	<u>4,841,951</u>	<u>4,665,712</u>	<u>4,717,553</u>	<u>4,846,366</u>
Net Change in Fund Balance .....	\$ 32,149	\$ 573,124	\$ (629,349)	\$ (198,384)	\$ 164,786
Fund Balance - Beginning .....	<u>\$ 3,776,223</u>	<u>\$ 3,808,372</u>	<u>\$ 4,381,496</u>	<u>\$ 3,752,147</u>	<u>\$ 3,553,763</u>
Fund Balance - Ending .....	\$ 3,808,372	\$ 4,381,496	\$ 3,752,147	\$ 3,553,763	\$ 3,718,549

Notes: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2012 through 2016.  
(2) Property taxes are transferred in from a special revenue tax fund to offset the employee benefits that are expensed through the General Fund.

## EMPLOYEE RETIREMENT AND OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS

### Pensions

The City contributes to the Municipal Fire and Police Retirement System of Iowa Plan ("MFPRSI"). Membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org). See **APPENDIX A - Note 7** for more information. At June 30, 2015, the City reported a liability of \$5,658,798 for its proportionate share of the net pension liability.

The City also contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. Employees who retire at age 65 (or anytime after age 55 with 30 or more years of service) are entitled to full monthly benefits. IPERS offers six options for distribution of retirement benefits. Benefits become fully vested after completing seven years of service or after attaining age 65.

IPERS plan members are required to contribute a percentage of their annual salary, in addition to the City being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The City's share is payable from the applicable funds of the City. All contributions are on a current basis. See **APPENDIX A - Note 7** for additional information on IPERS.

The following table sets forth the contributions made by the City and employees to IPERS for the period indicated. The City has always made their full statutorily required contributions to IPERS. The City cannot predict the levels of funding that will be required in the future.

<u>Fiscal Year</u>	<u>% of Payroll Paid by the City</u>	<u>% of Payroll Paid by Employee</u>
2014.....	8.93%	5.95%
2015.....	8.93%	5.95%
2016.....	8.93%	5.95%
2017.....	8.93%	5.95%
2018.....	8.93%	5.95%

The IPERS fund is administered by the IPERS Board with administration costs paid from income derived from invested funds. IPERS has an unfunded actuarial liability and unrecognized actuarial loss. The following table sets forth certain information about the funding status of IPERS that has been extracted from the Actuarial Valuation Report of IPERS for fiscal years noted below (the "IPERS Reports"). A complete copy of the Reports can be obtained by visiting IPERS website at: <http://www.ipers.org/> or by writing to IPERS at P.O. Box 9117, Des Moines, Iowa 50306-9117.

<u>Fiscal Year Ending June 30</u>	<u>Actuarial Value of Assets [a]</u>	<u>Actuarial Accrued Liability [b]</u>	<u>Unfunded Actuarial Accrued Liability (Actuarial Value) [b]-[a]</u>	<u>Funded Ratio (Actuarial Value) [a]/[b]</u>	<u>Covered Payroll [c]</u>	<u>UAAL as a Percentage of Covered Payroll (Actuarial Value) {[b-a]/[c]}</u>
2012.....	\$23,530,094,461	\$29,446,197,486	\$5,916,103,025	79.91%	\$6,786,158,720	87.18%
2013.....	24,711,096,187	30,498,342,320	5,787,246,133	81.02%	6,880,131,134	84.12%
2014.....	26,460,428,085	32,004,456,088	5,544,028,003	82.68%	7,099,277,280	78.09%
2015.....	27,915,379,103	33,370,318,731	5,454,939,628	83.65%	7,326,348,141	74.46%
2016.....	29,033,696,587	34,619,749,147	5,586,052,560	83.86%	7,556,515,720	73.92%

Source: IPERS Reports.

According to IPERS, the market value investment return on program assets is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Investment Return %</u>
2012.....	3.73%
2013.....	10.12%
2014.....	15.88%
2015.....	3.96%
2016.....	2.15%

Source: IPERS Reports

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

Pursuant to GASB Statement No. 68, the City reported a liability of \$4,109,324 as of June 30, 2016 for its proportionate share of the net pension liability for ("IPERS"). The net pension liability is the amount by which the total actuarial liability exceeds the pension plan's net assets or fiduciary net position (essentially the market value) available for paying benefits. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2015, the City's collective proportion was 0.82659%. For additional information, see the City's Audited Financial Statements for Fiscal Year Ending June 30, 2016 in **APPENDIX A**.

## **Other Post-Employment Benefits (OPEB)**

In June 2004, the Governmental Accounting Standards Board (“GASB”) issued GASB 45, which address how state and local governments are required to account for and report their costs and obligations related to other post-employment benefits (“OPEB”), defined to include post-retirement healthcare benefits. GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension establishes financial reporting standards designed to measure, recognize and display OPEB costs. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The provisions of GASB 45 do not require governments to fund their OPEBs. The City may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods.

As of July 1, 2014, the most recent valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$5,856,914, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,856,914. The covered payroll (annual payroll of active employees covered by the plan) was \$9,663,341 and the ratio of the UAAL to covered payroll was 60.6%. As of June 30, 2015, there were no trust fund assets. As of the July 1, 2014 actuarial valuation date, Projected Unit Credit Cost Method was used.

See **APPENDIX A – Notes (7) and (8)** herein for further discussion of the City’s employee retirement benefit obligations.

## **REGISTRATION, TRANSFER AND EXCHANGE**

See also **APPENDIX B - BOOK-ENTRY SYSTEM** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The City shall cause books (the “Bond Register”) for the registration and for the transfer of the Bonds to be kept at the principal office maintained for the purpose by the Bond Registrar in Des Moines, Iowa. The City will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the City for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Resolution. Upon surrender for transfer or exchange of any Bond at the principal office maintained for the purpose by the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner’s attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the fifteenth day of the month next preceding an interest payment date on such bond (known as the record date), nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner’s legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a bond surrendered for redemption.

## **TAX EXEMPTION AND RELATED CONSIDERATIONS**

### **Tax Exemption**

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

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

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

### **Proposed Changes in Federal Tax Law**

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

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

## **Original Issue Premium**

The Bonds maturing in the years 2019 - 2031 are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire the Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire any Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their any original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling the Bonds acquired at a premium.

## **Original Issue Discount**

The Bonds maturing in the years 2032 - 2037 (collectively, the "Discount Bonds") are being sold at a discount from the principal amount payable on such Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Bonds (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

An owner of a Discount Bond who disposes of such Discount Bond prior to maturity should consult owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

Owners who purchase Discount Bonds in the initial public offering but at a price different than the Issue Price should consult their own tax advisor with respect to the tax consequences of the ownership of Discount Bonds.

The Code contains provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bond such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Original issue discount that accrues in each year to an owner of a Discount Bond may result in collateral federal income tax consequences to certain taxpayers. No opinion is expressed as to state and local income tax treatment of original issue discount. All owners of Discount Bonds should consult their own tax advisors with respect to the federal, state, local and foreign tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.



## CONTINUING DISCLOSURE

For the purpose of complying with Rule 15c2-12 of the Securities Exchange Commission, as amended and interpreted from time to time (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds to provide reports of specified information and notice of the occurrence of certain events, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, and the events as to which notice is to be given, is set forth in “**APPENDIX D – Form of Continuing Disclosure Certificate**”. This covenant is being made by the City to assist the Underwriter(s) in complying with the Rule.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or Resolution, respectively. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

Pursuant to the Rule, in the last five years, the City, to the best of its knowledge, failed to timely file certain tables for its required annual operating data and audited or unaudited financial statements for fiscal years June 30, 2012 and June 30, 2014. The 2012 audit was filed on March 19, 2013. The City has filed a Notice of Failure to File for the fiscal years 2012 and 2014.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

## OPTIONAL REDEMPTION

Bonds due June 1, 2019 - 2025 inclusive, are not subject to optional redemption. Bonds due June 1, 2026 - 2037, inclusive, are callable in whole or in part on any date on or after June 1, 2025, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the City and within any maturity by lot.

Thirty days’ written notice of redemption shall be given to the registered owner of the Bond. Failure to give written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment. Written notice will be deemed completed upon transmission to the owner of record. All prepayments shall be at a price of par plus accrued interest.

## MANDATORY REDEMPTION

The Bonds coming due on June 1, 2034, are term bonds (the “Term Bonds”) and are subject to mandatory redemption prior to maturity on June 1 of the years and in the amounts as follows:

\$2,080,000; 3.000% Term Bonds Due June 1, 2034; Yield 3.050%:

Redemption	
<u>Year</u>	<u>Amount</u>
2033 .....	\$1,020,000
2034 .....	1,060,000 (stated maturity)

The City covenants that it will redeem Term Bonds pursuant to the mandatory redemption requirement for such Term Bonds. Proper provision for mandatory redemption having been made, the City covenants that the Term Bonds so selected for redemption shall be payable as at maturity.

## LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof. There is no litigation now pending, or to the knowledge of the City, threatened against the City that is expected to materially impact the financial condition of the City.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest thereon (see “**TAX EXEMPTION AND RELATED CONSIDERATIONS**” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as **APPENDIX C**. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

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

Bond Counsel has not been engaged, nor has it undertaken, to prepare or to independently verify the accuracy of the Final Official Statement, including but not limited to financial or statistical information of the City and risks associated with the purchase of the Bonds, except Bond Counsel has reviewed the information and statements contained in the Final Official Statement under, “**TAX EXEMPTION AND RELATED CONSIDERATIONS**” and “**LEGAL MATTERS**”, insofar as such statements contained under such captions purport to summarize certain provisions of the Internal Revenue Code of 1986, the Bonds and any opinions rendered by Bond Counsel. Bond Counsel has prepared the documents contained in **APPENDIX C** and **APPENDIX D**.

## FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such.

This Final Official Statement is not to be construed as a contract or agreement amongst the City, the Underwriter, or the holders of any of the Bonds. Any statements made in this Final Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Final Official Statement or the sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The information contained in this Final Official Statement is not guaranteed.

## INVESTMENT RATING

The Bonds have been rated “Aa2” by Moody’s Investors Service. The City has supplied certain information and material concerning the Bonds and the City to the rating service shown on the cover page, including certain information and materials which may not have been included in this Final Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: Moody’s Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658.

## UNDERWRITING

The Bonds were offered for sale by the City at a public, competitive sale on Monday, September 11, 2017. The best bid submitted at the sale was submitted by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the “Underwriter”). The City awarded the contract for sale of the Bonds to the Underwriter at a price of \$12,810,099.65 (reflecting the par amount of \$12,720,000.00, plus a reoffering premium of \$226,554.90, and less an Underwriter’s discount of \$136,455.25). The Underwriter has represented to the City that the Bonds have been subsequently re-offered to the public initially at the yields or prices set forth in the on the cover of the Final Official Statement.

## MUNICIPAL ADVISOR

The City has engaged Speer Financial, Inc. as municipal advisor (the “Municipal Advisor”) in connection with the issuance and sale of the Bonds. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the MSRB. The Municipal Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Municipal Advisor obligated by the City’s continuing disclosure undertaking.

## CERTIFICATION

We have examined this Final Official Statement dated September 11, 2017, for the \$12,720,000 General Obligation Municipal Building Bonds, Series 2017, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief, information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **DIANA STEINER**  
*Finance Director*  
CITY OF MARSHALLTOWN  
Marshall County, Iowa

/s/ **JAMES L. LOWRANCE**  
*Mayor*  
CITY OF MARSHALLTOWN  
Marshall County, Iowa

**APPENDIX A**

**CITY OF MARSHALLTOWN  
MARSHALL COUNTY, IOWA**

**FISCAL YEAR 2016 AUDITED FINANCIAL STATEMENTS**



# **CITY OF MARSHALLTOWN, IOWA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2016**

**Prepared by:  
City Finance Department**

# CITY OF MARSHALLTOWN, IOWA

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## INTRODUCTORY SECTION

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**City of Marshalltown**  
**James Lowrance, Mayor**  
**Jessica Kinser, City Administrator**  
**Diana Steiner, Finance Director**  
**24 North Center Street**  
**Marshalltown, IA 50158-4911**  
**Tel - (641) 754-5760**  
**Fax - (641) 754-5781**  
**Email: [dsteiner@ci.marshalltown.ia.us](mailto:dsteiner@ci.marshalltown.ia.us)**

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December 19, 2016

To the Honorable Mayor, City Council Members  
And Citizens of the City of Marshalltown, Iowa:

The City of Marshalltown, Iowa, is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa for the fiscal year ended June 30, 2016 as prepared by the Finance Department is hereby submitted in accordance with the provisions of Chapter 11.6 of the Code of Iowa.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Eide Bailly, L.L.P, a firm of licensed Certified Public Accountants, and they have issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, 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, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance, and Schedule of Findings and Questioned Costs is included in the section entitled Compliance Section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the City**

The City was incorporated July 27, 1863 under the laws of the State of Iowa, later amended on June 16, 1975 under the City Home Rule Act. Marshalltown is located in the central region of the state, with a land area of 19.28 square miles and a population of 27,552 as of the 2010 census. The City is empowered to levy a property tax on real property located within its boundaries, and has the power to extend its corporate limits by annexation.

The City operates under a mayor-council form of government. Setting policy and legislative authority are vested in the seven-member council. The City Council is responsible for passing ordinances, resolutions, adopting and amending the budget, appointing committees and hiring the City Administrator as provided by city ordinance. The Mayor and Council are elected for a four year staggered term rotation, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator, hired by the City Council is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the City Clerk and department managers.

The City provides the following services as authorized by its charter: public safety, public works, culture, recreation, and community development. The City also provides additional services including sewage collection and disposal, compost facility, a transit system, and municipal parking lots.

The City's financial statements include all funds, departments, boards and commissions, and other government entities that do not have separate legal status as required by accounting principals generally accepted in the United States of America.

In Marshalltown, the library is overseen by a board of directors and included in the operations of the general fund. 911 Communications are administered by a 911 Commission, which uses an agreement allowed by Chapter 28 of the Code of Iowa and is included in this report. The water distribution system, administered by an independent utility board of trustees, and the Convention and Visitors Bureau, administered by a board of directors, are included as component units of the City.

The annual budget serves as the foundation for the City of Marshalltown's financial planning, development and control. The City Administrator and Finance Director are responsible for developing a budget proposal to the City Council. The proposed budget is presented to the Council in January and February of each year. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than March 15 for the fiscal year beginning the following July first. The appropriated budget is prepared by fund and function.

## **Local Economy**

The 2010 census showed Marshalltown's population increasing 5.9% from 26,009 to 27,552. Unemployment in the City was at 4.0% in fiscal year 2016. This is the same as the Iowa rate of 4.0% as of June 2016.

The numbers of building permits for new construction decreased in fiscal year 2016. 29 new construction building permits were issued for a value of \$13.4 million. 102 remodeling, repairs and additions permits were issued for a value of \$11.9 million. This was an overall decrease from the prior year of \$12.5 million. The overall decrease is due to additional commercial building projects in 2015.

The Local Option Sales Tax (LOSTfin) which begun April 1, 2000 was voted and approved for another 10 year extension which will end in 2025. The allocation remained the same with 75% being designated for property tax relief, 20% for street and sewer projects and 5% allocated for council discretion. For fiscal year ending June 30, 2016 the City collected approximately \$4.2 million (accrual basis).

## **Major Initiatives**

Alliant Energy's Iowa utility continues construction of a \$700 million, 650 – megawatt electric generating plant after securing all the necessary regulatory approvals and permits. The station is expected to power more than 500,000 homes in Iowa and Minnesota when it is completed. Projected completion date is set for spring of 2017. The generating plant would replace a large portion of the current coal-fired generating station, with 150 watts to remain for peak generation. This project is expected to create 15 to 20 permanent jobs and 250 to 350 jobs, on average, during construction. Alliant Energy is the City's largest taxpayer.

MMSC (Marshalltown Medical and Surgical Center) has approved a three phase construction of a new hospital facility on the South side of town. The new facility is being built across the street from the City's local community college on 29 acres of land at the junctions of highways 30 & 14. A groundbreaking ceremony in April, 2014 marked the start of construction for phase 1. The new \$35 million Outpatient Services Center is a 75,000 square foot center which includes an outpatient surgical center with four operating suites, an urgent-care clinic, imaging and laboratory spaces and an area for rehabilitation therapy. Phase I is a relocation of those existing outpatient services from the current location. The project was completed in mid 2015. Phase two of this project includes a future cancer center. Phase three will move the emergency room, cardiovascular cath. lab and inpatient care from its current location. Their existing facility is on 7 acres of land with plans to demolish the facilities that are no longer functional and sell or rent out the other buildings.

The Marshalltown School District completed the renovation and addition of the Marshalltown High School Roundhouse. The board approved an almost \$8 million construction contract in October 2013. With architectural fees and other costs the project will cost close to \$10 million. Phase one would include the renovation of the current gym including new efficient heating and cooling system. It will include a state-of-the-art gym floor and more safer/comfortable bleachers. Locker and weight rooms will be added. It will include a new roof and other features. General obligation bonds were sold and will be repaid with future sales tax revenue and will not include any increase to property tax rates. Phase two includes an auxiliary gym and wrestling room and is estimated to cost \$3.85 million. This phase will be paid for by donations. The Martha-Ellen Tye Foundation said it will donate a \$1 million challenge grant to the project when the community raises its first \$1 million. To date \$2.8 million of the anticipated \$3.85 million has been raised.

Hawkeye Hotels, LLC has announced plans for the construction of Holiday Inn Express hotel with an estimated project cost of \$10,000,000.

A new housing development has begun construction. Wandering Creek housing development includes plans for 52 townhomes, in 2-4 unit configurations. The total estimated investment is over \$10,000,000.

## **Inter-governmental Cooperation**

The Marshalltown Area Chamber of Commerce, Marshalltown Community School District, Iowa Valley Community College and area business leaders formed the Marshalltown Business-Education Alliance. The mission of the Alliance is to drive the successful execution of the partners' strategic plans, achieve measurable results, and be the education system of choice. Five goals were identified (a) remove barriers and expand educational opportunities and career pathways for students, (b) actively engage business leaders and educators to determine the skills needed in the workplace, (c) improve community perceptions and attitudes about education, (d) develop a unified front to ensure parents recognize the value of education and (e) provide "one voice advocacy" for policies and issues affecting education excellence.

As part of being a recipient of the All American City award (see below under awards) the City is working closely with local non-profits, the business community as well as the school district to have the children of the community reading at grade level by the end of 3<sup>rd</sup> grade. This is a national issue and one that Marshalltown is on the forefront to help solve. This is just one of the many positive initiatives that are in progress throughout the community.

A group of community leaders, Chamber of Commerce, MEDIC (Marshall Economic Development Impact Committee) and government officials continue to make an annual visit to Washington DC to explore available programs and funding assistance.

The City of Marshalltown has been a successful recipient of five Lead Based Paint Hazard Control Grants from the US Department of Housing and Urban Development. Since 2003 a total of \$12,687,265.96 has been awarded. By the end of 2017 a total of 722 housing units will be made lead safe through home renovations such as window replacement, siding installation and paint stabilization. The City has established partnerships with 28 other governmental entities to offer a regional program throughout four Counties. The current grant is the largest totaling \$3,400,000. 130 housing units will be made lead safe over a three year period.

## **Long-Term Financial Planning**

Maintenance and rehabilitation of the City's infrastructure (such as streets, sewers and bridges) have been the major priority of the City during the last three years. Maintenance of roads and sewer rehabilitation will continue to be in the future by the allocation of 20% of local option sales tax money designation going towards street and sewer projects. The City annually adopts a five-year Capital Improvement Program that provides a framework for the development and maintenance of infrastructure to meet current and future needs. In conjunction with this program, the City of Marshalltown includes a five year equipment replacement plan.

A vote was taken August 2, 2016 by the citizens of Marshalltown and approved for the construction of a new joint Police and Fire Building. The total cost estimate is \$17.5 million, which will be funded with general obligation bonds.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and consecutively 1993 through 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

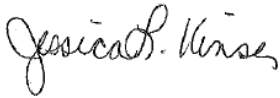
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In June of 2012 Marshalltown was selected as an All-America City by the National Civic League. Marshalltown was one of 13 communities selected for the prestigious award. In three years the 13 cities that received the award will return to a conference to explain what programs worked and what programs did not. The City was a finalist of the 2014 All American City Award. 25 Communities were invited to participate in the final awards event.

The preparation of this report could not be accomplished without the dedicated services of the entire Finance Department staff. We also want to acknowledge the assistance from many other department staff, agencies and organizations which are all vital to the culmination of this report.

Respectfully submitted,



Jessica Kinser  
City Administrator



Diana Steiner  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Marshalltown  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

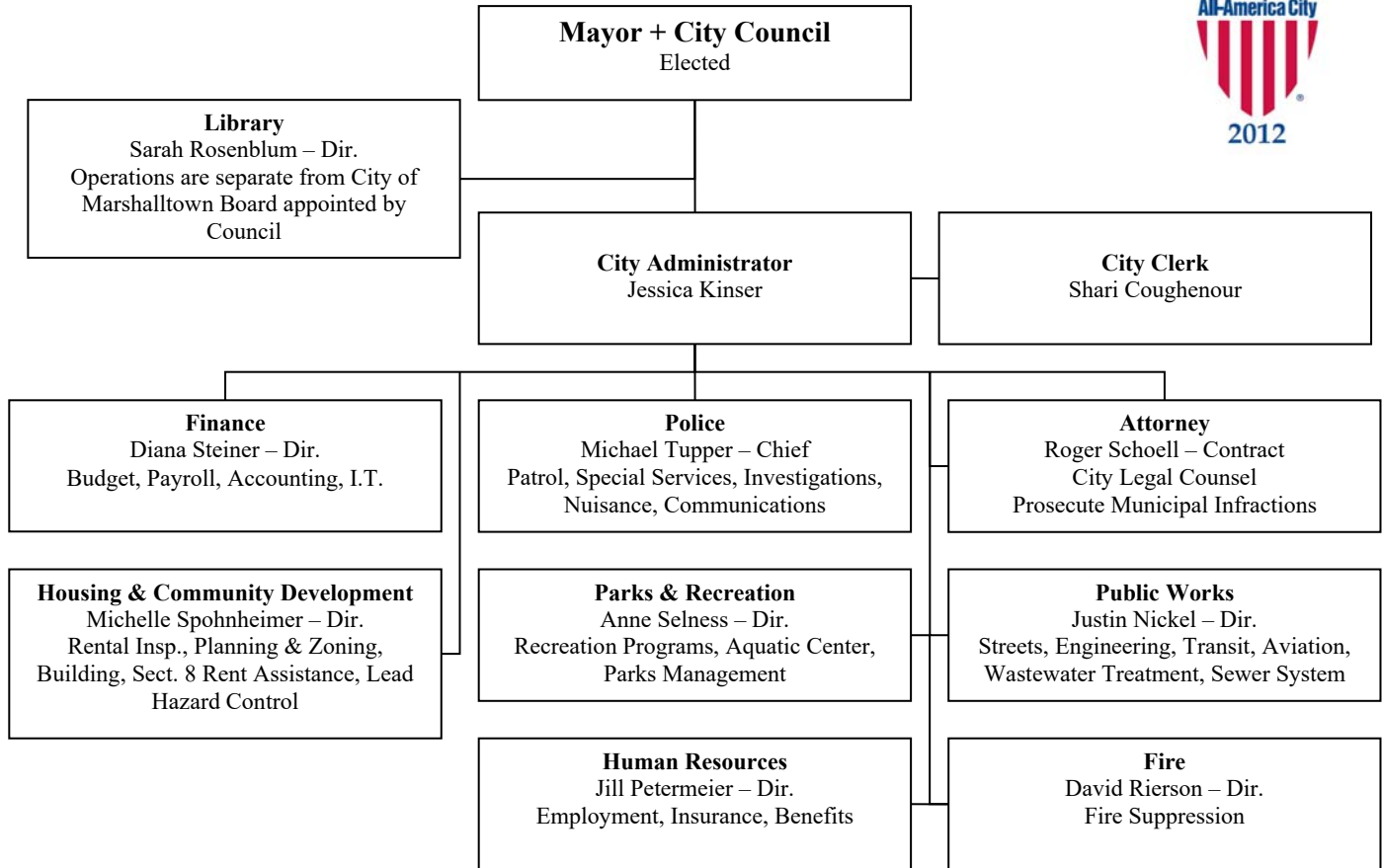
Executive Director/CEO





# Marshalltown Organization Chart

Marshalltown



**CITY OF MARSHALLTOWN, IOWA**  
**OFFICIALS**  
**JUNE 30, 2016**

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Name	Title	Term Expires
Elected officials:		
James Lowrance	Mayor	December 31, 2017
Bethany Wirin	Mayor Pro-Tem, Council At Large	December 31, 2017
Bill Martin	Council Member At Large	December 31, 2017
Leon Lamer	Council Member At Large	December 31, 2019
Robert Schubert	Council Member First Ward	December 31, 2017
Joel Greer	Council Member Second Ward	December 31, 2019
Mike Gowdy	Council Member Third Ward	December 31, 2017
Al Hoop	Council Member Fourth Ward	December 31, 2019
Council-appointed officials:		
Jessica Kinser	City Administrator	Contract Expires November 14, 2021
City Administrator appointment with Council Approval:		
Shari Coughenour	City Clerk	Indefinite
Diana Steiner	Finance Director	Indefinite
David Rierson	Fire Chief	Indefinite
Michelle Spohnheimer	Housing & Community Dev. Director	Indefinite
Anne Selness	Parks and Recreation Director	Indefinite
Michael Tupper	Police Chief	Indefinite
Justin Nickel	Public Works Director	Indefinite
Jill Petermeier	Human Resources Director	Indefinite

## **FINANCIAL SECTION**

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Marshalltown Water Works or Marshalltown Convention and Visitors Bureau, which represent the entire assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Marshalltown Water Works or Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors. 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. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marshalltown, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, schedule of bond maturities, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements, schedule of bond maturities, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, schedule of bond maturities, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the City of Marshalltown, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Marshalltown, Iowa's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Dubuque, Iowa  
December 19, 2016

## Management's Discussion & Analysis (MD&A)

The following is a narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. Additional historical information can be found in the Statistical Section of this report supporting some of the analysis presented in this discussion and the transmittal letter.

### Financial Highlights of Primary Government

- Assets and deferred outflows of resources of the City of Marshalltown exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$79,237,110 (*net position*) as compared to \$71,746,010 in the prior year.
- The City's total net position increased by \$7,491,100. This increase is primarily attributable to an increase in revenue from local option sales tax, state general revenues, and charges for services.
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$17,800,260 an increase of \$2,882,892 in comparison with the prior year. This increase was from other additional city taxes and other governmental revenue.
- \$2,325,761 in unassigned fund balance is available for spending at the City's discretion. Prior year unassigned fund balance was \$2,287,793
- The City's total debt had a net increase of \$3.1 million during the current fiscal year. This change reflects the retirement of existing bonds and the issuance of \$8 million in new GO Debt and Revenue Debt.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshalltown's basic financial statements. The City of Marshalltown's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Marshalltown's finances, in a manner more similar to a private-sector business.

The statement of net position presents information on all of the City of Marshalltown's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Marshalltown is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Marshalltown that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Marshalltown include public safety, public works (roads, utilities and traffic controls), health and social services, parks and recreation, library, economic development and general government. The business-type activities of the City of Marshalltown include compost, concessions, storm sewer, water pollution control and transportation activities.

The government-wide financial statements include the City of Marshalltown itself (known as the primary government) and also a legally separate Water Works and Convention and Visitors Bureau for which the City of Marshalltown is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marshalltown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marshalltown can be divided into three categories: governmental, proprietary and fiduciary.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Marshalltown maintains 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. Major funds include General, Road Use Tax, Debt Service, Property Tax, Local Option Sales Tax, HUD programs, and Public Works and Other Projects. Data from the other seven non-major governmental funds are combined into a single, aggregated presentation in the governmental funds financial statements. Individual fund data on each of the non-major governmental funds is provided in the form of combining statements in the supplementary information section.

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the governmental and enterprise/proprietary fund levels. This comparison demonstrates the City's compliance with state requirements.



**Proprietary funds.** The City of Marshalltown maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Marshalltown uses enterprise funds to account for its Storm Sewer, Water Pollution Control, Compost, Transit and Concession activities. Internal service funds are an accounting vehicle used to accumulate and allocate costs internally among the City of Marshalltown's various functions. The City of Marshalltown uses internal service funds to account for its insurance operations. Because this service predominantly benefits governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the supplementary information section.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Storm Sewer, Water Pollution Control and Non-major Enterprise funds, namely, Compost, Transit and Concession activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City of Marshalltown's own programs. The most significant fiduciary fund maintained by the City of Marshalltown is the payroll fund; which records the taxes collected for other taxing jurisdictions within the City of Marshalltown. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** The City's budgetary comparison schedule, other postemployment benefit plan information, and pension related schedules are presented as required supplementary information immediately following the notes to basic financial statements. The combining statements referred to earlier in connection with non-major governmental, non-major enterprise funds, internal service funds, and agency funds are presented immediately following the required supplementary information (RSI).

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$79,237,110 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net position \$73,503,272 reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt. The City of Marshalltown uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF MARSHALLTOWN NET POSITION

June 30, 2016

		Governmental Activities		
		FY 2015-16	FY 2014-15	Increase (decrease)
Current and other assets	\$	35,068,839	\$ 30,742,926	\$ 4,325,913
Capital assets		42,864,129	43,151,237	(287,108)
Total Assets		77,932,968	73,894,163	4,038,805
Deferred Outflows of Resources		2,413,973	2,141,995	271,978
Current and other liabilities		4,688,167	5,343,201	(655,034)
Noncurrent liabilities		31,634,077	29,984,533	1,649,544
Total Liabilities		36,322,244	35,327,734	994,510
Deferred Inflows Of Resources		13,329,689	14,964,815	(1,635,126)
Net position:				
Net investment in capital assets		34,132,724	32,948,014	1,184,710
Restricted		16,806,635	10,119,191	6,687,444
Unrestricted		(20,244,351)	(17,323,596)	(2,920,755)
Total Net position	\$	30,695,008	\$ 25,743,609	\$ 4,951,399

<b>Business-type Activities</b>			
	<b>FY 2015-16</b>	<b>FY 2014-15</b>	<b>Increase (decrease)</b>
Current and other assets	\$ 16,534,347	\$ 10,645,421	\$ 5,888,926
Capital assets	55,353,558	54,906,690	446,868
Total Assets	71,887,905	65,552,111	6,335,794
Deferred Outflows of Resources	178,507	179,539	(1,032)
Current and other liabilities	2,400,778	2,361,491	39,287
Noncurrent liabilities	21,038,991	17,019,813	4,019,178
Total Liabilities	23,439,769	19,381,304	4,058,465
Deferred Inflows Of Resources	84,541	347,945	(263,404)
Net position:			
Net investment in capital assets	39,370,548	38,458,793	911,755
Restricted	181,757	130,261	51,496
Unrestricted	8,989,797	7,413,347	1,576,450
Total Net position	\$ 48,542,102	\$ 46,002,401	\$ 2,539,701

<b>Total Net Position</b>			
	<b>FY 2015-16</b>	<b>FY 2014-15</b>	<b>Increase (decrease)</b>
Current and other assets	\$ 51,603,186	\$ 41,388,347	10,214,839
Capital assets	98,217,687	98,057,927	159,760
Total Assets	149,820,873	139,446,274	10,374,599
Deferred Outflows of Resources	2,592,480	2,321,534	270,946
Current and other liabilities	7,088,945	7,704,692	(615,747)
Noncurrent liabilities	52,673,068	47,004,346	5,668,722
Total Liabilities	59,762,013	54,709,038	5,052,975
Deferred Inflows Of Resources	13,414,230	15,312,760	(1,898,530)
Net position:			
Net investment in capital assets	73,503,272	71,406,807	2,096,465
Restricted	16,988,392	10,249,452	6,738,940
Unrestricted	(11,254,554)	(9,910,249)	(1,344,305)
Total Net position	\$ 79,237,110	\$ 71,746,010	\$ 7,491,100

A portion of the City of Marshalltown's governmental and business-type activities net position of \$16,988,392 represents resources that are subject to external restrictions. Prior year comparison shows \$10,249,452, an increase of \$6,738,940.

The following is a more detailed review of the year's operation.

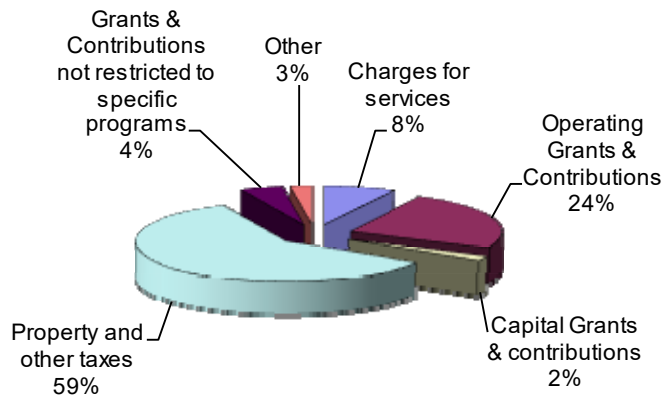
**City of Marshalltown Changes in Net Position**

		<b>Governmental Activities</b>	
	<b>FY 2015-16</b>	<b>FY 2014-15</b>	<b>Increase (decrease)</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 2,129,820	\$ 2,631,687	\$ (501,867)
Operating grants and contributions	6,712,866	6,461,208	251,658
Capital grants and contributions	519,172	170,084	349,088
<b>General Revenues</b>			
Property and other taxes	16,518,490	15,532,463	986,027
Grants & contributions not restricted to specific programs	1,244,225	898,182	346,043
Other	642,169	660,348	(18,179)
<b>Total Revenues</b>	<b>27,766,742</b>	<b>26,353,972</b>	<b>1,412,770</b>
<b>Expenses:</b>			
Public safety	8,996,389	8,516,307	480,082
Public works	5,706,337	6,186,551	(480,214)
Health & social services	1,274,669	1,784,302	(509,633)
Culture and recreation	3,358,064	3,505,193	(147,129)
Community & economic development	1,449,883	1,370,533	79,350
General government	1,158,789	1,299,063	(140,274)
Interest on long term debt	429,891	425,967	3,924
<b>Total expenses</b>	<b>22,374,022</b>	<b>23,087,916</b>	<b>(713,894)</b>
<b>Increase in net position before transfers</b>	<b>5,392,720</b>	<b>3,266,056</b>	<b>2,126,664</b>
<b>Transfers</b>	<b>(441,321)</b>	<b>(172,735)</b>	<b>(268,586)</b>
<b>Increase in net position</b>	<b>4,951,399</b>	<b>3,093,321</b>	<b>1,858,078</b>
<b>Net Position - beginning of year</b>	<b>25,743,609</b>	<b>22,650,288</b>	<b>3,093,321</b>
<b>Net Position - end of year</b>	<b>\$ 30,695,008</b>	<b>\$ 25,743,609</b>	<b>\$ 4,951,399</b>

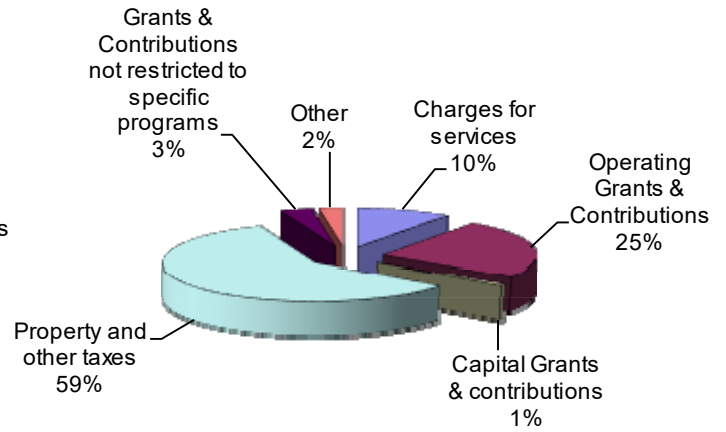
Property and other taxes increased by \$986,027 due to increased local option sales taxes.

## Governmental Revenues as a Percent - Two Year Comparison

**2015-16**

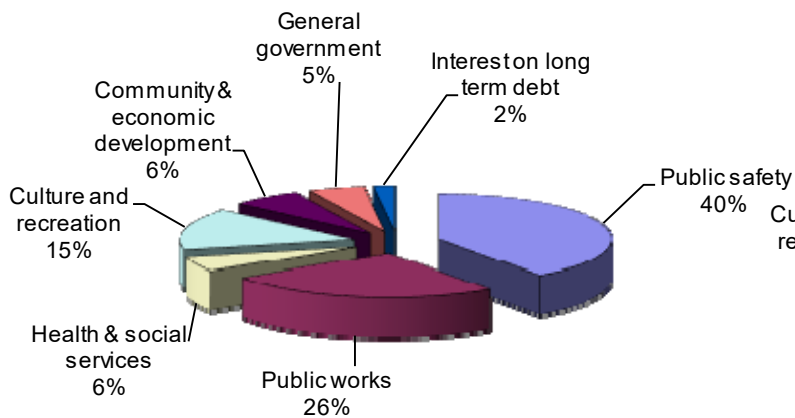


**2014-15**

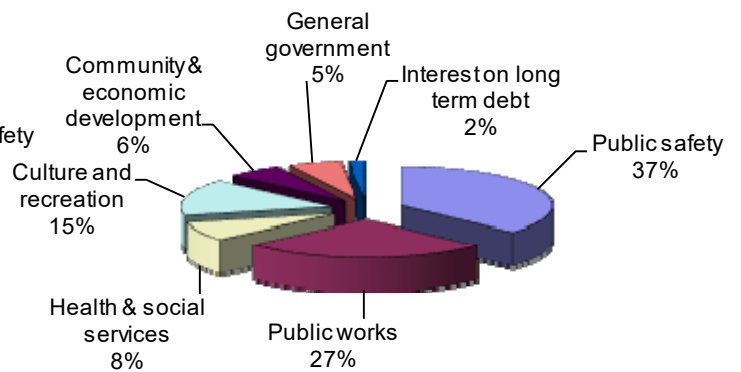


## Governmental Expenses as a Percent - Two Year Comparison

**2015-2016**



**2014-2015**



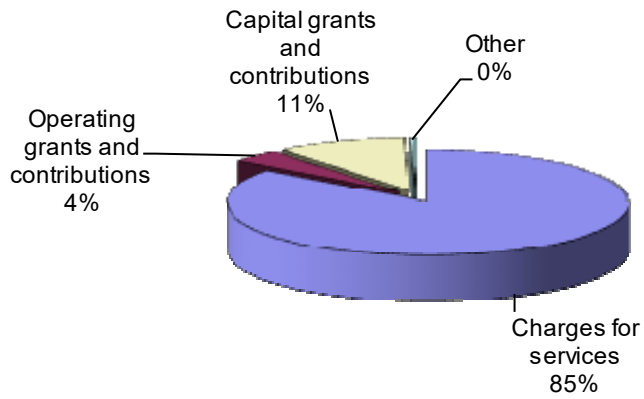
### Business-type Activities

	<u>FY 2015-16</u>	<u>FY 2014-15</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 7,719,170	\$ 7,060,678	\$ 658,492
Operating grants and contributions	363,188	386,922	(23,734)
Capital grants and contributions	942,209	493,326	448,883
General Revenues			
Other	33,763	26,891	6,872
Total Revenues	<u>9,058,330</u>	<u>7,967,817</u>	<u>1,090,513</u>
Expenses:			
Business type	6,959,950	6,126,887	833,063
Total expenses	<u>6,959,950</u>	<u>6,126,887</u>	<u>833,063</u>
Increase (decrease) in net position before transfers	2,098,380	1,840,930	257,450
Transfers	441,321	172,735	268,586
Increase in net position	<u>2,539,701</u>	<u>2,013,665</u>	<u>526,036</u>
Net Position - beginning of year	<u>46,002,401</u>	<u>43,988,736</u>	<u>2,013,665</u>
Net Position - end of year	<u>\$ 48,542,102</u>	<u>\$ 46,002,401</u>	<u>\$ 2,539,701</u>

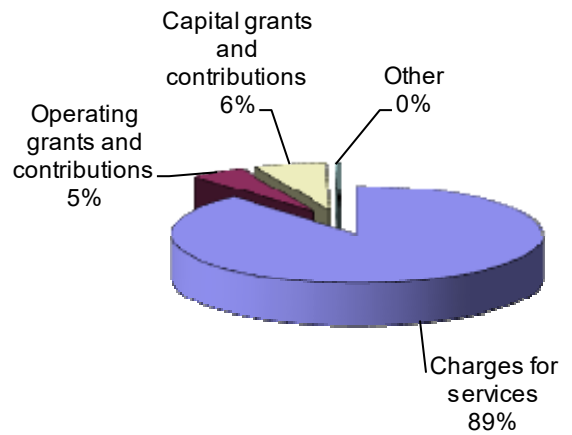
Business type expenses increased during 2015-16 due to more repairs and maintenance expenses in the fiscal year.

## Business-type Revenues as a Percent –Two Year Comparison

2015-2016

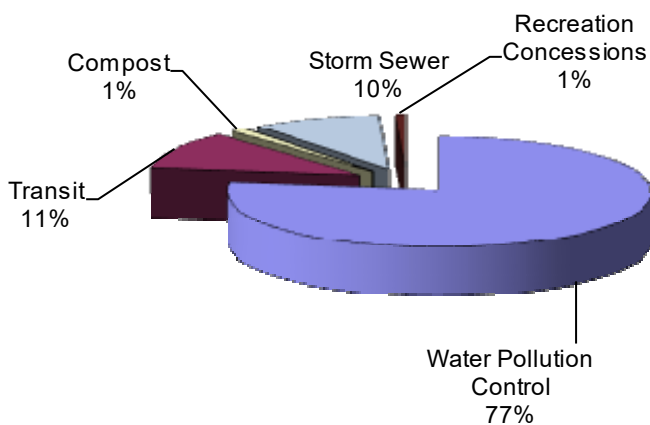


2014-2015

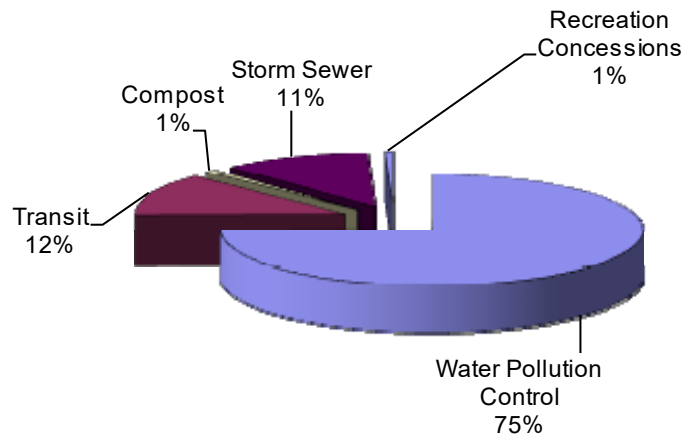


## Business-type Expenses as a Percent – Two Year Comparison

2015-2016



2014-2015



### Total Governmental & Business-type Activities

	FY 2015-16	FY 2014-15	Increase (decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 9,848,990	\$ 9,692,365	\$ 156,625
Operating grants and contributions	7,076,054	6,848,130	227,924
Capital grants and contributions	1,461,381	663,410	797,971
General revenues			
Property and other taxes	16,518,490	15,532,463	986,027
Grants & contributions not restricted to specific programs	1,244,225	898,182	346,043
Other	675,932	687,239	(11,307)
Total revenues	<u>36,825,072</u>	<u>34,321,789</u>	<u>2,503,283</u>
Expenses:			
Public safety	8,996,389	8,516,307	480,082
Public works	5,706,337	6,186,551	(480,214)
Health and social services	1,274,669	1,784,302	(509,633)
Culture and recreation	3,358,064	3,505,193	(147,129)
	1,449,883	1,370,533	79,350
Community and economic development			-
General government	1,158,789	1,299,063	(140,274)
Interest on long term debt	429,891	425,967	3,924
Business type	6,959,950	6,126,887	833,063
Total expenses	<u>29,333,972</u>	<u>29,214,803</u>	<u>119,169</u>
Increase in net position	7,491,100	5,106,986	2,384,114
Net position - beginning of year	<u>71,746,010</u>	<u>66,639,024</u>	<u>5,106,986</u>
Net position - end of year	<u>\$ 79,237,110</u>	<u>\$ 71,746,010</u>	<u>\$ 7,491,100</u>

### Financial Analysis of the Government's Funds

As noted earlier, the City of Marshalltown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The financial reporting focus of the City of Marshalltown's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City of Marshalltown's financing requirements. In particular, unassigned fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$17,800,260, an increase of \$2,882,892 in comparison with the prior year. Of this total amount \$2,325,761 is unassigned fund balance, which is available to meet the future financial needs of the City. \$14,833,144 is restricted, \$250,000 is committed and \$391,355 is nonspendable.

The General fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year this fund balance was \$3,718,549, with an unassigned fund balance of \$2,520,920, a restricted balance of \$725,844, and a committed balance of \$250,000. The remaining \$221,785 is nonspendable (prepaid items).



The Road Use Tax fund is apportioned to the City from the state gasoline taxes based upon population. This fund is used for street related purposes only. Major street resurfacing and reconstruction are scheduled each year in the spring after the impact of winter weather can be determined. At the end of the current fiscal year, the ending fund balance of \$3,683,491 is an increase of \$1,017,340 compared to the prior year. This increase is due to a majority of the current year street projects being funded through bond proceeds, and additional revenue.

The Lead Abatement program was sustained due to the award of another three-year Lead-Based Paint Hazard Control grant. The program includes multiple counties due to the high incidents of lead poisoning in young children. The City administers the grant in collaboration with many health and welfare agencies and the local hospital. For the current fiscal year, the City expended \$893,424 under this program

The renewal of the Local Option Sales Tax (LOST) referendum insures property tax relief (75%), storm sewer and other capital improvements (20%), and any project designated by the Council (5%) until 2025. Property tax relief dollars are transferred to other funds with the remaining funds going towards capital projects. The Council designated their 5% to go towards general fund support for this fiscal year. The entire balance is restricted for these three purposes. The increase in the balance this year was \$1,181,898.

The Tax Increment Financing (TIF) fund continues to be a useful tool for the City of Marshalltown as they continue to work with developers on rehabilitation of existing facilities, including the downtown area, and new construction throughout the city. Multiple rebates will be paid in the future.

Changes in the Public Works and Other Projects capital project fund is due to the continuation of several street projects during the fiscal year.

**Proprietary funds.** The City of Marshalltown's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ending net position for the proprietary funds was \$48,542,102, a net position increase of \$2,539,701.

## Budgetary Highlights

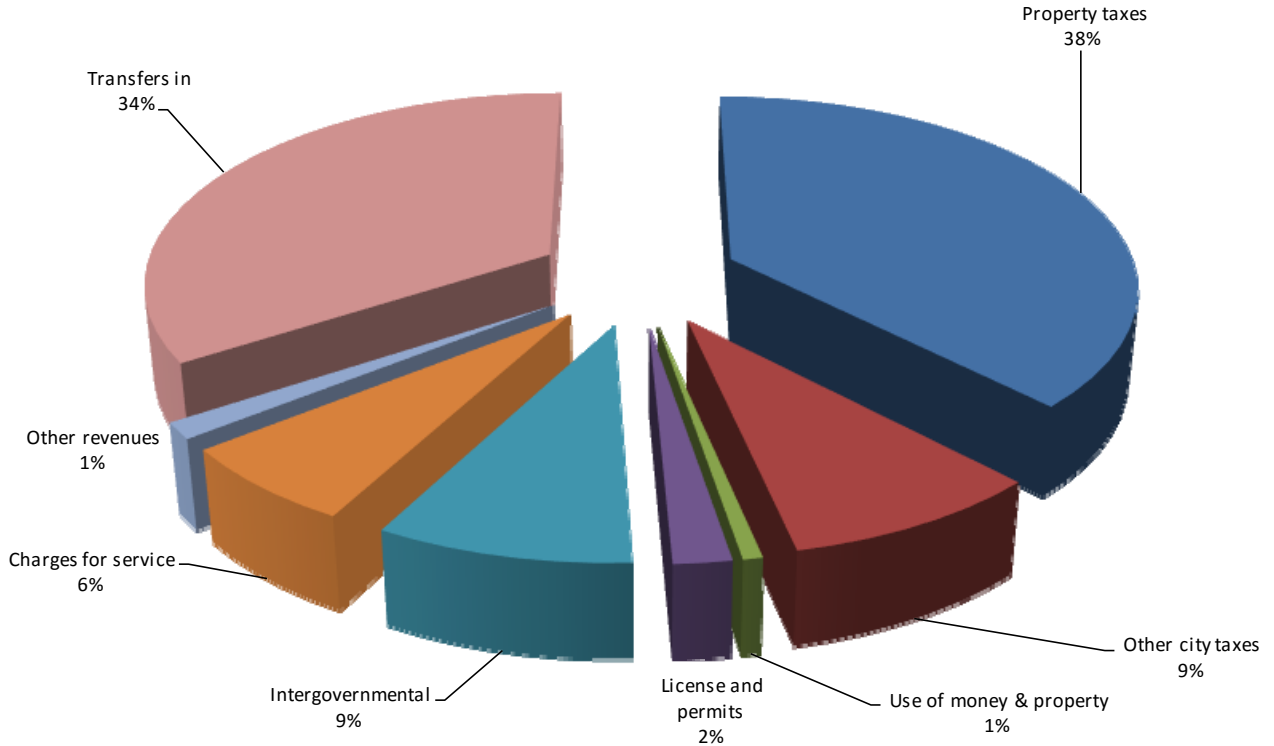
### General Fund

Revenues and transfers in for the general fund operations, on the GAAP basis, were less than revenue estimates by \$515,448 and departmental expenditures and transfers out on the GAAP basis were \$1,831,362 less than expenditure estimates.

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases.

Revenues	FY 2015-16	Percentage of Total	FY 2014-15	Percentage of Total	Change	Percentage of Change
Property taxes	\$ 5,541,436	37.74%	\$ 5,684,978	39.45%	\$ (143,542)	-52.62%
Other city taxes	1,308,014	8.91%	1,224,633	8.50%	83,381	30.57%
Use of money & property	98,862	0.67%	101,113	0.70%	(2,251)	-0.83%
License and permits	289,261	1.97%	321,446	2.23%	(32,185)	-11.80%
Intergovernmental	1,263,374	8.60%	1,012,319	7.03%	251,055	92.03%
Charges for service	958,113	6.53%	895,920	6.22%	62,193	22.80%
Other revenues	200,544	1.37%	273,096	1.90%	(72,552)	-26.60%
Transfers in	5,023,228	34.21%	4,896,538	33.98%	126,690	46.44%
Total	14,682,832	100.00%	14,410,043	100.00%	272,789	100.00%

### 2016 General Fund Revenues and Transfers

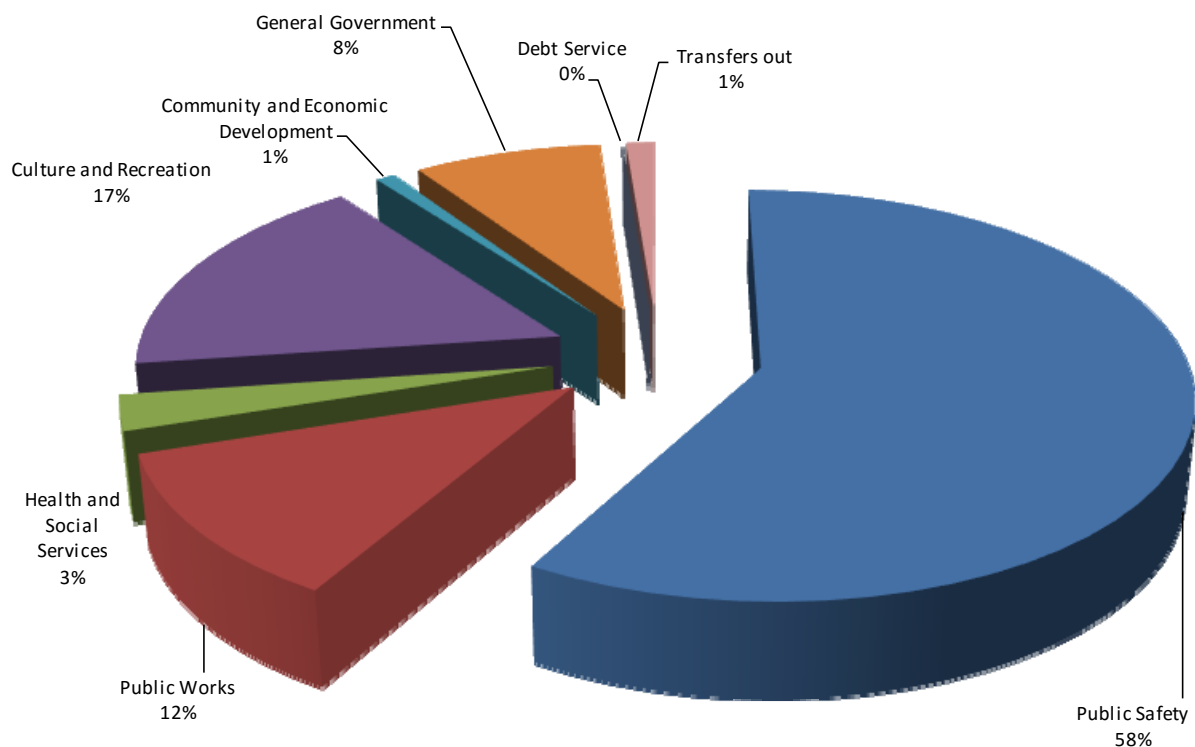


Current and prior year's property taxes continue to represent the largest revenue source, with \$5.54 million or 37.74% of all general fund revenues. The decrease in property tax revenues from 2015 was \$143,542. The next largest revenue is Transfers In. All general fund employee benefits are reflected in the operating fund even though a transfer is required from the special revenue fund, which collects the tax. The increase in transfers reflects the increase in benefits such as retirement, and retirement payouts to health savings accounts.

The following schedule represents a two year comparison summary of General Fund expenditures and transfers out on the GAAP basis of accounting and the percentage of increases and decreases in relation to prior year amounts:

Expenditures	FY 2015-16	Percentage of Total	FY 2014-15	Percentage of Total	Change	Percentage of Change
Public Safety	\$ 8,472,255	58.36%	\$ 8,185,211	56.03%	\$ 287,044	-317.59%
Public Works	1,690,083	11.64%	1,677,313	11.48%	12,770	-14.13%
Health and Social Services	409,924	2.82%	441,290	3.02%	(31,366)	34.70%
Culture and Recreation	2,448,957	16.87%	2,684,275	18.37%	(235,318)	260.36%
Community and Economic Development	122,437	0.84%	131,238	0.90%	(8,801)	9.74%
General Government	1,197,528	8.25%	1,273,399	8.72%	(75,871)	83.95%
Debt Service	-	0.00%	36,716	0.25%	(36,716)	40.62%
Transfers out	176,862	1.22%	178,985	1.23%	(2,123)	2.35%
<b>Total</b>	<b>14,518,046</b>	<b>100.0%</b>	<b>14,608,427</b>	<b>100.00%</b>	<b>-90,381</b>	<b>100.00%</b>

### 2016 General Fund Expenditures and Transfers Out



Even though negotiated wages increased an average of approximately 2%, which was part of multiyear union contracts; overall the general fund expenditures decreased approximately \$90 thousand from the prior year. Departments worked throughout the year to maintain their operating costs, postponing training and minor equipment purchases. Current cash flow projections and the management's stability of the City's general fund balance provide continued assurance that the City will not need to enter the short-term debt market to pay for current expenditures now or in the foreseeable future.

## Enterprise Operations

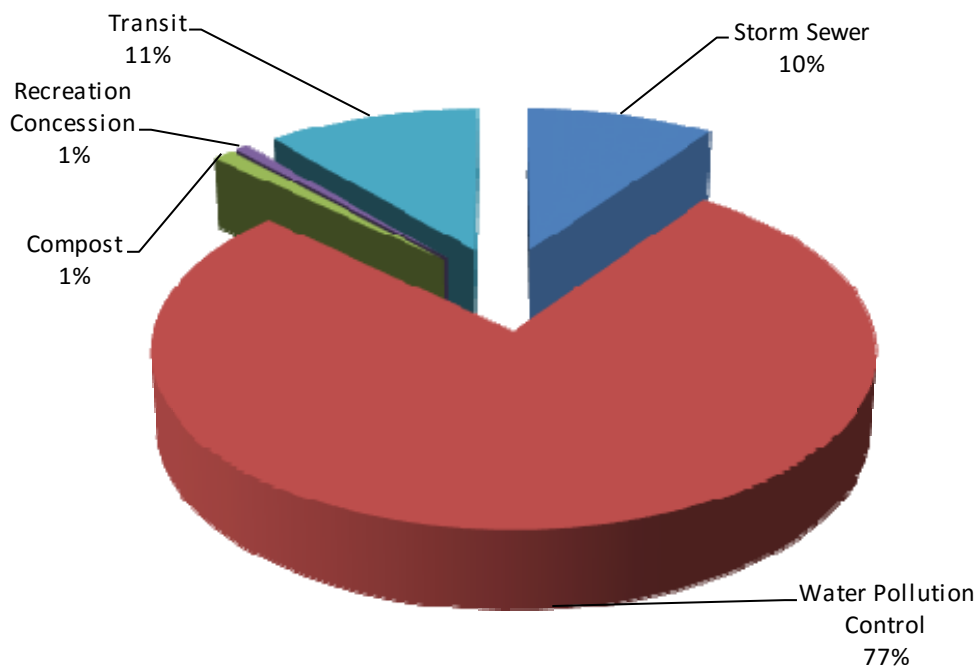
The City's enterprise operations consist of five separately accounted for operations, which are administered by three different departments. Transit and the Compost facility are operated by the Public Works Department, Recreation Concessions is administered by Parks & Recreation and the Water Pollution Control department administers Storm Water and Water Pollution Control.

Operating revenues for the City's combined enterprise operations increased by \$1,362,653. This increase is primarily due to increased charges for services. Total operating expenses for the combined enterprise operations increased by 836,617. This was primarily due to sanitary sewer improvements.

Revenues	FY 2015-16	Percentage of Total	FY 2014-15	Percentage of Total	Change	Percentage of Change
Charges for Services	\$ 7,722,724	81.26%	\$ 7,060,678	86.7%	\$ 662,046	48.59%
Operating Grants and Contributions	363,188	3.82%	386,922	4.8%	(23,734)	-1.74%
Capital Grants and contributions	942,209	9.92%	493,326	6.1%	448,883	32.94%
General Revenues						
Other	33,763	0.36%	26,891	0.3%	6,872	0.50%
Transfers in	441,321	4.64%	172,735	2.1%	268,586	19.71%
Total	9,503,205	100.00%	8,140,552	100.0%	1,362,653	100.00%

Expenditures	FY 2015-16	Percentage of Total	FY 2014-15	Percentage of Total	Change	Percentage of Change
Storm Sewer	\$ 683,581	9.8%	\$ 698,627	11.4%	\$ (15,046)	-1.8%
Water Pollution Control	5,375,656	77.2%	4,584,245	74.8%	791,411	94.6%
Compost	79,479	1.1%	42,054	0.7%	37,425	4.5%
Recreation Concession	49,816	0.8%	34,907	0.6%	14,909	1.8%
Transit	774,972	11.1%	767,054	12.5%	7,918	0.9%
Total	6,963,504	100.00%	6,126,887	100.00%	836,617	100.00%

## Enterprise Expenses 2016



### Capital Asset and Debt Administration

Capital assets. The City of Marshalltown's investment in capital assets for its governmental and business type activities as of June 30, 2016 amount to \$169,639,224. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$4,424,531.

#### Governmental Activities

	FY 2015-16	FY 2014-15	Increase (decrease)
Land and Improvements	6,476,271	6,389,096	87,175
Buildings and Structures	17,707,821	17,707,821	-
Equipment and vehicles	16,899,577	16,260,561	639,016
Infrastructure	39,738,566	38,486,018	1,252,548
Construction in Progress	1,182,096	1,113,923	68,173
Total	<u>82,004,331</u>	<u>79,957,419</u>	<u>2,046,912</u>

#### Business Type Activities

	FY 2015-16	FY 2014-15	Increase (decrease)
Land and Improvements	3,113,153	3,102,423	10,730
Buildings and Structures	10,845,458	10,845,458	-
Machinery and Equipment	18,222,566	17,957,207	265,359
Infrastructure, sewers & lift stations	52,967,711	43,675,788	9,291,923
Construction in Progress	2,486,005	9,676,399	(7,190,394)
Total	<u>87,634,893</u>	<u>85,257,275</u>	<u>2,377,618</u>

#### Total Governmental and Business Type Activities

	FY 2015-16	FY 2014-15	Increase (decrease)
Land and Improvements	9,589,424	9,491,519	97,905
Buildings and Structures	28,553,279	28,553,279	-
Machinery and Equipment	35,122,143	34,217,768	904,375
Infrastructure, sewers & lift stations	92,706,277	82,161,806	10,544,471
Construction in Progress	3,668,101	10,790,322	(7,122,221)
Total	<u>169,639,224</u>	<u>165,214,694</u>	<u>4,424,530</u>

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

- Water pollution and street projects continuing.
- Various machinery and equipment purchases throughout the year including new vehicles for several departments.
- Down payment on new accounting software and related hardware.

Additional information on the City' of Marshalltown's capital assets can be found in Note 5 on pages 57-59 of this report.

Long-term debt. At the end of the current fiscal year, the City of Marshalltown had total debt outstanding of \$40,725,725. Of this amount, \$24,204,864 comprises debt backed by the full faith and credit of the City. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees.

Governmental Activities (stated in 1,000)			
	FY 2015-16	FY 2014-15	Increase (decrease)
General obligation bonds and notes payable	\$ 19,552	\$ 20,557	(1,005)

Business Type Activities (stated in 1,000)			
	FY 2015-16	FY 2014-15	Increase (decrease)
General obligation bonds and notes payable	\$ 4,866	\$ 5,325	(459)
Revenue bonds and notes payable	16,308	11,710	4,598
Total	21,174	17,035	4,139

Total Governmental and Business Type Activities (stated in 1,000)			
	FY 2015-16	FY 2014-15	Increase (decrease)
General obligation bonds and notes payable	\$ 24,418	\$ 25,882	(1,464)
Revenue bonds and notes payable	16,308	11,710	4,598
Total	40,726	37,592	3,134

The City of Marshalltown's total debt increased by approximately \$3.1 million during the current fiscal year due to:

- The issuance of \$8 million less normal retirement of debt in the amount of \$4,931,177.

Moody's Investors Service rated the City on October 24, 2016. The City maintained their Aa2 rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$78,306,165, significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City' of Marshalltown's long term debt can be found in Note 6 on pages 59-63 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The local economy of the City remains strong and is creating more private public agreements to maintain that strength. A new housing development has begun construction. The Wandering Creek development includes plans for 52 townhomes, in a 2-4 configuration. This total estimated investment is over \$10 million. Also, Hawkeye Hotels, LLC has announced plans for the construction of a Holiday Inn Express with an estimated cost of \$10 million.

The budget for the ensuing fiscal year 2017 considers many factors and estimates about the finances of the upcoming year. Sales and road use taxes collected by the state are stable but the forecast is to maintain a conservative projection for these revenue sources. The Department of Natural Resources has mandated many changes to cities. The City of Marshalltown is currently in the process of meeting their obligation.

The following items are also forefront in revenue and expenditure projections: (a) The City's contribution rate for Police and Fire retirement system decreased in the next fiscal year. This rate fluctuates on an annual basis. With the improvements of the system's investments the City will closely monitor if it will rise again. (b) The Iowa Public Employees Retirement System maintained the same rate for the next fiscal year. (c) Compliance with sanitary and storm water regulations will continue to be implemented over the next several years. Sewer rates have been increased to accommodate the costs with these mandates. (d) The cost of health care continues to rise. The City has experienced an increase in health related claims but no change in premiums will occur for the next fiscal year. Changes in claims are always a factor that the City continues to monitor. More preventive care options are encouraged to help avoid the high dollar claims. The claims are reviewed on a quarterly basis by the insurance committee.

Developments in commercial ventures will positively affect the property tax base within the next one to five years as progress on the new construction of an Alliant Energy gas fired plant is completed in the spring of 2017, the construction of a new hotel is completed, and commercial property improvements are added to the tax base.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Marshalltown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the Finance Director, 24 N. Center Street, Marshalltown, IA 50158-4911.



**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 19,233,676	\$ 14,700,810	\$ 33,934,486	\$ 1,799,970	\$ 189,706
Receivables					
Property taxes					
Delinquent	103,928	-	103,928	-	-
Succeeding year	12,034,777	-	12,034,777	-	-
Accounts and unbilled usage	733,888	1,121,544	1,855,432	413,154	-
Special assessments	37,888	-	37,888	-	-
Other receivable	-	-	-	-	24,624
Due from component unit	13,223	444,470	457,693	-	-
Due from other governments	2,520,104	-	2,520,104	-	-
Inventories	115,380	17,466	132,846	-	-
Prepaid items	275,975	68,300	344,275	38,337	76
Restricted assets					
Cash and cash equivalents	-	181,757	181,757	649,483	-
Capital assets					
Land	4,000,014	902,168	4,902,182	1,112,721	-
Land improvements	2,476,257	2,210,985	4,687,242	-	-
Buildings and structures	17,707,821	10,845,457	28,553,278	11,629,038	-
Equipment and vehicles	16,899,577	18,222,566	35,122,143	2,479,341	98,890
Sanitary sewers and lift stations	-	37,277,440	37,277,440	-	-
Infrastructure	39,738,566	15,690,271	55,428,837	11,399,823	-
Construction in progress	1,182,096	2,486,005	3,668,101	-	-
Accumulated depreciation	(39,140,202)	(32,281,334)	(71,421,536)	(14,766,955)	(62,117)
Total assets	77,932,968	71,887,905	149,820,873	14,754,912	251,179
Deferred outflows of resources					
Pension related deferred outflows	2,413,973	178,507	2,592,480	174,848	-

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Liabilities					
Accounts payable	\$ 1,176,610	\$ 308,196	\$ 1,484,806	\$ 102,555	\$ 13,199
Accrued payroll and payroll benefits	169,252	29,714	198,966	61,902	3,509
Retainage payable	65,988	76,827	142,815	-	-
Deposits payable	147,156	-	147,156	-	-
Due to other governments	123,866	28,046	151,912	-	-
Accrued interest payable	31,868	46,016	77,884	-	-
Due to primary government	-	-	-	457,693	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	192,805	-
Noncurrent liabilities					
Due within one year					
Bonds and notes payable	2,716,447	1,865,428	4,581,875	-	-
Compensated absences payable	256,980	46,551	303,531	101,225	-
Due in more than one year					
Bonds and notes payable	16,835,192	19,308,658	36,143,850	-	-
Compensated absences payable	860,815	210,579	1,071,394	-	-
Net Pension liability	10,158,993	1,072,620	11,231,613	1,909,925	-
Net OPEB liability	3,779,077	447,134	4,226,211	96,549	-
Total liabilities	36,322,244	23,439,769	59,762,013	2,922,654	16,708
Deferred inflows of resources					
Succeeding year property taxes	12,034,777	-	12,034,777	-	-
Pension related deferred inflows	1,294,912	84,541	1,379,453	36,617	-
Total deferred inflows of resources	13,329,689	84,541	13,414,230	36,617	-
Net position					
Net investment in capital assets	34,132,724	39,370,548	73,503,272	11,853,968	36,773
Restricted for					
Capital improvements	10,281,063	-	10,281,063	-	-
Community development	184,110	-	184,110	-	-
Debt service	107,604	181,757	289,361	-	-
Employee benefits	2,396,249	-	2,396,249	-	-
Emergency communications	492,293	-	492,293	-	-
Other purposes	3,345,316	-	3,345,316	-	-
Unrestricted	(20,244,351)	8,989,797	(11,254,554)	116,521	197,698
Total net position	\$ 30,695,008	\$ 48,542,102	\$ 79,237,110	\$ 11,970,489	\$ 234,471

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Public safety	\$ 8,996,389	\$ 264,966	\$ 950,249	\$ -
Public works	5,706,337	970,315	3,419,066	436,565
Health and social services	1,274,669	37,053	930,545	-
Culture and recreation	3,358,064	468,455	119,121	82,607
Community and economic development	1,449,883	265,176	1,293,885	-
General government	1,158,789	123,855	-	-
Interest on long-term debt	429,891	-	-	-
Total governmental activities	<u>22,374,022</u>	<u>2,129,820</u>	<u>6,712,866</u>	<u>519,172</u>
Business-type activities				
Water pollution control	5,375,656	6,563,351	-	413,307
Storm sewer	683,181	948,214	-	528,902
Compost	79,479	73,336	-	-
Transit	771,818	93,352	363,188	-
Concessions	49,816	40,917	-	-
Total business-type activities	<u>6,959,950</u>	<u>7,719,170</u>	<u>363,188</u>	<u>942,209</u>
Total primary government	<u>\$ 29,333,972</u>	<u>\$ 9,848,990</u>	<u>\$ 7,076,054</u>	<u>\$ 1,461,381</u>
Component units				
Water works	\$ 3,284,144	\$ 3,541,290	\$ -	\$ -
Convention and visitors bureau	277,750	328,906	-	-
Total component units	<u>\$ 3,561,894</u>	<u>\$ 3,870,196</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property				
Tax increment financing				
Local option sales				
Utility excise				
Hotel/motel				
Mobile homes				
Unrestricted				
State generated revenues				
Investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (7,781,174)	\$ -	\$ (7,781,174)	\$ -	\$ -
(880,391)	-	(880,391)	-	-
(307,071)	-	(307,071)	-	-
(2,687,881)	-	(2,687,881)	-	-
109,178	-	109,178	-	-
(1,034,934)	-	(1,034,934)	-	-
(429,891)	-	(429,891)	-	-
<u>(13,012,164)</u>	<u>-</u>	<u>(13,012,164)</u>	<u>-</u>	<u>-</u>
-	1,601,002	1,601,002	-	-
-	793,935	793,935	-	-
-	(6,143)	(6,143)	-	-
-	(315,278)	(315,278)	-	-
-	(8,899)	(8,899)	-	-
-	2,064,617	2,064,617	-	-
<u>\$ (13,012,164)</u>	<u>\$ 2,064,617</u>	<u>\$ (10,947,547)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 257,146	\$ -
-	-	-	-	51,156
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,146</u>	<u>\$ 51,156</u>
\$ 9,534,568	\$ -	\$ 9,534,568	\$ -	\$ -
1,276,898	-	1,276,898	-	-
4,248,087	-	4,248,087	-	-
903,826	-	903,826	-	-
542,180	-	542,180	-	-
12,931	-	12,931	-	-
1,244,225	-	1,244,225	-	-
90,717	33,763	124,480	6,234	635
551,452	-	551,452	-	-
(441,321)	441,321	-	-	-
<u>17,963,563</u>	<u>475,084</u>	<u>18,438,647</u>	<u>6,234</u>	<u>635</u>
4,951,399	2,539,701	7,491,100	263,380	51,791
<u>25,743,609</u>	<u>46,002,401</u>	<u>71,746,010</u>	<u>11,707,109</u>	<u>182,680</u>
<u>\$ 30,695,008</u>	<u>\$ 48,542,102</u>	<u>\$ 79,237,110</u>	<u>\$ 11,970,489</u>	<u>\$ 234,471</u>

**CITY OF MARSHALLTOWN, IOWA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

		Special Revenue	
	General	Road Use Tax	Local Option Sales Tax
Assets			
Cash and cash equivalents	\$ 3,395,312	\$ 3,347,231	\$ 3,173,437
Receivables			
Property taxes			
Delinquent	54,452	-	-
Succeeding year	7,016,662	-	-
Accounts and unbilled usage	191,908	-	-
Special assessments	-	-	-
Due from other funds	99,211	-	-
Due from component unit	13,223	-	-
Due from other governments	228,597	256,415	1,155,402
Inventory	-	115,380	-
Prepaid items	221,785	9,292	-
Total assets	<u>\$ 11,221,150</u>	<u>\$ 3,728,318</u>	<u>\$ 4,328,839</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 112,878	\$ 44,649	\$ 162,245
Accrued payroll and payroll benefits	159,689	178	-
Retainage payable	-	-	24,425
Due to other governments	114,214	-	-
Due to other funds	-	-	-
Total liabilities	<u>386,781</u>	<u>44,827</u>	<u>186,670</u>
Deferred inflows of resources			
Unavailable revenue- property taxes	7,016,662	-	-
Unavailable revenue- special assessments	-	-	-
Unavailable revenue- other	99,158	-	-
Unavailable revenue- Intergovernmental	-	-	-
Total deferred inflows of resources	<u>7,115,820</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	221,785	124,672	-
Restricted	725,844	3,558,819	4,142,169
Committed	250,000	-	-
Unassigned	2,520,920	-	-
Total fund balances	<u>3,718,549</u>	<u>3,683,491</u>	<u>4,142,169</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,221,150</u>	<u>\$ 3,728,318</u>	<u>\$ 4,328,839</u>

See notes to financial statements.

Funds			Capital Projects Funds		Nonmajor Governmental Funds	Total
Property Tax	HUD Programs	Debt Service	Public Works and Other Projects			
\$ 2,381,455	\$ 83,332	\$ 82,335	\$ 2,508,819	\$ 1,552,598	\$ 16,524,519	
12,996	-	22,219	3,899	10,362	103,928	
1,592,165	-	2,897,286	528,664	-	12,034,777	
-	29,580	-	492,358	1,267	715,113	
-	-	-	37,888	-	37,888	
-	-	-	80,880	-	180,091	
-	-	-	-	-	13,223	
1,798	111,081	3,050	440,263	323,498	2,520,104	
-	-	-	-	-	115,380	
-	9,150	-	-	35,748	275,975	
<u>\$ 3,988,414</u>	<u>\$ 233,143</u>	<u>\$ 3,004,890</u>	<u>\$ 4,092,771</u>	<u>\$ 1,923,473</u>	<u>\$ 32,520,998</u>	
\$ -	\$ 42,872	\$ -	\$ 545,821	\$ 54,852	\$ 963,317	
-	6,161	-	-	3,224	169,252	
-	-	-	39,563	2,000	65,988	
-	-	-	-	9,652	123,866	
-	-	-	-	180,091	180,091	
-	49,033	-	585,384	249,819	1,502,514	
1,592,165	-	2,897,286	528,664	-	12,034,777	
-	-	-	37,888	-	37,888	
-	28,548	-	492,358	94	620,158	
-	-	-	439,724	85,677	525,401	
<u>1,592,165</u>	<u>28,548</u>	<u>2,897,286</u>	<u>1,498,634</u>	<u>85,771</u>	<u>13,218,224</u>	
-	9,150	-	-	35,748	391,355	
2,396,249	146,412	107,604	2,008,753	1,747,294	14,833,144	
-	-	-	-	-	250,000	
-	-	-	-	(195,159)	2,325,761	
<u>2,396,249</u>	<u>155,562</u>	<u>107,604</u>	<u>2,008,753</u>	<u>1,587,883</u>	<u>17,800,260</u>	
<u>\$ 3,988,414</u>	<u>\$ 233,143</u>	<u>\$ 3,004,890</u>	<u>\$ 4,092,771</u>	<u>\$ 1,923,473</u>	<u>\$ 32,520,998</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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Total governmental fund balances \$ 17,800,260

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 as assets in  
governmental funds.

The cost of capital assets is	\$ 82,004,331	
Accumulated depreciation is	<u>(39,140,202)</u>	
		42,864,129

Some of the City's revenues will be collected after year-end  
but are not available soon enough to pay for the current  
period's expenditures and, therefore, are recognized as deferred  
inflows of resources, in the governmental funds. 1,183,447

Pension related deferred outflows of resources and deferred  
inflows of resources are not due and payable in the current  
period and therefore are not reported in the funds.

Pension related deferred outflows	2,413,973	
Pension related deferred inflows	<u>(1,294,912)</u>	
		1,119,061

Internal service funds are used by the City's management to  
charge the costs of self-insurance programs to the individual  
funds. The assets and liabilities of the internal service funds  
are included in governmental activities in the Statement of  
Net Position. 2,367,483

Some liabilities are not due and payable in the current period  
and, therefore, are not reported as liabilities in the funds.  
Those liabilities consist of:

Long-term debt	(19,551,639)	
Accrued interest on the bonds	(31,868)	
Compensated absences	(1,117,795)	
Net pension liability	(10,158,993)	
Net OPEB liability	<u>(3,779,077)</u>	
		<u>(34,639,372)</u>

Net position of governmental activities \$ 30,695,008

See notes to financial statements.

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**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

		Special Revenue	
	General	Road Use Tax	Local Option Sales Tax
Revenues			
Property taxes	\$ 5,541,436	\$ -	\$ -
TIF revenues	-	-	-
Other city taxes	1,308,014	-	4,248,087
Use of money and property	98,862	-	8,656
Licenses and permits	289,261	-	-
Intergovernmental	1,263,374	3,377,971	-
Charges for service	958,113	-	-
Special assessments	-	-	-
Miscellaneous	200,544	-	-
Total revenues	<u>9,659,604</u>	<u>3,377,971</u>	<u>4,256,743</u>
Expenditures			
Current			
Public safety	8,472,255	-	113,786
Public works	1,690,083	1,510,631	561,059
Health and social services	409,924	-	-
Culture and recreation	2,448,957	-	-
Community and economic development	122,437	-	-
General government	1,185,537	-	-
Debt service			
Principal	11,991	-	-
Interest and other fiscal charges	-	-	-
Total expenditures	<u>14,341,184</u>	<u>1,510,631</u>	<u>674,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,681,580)</u>	<u>1,867,340</u>	<u>3,581,898</u>
Other financing sources (uses)			
General obligation bonds issued	-	-	-
Premium on general obligation bonds issued	-	-	-
Transfers in	5,023,228	-	-
Transfers out	(176,862)	(850,000)	(2,400,000)
Total other financing sources (uses)	<u>4,846,366</u>	<u>(850,000)</u>	<u>(2,400,000)</u>
Net change in fund balances	164,786	1,017,340	1,181,898
Fund balances - beginning	<u>3,553,763</u>	<u>2,666,151</u>	<u>2,960,271</u>
Fund balances - ending	<u>\$ 3,718,549</u>	<u>\$ 3,683,491</u>	<u>\$ 4,142,169</u>

See notes to financial statements.

Funds			Capital Projects Funds			
Property Tax	HUD Programs	Debt Service	Public Works and Other Projects	Nonmajor Governmental Funds	Total	
\$ 1,319,723	\$ -	\$ 2,277,623	\$ 395,786	\$ -	\$ 9,534,568	
-	-	-	-	1,276,898	1,276,898	
128,735	-	210,128	38,608	273,656	6,207,228	
1,427	563	2,540	11,581	5,374	129,003	
-	-	-	-	-	289,261	
171,148	2,149,441	306,226	50,254	613,435	7,931,849	
-	-	-	2,119	63,663	1,023,895	
-	-	-	12,991	-	12,991	
-	9,866	-	-	200,206	410,616	
<u>1,621,033</u>	<u>2,159,870</u>	<u>2,796,517</u>	<u>511,339</u>	<u>2,433,232</u>	<u>26,816,309</u>	
8,747	-	-	124,585	660,831	9,380,204	
-	-	-	2,186,682	122,744	6,071,199	
-	941,832	-	-	450	1,352,206	
-	-	-	-	214,320	2,663,277	
-	1,203,053	-	15,806	89,790	1,431,086	
-	-	-	-	-	1,185,537	
-	-	3,055,000	-	-	3,066,991	
-	-	436,018	-	-	436,018	
<u>8,747</u>	<u>2,144,885</u>	<u>3,491,018</u>	<u>2,327,073</u>	<u>1,088,135</u>	<u>25,586,518</u>	
<u>1,612,286</u>	<u>14,985</u>	<u>(694,501)</u>	<u>(1,815,734)</u>	<u>1,345,097</u>	<u>1,229,791</u>	
-	-	-	2,000,000	-	2,000,000	
-	-	-	94,422	-	94,422	
2,225,000	-	755,146	-	30	8,003,404	
<u>(3,602,457)</u>	<u>-</u>	<u>-</u>	<u>(601,843)</u>	<u>(813,563)</u>	<u>(8,444,725)</u>	
<u>(1,377,457)</u>	<u>-</u>	<u>755,146</u>	<u>1,492,579</u>	<u>(813,533)</u>	<u>1,653,101</u>	
234,829	14,985	60,645	(323,155)	531,564	2,882,892	
<u>2,161,420</u>	<u>140,577</u>	<u>46,959</u>	<u>2,331,908</u>	<u>1,056,319</u>	<u>14,917,368</u>	
\$ 2,396,249	\$ 155,562	\$ 107,604	\$ 2,008,753	\$ 1,587,883	\$ 17,800,260	

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF**  
**ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Net change in fund balances – total governmental funds		\$ 2,882,892
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 2,554,674	
Book value of disposals	(13,329)	
Depreciation expense	<u>(2,828,453)</u>	
Net change in capital assets		(287,108)
Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are unavailable in the governmental funds. Unavailable revenues decreased by these amounts this year:		
Intergovernmental	373,914	
Charges for service	<u>589,847</u>	
Net effect		963,761
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. In the current period, these amounts are:		
Debt repayments	3,066,991	
Debt proceeds, including premiums	<u>(2,094,422)</u>	
Net effect		972,569
Some items 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. These activities consist of:		
Decrease in accrued interest and premium amortization	34,627	
Decrease in compensated absences	8,778	
Increase in net OPEB liability	(245,714)	
Pension expense	<u>700,903</u>	
Total additional expenses		498,594
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		<u>(79,309)</u>
Change in net position of governmental activities		<u>\$ 4,951,399</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	
Assets					
Current assets					
Cash and cash equivalents	\$ 13,260,651	\$ 1,061,896	\$ 378,263	\$ 14,700,810	\$ 2,709,157
Receivables					
Accounts and unbilled usage	1,062,577	57,629	1,338	1,121,544	18,775
Due from component unit	360,522	83,948	-	444,470	-
Inventories	12,626	-	4,840	17,466	-
Prepaid items	39,847	9,956	18,497	68,300	-
Total current assets	14,736,223	1,213,429	402,938	16,352,590	2,727,932
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	181,757	-	-	181,757	-
Capital assets					
Land	387,449	504,282	10,437	902,168	-
Land improvements	1,937,889	30,000	243,096	2,210,985	-
Buildings and structures	10,135,409	6,000	704,048	10,845,457	-
Equipment and vehicles	15,905,684	364,111	1,952,771	18,222,566	-
Sanitary sewers and lift stations	37,166,635	110,805	-	37,277,440	-
Infrastructure	-	15,690,271	-	15,690,271	-
Construction in progress	1,869,892	616,113	-	2,486,005	-
Accumulated depreciation	(25,730,654)	(4,950,419)	(1,600,261)	(32,281,334)	-
Total noncurrent assets	41,854,061	12,371,163	1,310,091	55,535,315	-
Total assets	56,590,284	13,584,592	1,713,029	71,887,905	2,727,932
Deferred Outflows of Resources					
Pension related deferred outflows	111,132	25,130	42,245	178,507	-

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 289,175	\$ 6,935	\$ 12,086	\$ 308,196	\$ 213,293
Accrued payroll and payroll benefits	19,237	3,239	7,238	29,714	-
Deposits payable	-	-	-	-	147,156
Retainage payable	76,827	-	-	76,827	-
Due to other governments	28,046	-	-	28,046	-
Accrued interest payable	46,016	-	-	46,016	-
Compensated absences	33,671	6,067	6,813	46,551	-
General obligation bonds	370,000	-	-	370,000	-
Sewer revenue capital loan note	98,428	-	-	98,428	-
Revenue bonds	1,397,000	-	-	1,397,000	-
Total current liabilities	2,358,400	16,241	26,137	2,400,778	360,449
Noncurrent liabilities					
Compensated absences	154,325	32,840	23,414	210,579	-
General obligation bonds	3,973,820	-	-	3,973,820	-
Sewer revenue capital loan note	423,838	-	-	423,838	-
Revenue bonds	14,911,000	-	-	14,911,000	-
Net OPEB liability	292,876	123,406	30,852	447,134	-
Net pension liability	685,685	136,931	250,004	1,072,620	-
Total noncurrent liabilities	20,441,544	293,177	304,270	21,038,991	-
Total liabilities	22,799,944	309,418	330,407	23,439,769	360,449
<b>Deferred Inflows of Resources</b>					
Pension related deferred inflows	44,490	20,140	19,911	84,541	-
<b>Net position</b>					
Net investment in capital assets	25,689,294	12,371,163	1,310,091	39,370,548	-
Restricted for					
Bond and interest payments	181,757	-	-	181,757	-
Unrestricted	7,985,931	909,001	94,865	8,989,797	2,367,483
Total net position	\$ 33,856,982	\$ 13,280,164	\$ 1,404,956	\$ 48,542,102	\$ 2,367,483

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Internal Service Funds
Operating revenues					
Charges for service	\$ 6,341,560	\$ 948,614	\$ 210,759	\$ 7,500,933	\$ 2,164,537
Miscellaneous	221,791	-	-	221,791	394,412
Total operating revenues	<u>6,563,351</u>	<u>948,614</u>	<u>210,759</u>	<u>7,722,724</u>	<u>2,558,949</u>
Operating expenses					
Salaries and benefits	1,429,689	256,663	494,551	2,180,903	-
Services and supplies	1,787,959	95,856	246,083	2,129,898	-
Claims paid	-	-	-	-	2,144,521
Health insurance premiums	-	-	-	-	322,328
Depreciation	1,487,116	330,218	160,479	1,977,813	-
Miscellaneous	28,380	444	-	28,824	178,472
Total operating expenses	<u>4,733,144</u>	<u>683,181</u>	<u>901,113</u>	<u>6,317,438</u>	<u>2,645,321</u>
Operating income (loss)	<u>1,830,207</u>	<u>265,433</u>	<u>(690,354)</u>	<u>1,405,286</u>	<u>(86,372)</u>
Nonoperating revenues (expenses)					
Federal and state grants	-	-	363,188	363,188	-
Interest income	30,154	2,591	1,018	33,763	7,063
Miscellaneous expense	-	(400)	-	(400)	-
Interest and other debt expense	(641,312)	-	-	(641,312)	-
Loss on disposal of capital assets	(1,200)	-	(3,154)	(4,354)	-
Net nonoperating revenues (expenses)	<u>(612,358)</u>	<u>2,191</u>	<u>361,052</u>	<u>(249,115)</u>	<u>7,063</u>
Income (loss) before capital contributions and transfers	<u>1,217,849</u>	<u>267,624</u>	<u>(329,302)</u>	<u>1,156,171</u>	<u>(79,309)</u>
Capital contributions	413,307	528,902	-	942,209	-
Transfers in	264,489	-	176,832	441,321	-
Change in net position	<u>1,895,645</u>	<u>796,526</u>	<u>(152,470)</u>	<u>2,539,701</u>	<u>(79,309)</u>
Net position - beginning	<u>31,961,337</u>	<u>12,483,638</u>	<u>1,557,426</u>	<u>46,002,401</u>	<u>2,446,792</u>
Net position - ending	<u>\$ 33,856,982</u>	<u>\$ 13,280,164</u>	<u>\$ 1,404,956</u>	<u>\$ 48,542,102</u>	<u>\$ 2,367,483</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	
Cash flows from operating activities					
Cash received from customers	\$ 6,065,272	\$ 928,190	\$ 210,574	\$ 7,204,036	\$ 2,143,105
Cash payments to suppliers for goods and services	(2,028,609)	(91,256)	(247,501)	(2,367,366)	(2,767,328)
Cash payments to employees for services	(1,480,480)	(257,308)	(516,439)	(2,254,227)	-
Other operating receipts	<u>221,791</u>	<u>(400)</u>	<u>-</u>	<u>221,391</u>	<u>394,412</u>
Net cash provided by (used for) operating activities	<u>2,777,974</u>	<u>579,226</u>	<u>(553,366)</u>	<u>2,803,834</u>	<u>(229,811)</u>
Cash flows from noncapital financing activities					
Transfers from other funds	264,489	-	176,832	441,321	-
Grants received	<u>-</u>	<u>-</u>	<u>373,171</u>	<u>373,171</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>264,489</u>	<u>-</u>	<u>550,003</u>	<u>814,492</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(1,518,489)	(25,038)	-	(1,543,527)	-
Proceeds from issuance of debt	6,000,000	-	-	6,000,000	-
Payment of debt	(1,864,186)	-	-	(1,864,186)	-
Interest and fiscal charges paid	<u>(628,315)</u>	<u>-</u>	<u>-</u>	<u>(628,315)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>1,989,010</u>	<u>(25,038)</u>	<u>-</u>	<u>1,963,972</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>30,154</u>	<u>2,591</u>	<u>1,018</u>	<u>33,763</u>	<u>7,063</u>
Net increase (decrease) in cash and cash equivalents	5,061,627	556,779	(2,345)	5,616,061	(222,748)
Cash and cash equivalents, beginning	<u>8,380,781</u>	<u>505,117</u>	<u>380,608</u>	<u>9,266,506</u>	<u>2,931,905</u>
Cash and cash equivalents, ending	<u>\$ 13,442,408</u>	<u>\$ 1,061,896</u>	<u>\$ 378,263</u>	<u>\$ 14,882,567</u>	<u>\$ 2,709,157</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS (continued)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 1,830,207	\$ 265,433	\$ (690,354)	\$ 1,405,286	\$ (86,372)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	1,487,116	330,218	160,479	1,977,813	-
Miscellaneous expense	-	(400)	-	(400)	-
Changes in assets, deferred outflows, liabilities, and deferred inflows					
Increase in receivables	(276,288)	(20,424)	(185)	(296,897)	(16,426)
Decrease (increase) in inventories and prepaid items	13,077	2,309	(1,337)	14,049	-
Increase (decrease) in accounts payable	(233,895)	2,735	(81)	(231,241)	(122,007)
Decrease in accrued liabilities	(35,687)	(2,923)	(12,681)	(51,291)	-
Increase in due to other governments	8,548	-	-	8,548	-
Decrease in unearned revenue	-	-	-	-	(5,006)
Increase in net OPEB liability	19,043	8,024	2,006	29,073	-
Increase in net pension liability	141,153	23,753	46,360	211,266	-
Increase (decrease) in deferred outflows	3,902	116	(2,986)	1,032	-
Decrease in deferred inflows	(179,202)	(29,615)	(54,587)	(263,404)	-
Total	<u>947,767</u>	<u>313,793</u>	<u>136,988</u>	<u>1,398,548</u>	<u>(143,439)</u>
Net cash provided by (used for) operating activities	<u>\$ 2,777,974</u>	<u>\$ 579,226</u>	<u>\$ (553,366)</u>	<u>\$ 2,803,834</u>	<u>\$ (229,811)</u>
Noncash capital activities					
Donations of capital assets	<u>\$ 413,307</u>	<u>\$ 528,902</u>	<u>\$ -</u>	<u>\$ 942,209</u>	<u>\$ -</u>

See notes to financial statements.



**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

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	Agency Funds
Assets	
Cash and cash equivalents	\$ 257,694
Accounts and unbilled usage	<u>32,546</u>
Total assets	<u>290,240</u>
Liabilities	
Accounts payable	480
Accrued payroll and benefits	238,000
Due to City	33,793
Due to Sleuth User Group	14,909
Due to other governments	<u>3,058</u>
Total liabilities	<u>\$ 290,240</u>

See notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Marshalltown, Iowa (City) was incorporated in 1863 under the laws of the state of Iowa, later amended in July 1975, under the City Home Rule Act. The City operates by ordinance under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Marshalltown, Iowa, provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to U.S. generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

**Reporting Entity**

For financial reporting purposes, the City of Marshalltown, Iowa, 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 Marshalltown, Iowa (the primary government) and its component units. The following component units are entities which are legally separate from the City, but are financially accountable to the City or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units: The Marshalltown Water Works (Water Works) was established to operate the City's water works facilities. The Water Works is governed by a three-member board of trustees appointed by the Mayor. A financial benefit/burden relationship exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Works is presented as a proprietary fund type and has a June 30 year-end.

The Marshalltown Convention and Visitors Bureau (Bureau) was established to promote and develop the visitor and convention business and for economic development within the community. The Bureau is governed by a nine-member board of directors comprised of two members appointed solely by the City Council, two members appointed solely by the Executive Board of the Chamber of Commerce and five members appointed jointly by the City Council and Executive Board of the Chamber of Commerce, from

(continued on next page)

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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the general public (one member) and the hospitality industry (four members). The Bureau may not borrow money or issue bonds without written permission of the City. The Bureau is presented as a proprietary fund type and has a May 31 year-end.

Complete financial statements for each of the individual component units may be obtained at the respective entity's administrative office as follows:

Marshalltown Water Works  
205 East State Street  
Marshalltown, Iowa 50158

Marshalltown Convention and Visitors Bureau  
709 South Center Street  
Marshalltown, Iowa 50158

**Jointly Governed Organizations:** The City also 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. The City Council is a member of or appoints representatives to the following boards and commissions: Mid Iowa Drug Task Force, Marshall County Emergency Management Commission, Marshall County Communication Commission, Marshall County Assessor's Conference Board and the Marshall County Solid Waste Management Commission. Financial transactions relating to these organizations are included in the City's financial statements only to the extent of the City's contributions, if any, to these organizations.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the 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 normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 three 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 imposed by law through constitutional provisions or enabling legislation.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Use Tax Fund* is used to account for the operations of street related expenses. Financing is provided by the City's share of state gasoline taxes, which are received on a per capita basis. State law requires these revenues to be received and disbursed in a special fund.

The *Local Option Sales Tax Fund* is used to account for the sale and service taxes collected to be applied to general property tax relief, and for storm sewer maintenance and improvements and related street repairs.

The *Property Tax Fund* is used to account for property tax collections for the emergency fund levy and employee benefits, which are then transferred to the general fund.

The *HUD Programs Fund* is used to account for the operations of a Federal Section 8 rental voucher assistance program, a grant from HUD to assist with security deposits and first month's rent program, and lead abatement program.

The *Debt Service Fund* is used to account for the servicing of general obligation debt.

The *Public Works and Other Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed through the Culture and Recreation Projects Fund, Airport Projects Fund, or through proprietary funds.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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The City reports the following major proprietary funds:

The *Water Pollution Control Fund* is used to account for the operation and maintenance of the City's wastewater treatment facility and sanitary sewer. Services are supported primarily by user charges.

The *Storm Sewer Fund* is used to account for the operation of the City's storm sewers. Services are supported primarily by user charges.

Additionally, the City reports the following fund types:

*Internal service funds* account for group insurance benefits, occupational insurance benefits, and workmen's compensation benefits provided to other departments on a cost reimbursement basis.

*Agency funds* function primarily as a clearing mechanism for cash resources which are collected by the City, held as such for a brief period and then disbursed to the authorized recipient. The agency funds of the City are used for payroll clearing activities.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded 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.

Agency fund financial statements are reported using the accrual basis of accounting but have no measurement focus.

(continued on next page)

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 60 days after year-end. Other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water pollution control function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there is 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 revenues.

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

**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, Cash Equivalents, and Investments.* The City maintains a cash and investment pool. These pooled deposits are invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash and investments is recognized as revenue when earned and allocated to the funds on a systematic basis. However, interest of the Road Use Tax Fund is credited directly to the General Fund. Cash and investments are separately held by the discretely presented component units for which interest is also recognized as revenue when earned.

Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which are valued at amortized cost.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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*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 that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is unavailable and will not be recognized as revenue until the year for which it is levied.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2016, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2015 and March 31, 2016. Any County collections on the 2015-2016 tax levy remitted to the City within sixty days subsequent to June 30, 2016, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2016, are delinquent and have been recorded as receivables. This amount is recorded as unavailable revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

*Accounts Receivable and Unbilled Usage.* Accounts receivable are recorded 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.* Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

*Due From Other Governments.* Due from other governments represents various shared revenues, grants, and reimbursements from other governments. Shared revenues are recognized during the period when received by the collecting authority, the State of Iowa. Federal grant revenue is recognized when expenditures for the purpose of the grant have been incurred in the government-wide financial statements and as long as it meets the measurable and available criteria in the governmental fund statements.

*Inventories and Prepaid Items.* Inventories of materials and supplies in the proprietary and governmental fund types are stated at cost using the first-in, first-out method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of governmental fund prepaid items are recorded as expenditures when consumed rather than when purchased.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Restricted Assets.* Funds set aside for the payment of City enterprise and component unit revenue bonds are classified as restricted assets since their use is restricted by applicable bond indentures. Other restricted assets include funds for customer deposits restricted for application to unpaid customer accounts or for refund to customers.

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

*Deferred Inflows of Resources.* In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Although certain revenues are measurable, they may not be available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenue represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Unavailable revenue at the fund level consists of property tax receivable, special assessments receivable, succeeding year property tax receivable, and other receivables not collected within sixty days after year-end. Unavailable revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year in which they are levied.

*Compensated Absences.* City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees, 1,072.5 hours for municipal police employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2016.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the Statement of Net Position based on rates of pay in effect as of June 30, 2016.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Long-Term Obligations.* In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Capital Assets.* Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of two years. All land is recorded regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. All infrastructure of the City has been recorded to date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-30
Buildings and structures	30-50
Equipment and vehicles	5-30
Sanitary sewers and lift stations	30-50
Infrastructure	20-50

Property, plant and equipment of the Water Works is depreciated using the straight line method over the following estimated useful lives.

	<u>Years</u>
Plants, wells, and storage	10-40
Distribution property	50-99
Meters	10-20
Vehicles	5
Equipment	7-10

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement Systems' and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Statement of Cash Flows – Cash Equivalents.* For purposes of the Statement of Cash Flows for the proprietary funds and the component units, 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 they have a maturity date no longer than three months.

*Fund Equity.* In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable fund balances* cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

*Restricted fund balances* are restricted for specific purposes when constraints placed on the use of the resources are either externally imposed by their providers, such as creditors, grantors, or other governments; or imposed by law through constitutional provisions or enabling legislation.

*Committed fund balances* can be used only for specific purposes determined pursuant to constraints formally imposed by the City Council, the highest level of decision making authority, through resolution approved prior to year end.

*Assigned fund balances* are amounts the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. These amounts are designated by City Council.

*Unassigned fund balances* are amounts not included in the other spendable classifications. The general fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assigned actions.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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As of June 30, 2016, fund balances consisted of the following:

	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>HUD Programs</u>	<u>Property Tax</u>
Nonspendable					
Inventory and prepaid items	\$ 221,785	\$ 124,672	\$ -	\$ 9,150	\$ -
Restricted for					
Capital improvements	158,391	3,558,819	2,564,654	-	-
Property tax relief	-	-	1,577,515	-	-
Debt service	-	-	-	-	-
Employee benefits	-	-	-	-	2,396,249
Emergency communication	-	-	-	-	-
Other purposes	<u>567,453</u>	<u>-</u>	<u>-</u>	<u>146,412</u>	<u>-</u>
Total restricted	<u>725,844</u>	<u>3,558,819</u>	<u>4,142,169</u>	<u>146,412</u>	<u>2,396,249</u>
Committed					
Capital improvements	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>2,520,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 3,718,549</u>	<u>\$ 3,683,491</u>	<u>\$ 4,142,169</u>	<u>\$ 155,562</u>	<u>\$ 2,396,249</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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	Debt Service	Public Works and Other Projects	Nonmajor Governmental Funds	Total
Nonspendable				
Inventory and prepaid items	\$ -	\$ -	\$ 35,748	\$ 391,355
Restricted for				
Capital improvements	-	2,008,753	90,401	8,381,018
Property tax relief	-	-	-	1,577,515
Debt service	107,604	-	-	107,604
Employee benefits	-	-	-	2,396,249
Emergency communication	-	-	464,907	464,907
Other purposes	-	-	1,191,986	1,905,851
Total restricted	107,604	2,008,753	1,747,294	14,833,144
Committed				
Capital improvements	-	-	-	250,000
Unassigned	-	-	(195,159)	2,325,761
Total fund balance	<u>\$ 107,604</u>	<u>\$ 2,008,753</u>	<u>\$ 1,587,883</u>	<u>\$ 17,800,260</u>

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. At June 30, 2016, disbursements did not exceed the amended budgeted amounts. Additionally, disbursements never exceeded the amounts budgeted before an amendment during the year.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits.* On June 30, 2016, the carrying amount of the City's deposits was \$34,373,937 and the bank balances were \$34,785,698. The City's deposits in banks at June 30, 2016, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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As of June 30, 2016, the City's carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	Carrying Amount	Bank Balance
Money market	\$ 12,565,085	\$ 12,565,085
Demand deposits	8,696,921	9,112,382
IPAIT	2,094,727	2,094,727
FNMA	1,001,254	1,001,254
Certificates of deposits	10,012,250	10,012,250
Petty cash	3,700	-
Total	<u>\$ 34,373,937</u>	<u>\$ 34,785,698</u>

At June 30, 2016, the City had the following investments:

Investment	Fair Value	Maturity
Federal National Mortgage Association (FNMA)	1,001,254	7/5/2016

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 FNMA securities of \$1,001,254 was determined 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 \$2,094,727 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.

The Marshalltown Water Works' carrying amount of deposits was \$2,449,453 all of which was covered by federal depository insurance or insured by the state through pooled collateral, State Sinking Funds and by the state's ability to assess for lost funds.

The Convention and Visitors Bureau's deposits carrying amount and bank balance amount was \$189,706 all of which was covered by federal depository insurance.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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The City and the Water Works are 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 or Board of Trustees and the Treasurer of the State of Iowa; 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.

*Interest Rate Risk.* The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The City did not hold any instruments with a maturity greater than 397 days during the year.

*Credit Risk.* The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

*Concentration of Credit Risk.* The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are 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.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

Due to/from primary government and component unit balances as of June 30, 2016, consisted of the following:

Receivable Entity	Payable Entity	Amount
Primary Government:	Component Unit:	
Governmental Fund, General Fund	Water Works	\$ 13,223
Enterprise Fund, Water Pollution Control	Water Works	360,522
Enterprise Fund, Storm Sewer	Water Works	83,948

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Due from/to other funds as of June 30, 2016, consisted of the following:

Due to general fund from	
Nonmajor governmental	\$ 99,211
Due to public works and other projects fund from	
Nonmajor governmental	\$ 80,880

The interfund balances result from negative cash balances.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 850,000
Local Option Sales Tax	175,000
Property tax	3,602,457
Public works and other projects	337,354
Nonmajor governmental	58,417
Total transfers to general fund	\$ 5,023,228
Transfers to property tax fund from	
Local option sales tax	\$ 2,225,000
Transfers to debt service fund from	
Nonmajor governmental	\$ 755,146
Transfers to Water Pollution Control	
Public Works and Other	\$ 264,489
Transfers to nonmajor governmental funds from	
General	\$ 30
Transfers to nonmajor enterprise funds from	
General	\$ 176,832

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**CITY OF MARSHALLTOWN, IOWA**  
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Transfers are used to (1) move property tax revenues from the fund that state statute requires to collect them to the fund that expends the associated expenditure, (2) offset public works salaries within the general fund with road use tax dollars collected, and (3) move a portion of local option sales tax to the fund that is receiving the property tax relief.

**NOTE 5 – CAPITAL ASSETS**

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Primary Government				
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 4,000,014	\$ -	\$ -	\$ 4,000,014
Construction in progress	1,113,923	1,244,873	(1,176,700)	1,182,096
Total capital assets, not being depreciated	5,113,937	1,244,873	(1,176,700)	5,182,110
Capital assets, being depreciated				
Buildings and structures	17,707,821	-	-	17,707,821
Land improvements	2,389,084	87,173	-	2,476,257
Equipment and vehicles	16,260,561	1,146,783	(507,767)	16,899,577
Infrastructure	38,486,018	1,252,548	-	39,738,566
Total capital assets, being depreciated	74,843,484	2,486,504	(507,767)	76,822,221
Less accumulated depreciation for				
Buildings and structures	(6,478,282)	(504,088)	-	(6,982,370)
Land improvements	(1,295,412)	(151,165)	-	(1,446,577)
Equipment and vehicles	(9,083,693)	(1,034,415)	494,435	(9,623,673)
Infrastructure	(19,948,797)	(1,138,785)	-	(21,087,582)
Total accumulated depreciation	(36,806,184)	(2,828,453)	494,435	(39,140,202)
Total capital assets, being depreciated, net	38,037,300	(341,949)	(13,332)	37,682,019
Governmental activities capital assets, net	\$ 43,151,237	\$ 902,924	\$ (1,190,032)	\$ 42,864,129

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 891,438	\$ 10,730	\$ -	\$ 902,168
Construction in progress	9,676,399	2,465,519	(9,655,913)	2,486,005
Total capital assets, not being depreciated	10,567,837	2,476,249	(9,655,913)	3,388,173
Capital assets, being depreciated				
Buildings and structures	10,845,457	-	-	10,845,457
Land improvements	2,210,985	-	-	2,210,985
Equipment and vehicles	17,957,207	317,180	(51,821)	18,222,566
Sanitary sewers and lift stations	28,147,362	9,130,078	-	37,277,440
Infrastructure	15,528,426	161,845	-	15,690,271
Total capital assets, being depreciated	74,689,437	9,609,103	(51,821)	84,246,719
Less accumulated depreciation for				
Buildings and structures	(5,964,118)	(292,052)	-	(6,256,170)
Land improvements	(1,701,231)	(66,305)	-	(1,767,536)
Equipment and vehicles	(11,063,954)	(570,434)	47,063	(11,587,325)
Sanitary sewers and lift stations	(7,156,850)	(735,794)	-	(7,892,644)
Infrastructure	(4,464,431)	(313,228)	-	(4,777,659)
Total accumulated depreciation	(30,350,584)	(1,977,813)	47,063	(32,281,334)
Total capital assets, being depreciated, net	44,338,853	7,631,290	(4,758)	51,965,385
Business-type activities capital assets, net	<u>\$ 54,906,690</u>	<u>\$ 10,107,539</u>	<u>\$ (9,660,671)</u>	<u>\$ 55,353,558</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety	\$ 485,475
Public works	1,487,324
Health and social services	9,808
Culture and recreation	779,697
General government	<u>66,149</u>
Total depreciation expense – governmental activities	<u>\$ 2,828,453</u>
Business-type activities	
Water pollution control	\$ 1,487,116
Storm sewer	330,218
Compost facility	12,051
Bus transit	<u>148,428</u>
Total depreciation expense – business-type activities	<u>\$ 1,977,813</u>

**NOTE 6 – LONG-TERM DEBT**

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental activities					
General obligation bonds and notes payable	\$ 20,374,588	\$ 2,000,000	\$ 3,066,991	\$ 19,307,597	\$ 2,716,447
Unamortized premiums	<u>182,103</u>	<u>94,422</u>	<u>32,483</u>	<u>244,042</u>	<u>-</u>
Total general obligation bonds	20,556,691	2,094,422	3,099,474	19,551,639	2,716,447
Compensated absences payable	1,126,573	302,948	311,726	1,117,795	256,980
Net OPEB liability	<u>3,533,359</u>	<u>245,718</u>	<u>-</u>	<u>3,779,077</u>	<u>-</u>
	<u>25,216,623</u>	<u>2,643,088</u>	<u>3,411,200</u>	<u>24,448,511</u>	<u>2,973,427</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Business-type activities					
General obligation bonds and notes payable	\$ 5,359,452	\$ -	\$ 462,186	\$ 4,897,266	\$ 468,428
Unamortized discounts	(34,298)	-	(3,118)	(31,180)	-
Total general obligation bonds	5,325,154	-	459,068	4,866,086	468,428
Revenue bonds payable	11,710,000	6,000,000	1,402,000	16,308,000	1,397,000
Compensated absences payable	254,089	47,700	44,659	257,130	46,551
Net OPEB liability	418,061	29,073	-	447,134	-
	<u>17,707,304</u>	<u>6,076,773</u>	<u>1,905,727</u>	<u>21,878,350</u>	<u>1,911,979</u>
Total	<u>\$42,923,927</u>	<u>\$ 8,719,861</u>	<u>\$ 5,316,927</u>	<u>\$46,326,861</u>	<u>\$ 4,885,406</u>

For the governmental activities, compensated absences and net OPEB liability are generally liquidated by the general fund.

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**CITY OF MARSHALLTOWN, IOWA**  
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*Bonded Debt.* Details of the City's bonds and notes payable as of June 30, 2016, are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds and notes				
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	3.50%	\$ 1,100,000	\$ -	\$ 1,100,000
2009A Essential corporate purpose refunding bonds, issued May 1, 2009	2.80-3.00	650,000	-	650,000
2011A Essential corporate purpose, issued April 1, 2011	2.00-3.45	-	4,375,000	4,375,000
2011B Essential corporate purpose, issued October 26, 2011	1.20-2.85	1,830,000	-	1,830,000
2012A Essential corporate purpose, issued April 12, 2012	1.00-2.50	4,475,000	-	4,475,000
2012B Refunding, issued April 24, 2012	1.50-2.05	2,335,000	-	2,335,000
2013A Essential corporate purpose, issued March 12, 2013	1.50-1.75	5,195,000	-	5,195,000
2014A Essential corporate purpose, issued December 16, 2014	2.00-2.50	1,690,000	-	1,690,000
2015A Essential corporate purpose, issued November 24, 2015	2.00-2.60	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total general obligation bonds and notes		<u>19,275,000</u>	<u>4,375,000</u>	<u>23,650,000</u>
Notes payable				
Software loan note, issued March 3, 2014	0.00	32,597	-	32,597
Alliant loan note, issued September 17, 2014	0.00	<u>-</u>	<u>522,266</u>	<u>522,266</u>
Total notes payable		<u>32,597</u>	<u>522,266</u>	<u>554,863</u>
Revenue bonds				
Water Pollution Control, improvement and refunding bonds, Series 2012C, issued May 8, 2012	2.58	-	2,634,000	2,634,000
Water Pollution Control, improvement bonds, Series 2013, issued June 18, 2013	2.09	-	3,139,000	3,139,000
Water Pollution Control, improvement bonds, Series 2014, issued June 18, 2013	2.90	-	4,895,000	4,895,000
Water Pollution Control, improvement bonds, Series 2015, issued August 13, 2015	2.69	<u>-</u>	<u>5,640,000</u>	<u>5,640,000</u>
Total revenue bonds		<u>-</u>	<u>16,308,000</u>	<u>16,308,000</u>
Total long-term debt		<u>\$ 19,307,597</u>	<u>\$ 21,205,266</u>	<u>\$ 40,512,863</u>

The resolutions providing for the issuance of the City's revenue bonds include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.

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**CITY OF MARSHALLTOWN, IOWA**  
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*Future Requirements to Maturity.* Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Governmental Activities General Obligation Bonds and Notes		Business-Type Activities General Obligation Bonds and Notes	
	Principal	Interest	Principal	Interest
2017	\$ 2,716,447	\$ 382,413	\$ 468,428	\$ 132,231
2018	2,496,150	316,972	479,686	123,573
2019	2,390,000	275,296	495,959	113,749
2020	2,415,000	237,595	512,249	102,781
2021	2,515,000	197,038	528,556	90,611
2022-2026	6,130,000	393,411	2,412,388	244,048
2027-2031	645,000	16,808	-	-
Total	<u>\$ 19,307,597</u>	<u>\$ 1,819,533</u>	<u>\$ 4,897,266</u>	<u>\$ 806,993</u>

Year Ending June 30,	Business-Type Activities Water Pollution Control Revenue Bonds		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,397,000	\$ 426,022	\$ 1,865,428	\$ 558,253
2018	1,438,000	389,721	1,917,686	513,294
2019	1,464,000	352,330	1,959,959	466,079
2020	1,077,000	314,269	1,589,249	417,050
2021	1,106,000	286,159	1,634,556	376,770
2022-2026	5,975,000	1,081,306	8,387,388	1,325,354
2027-2031	3,851,000	219,563	3,851,000	219,563
Total	<u>\$ 16,308,000</u>	<u>\$ 3,069,370</u>	<u>\$ 21,205,266</u>	<u>\$ 3,876,363</u>

In fiscal year ended June 30, 2016, the Water Pollution Control Fund had net revenues of \$3,347,477 and the amount of Principal and Interest due was \$2,043,312.

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**CITY OF MARSHALLTOWN, IOWA**  
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*Legal Debt Margin.* The City's legal debt margin as of June 30, 2016, is as follows:

Regular realty valuations	\$ 1,322,550,079
Utility valuations	203,378,461
Incremental valuations	<u>40,194,757</u>
Total actual valuations applicable to debt	<u>\$ 1,566,123,297</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>\$ 78,306,165</u>
Amount of debt applicable to limitation	
General obligation bonds and notes	24,204,863
Urban renewal rebate agreements	<u>1,690,000</u>
	25,894,863
Less funds available from	
Debt service fund	107,604
Tax increment financing	<u>771,750</u>
Total debt applicable to debt margin	<u>25,015,509</u>
Legal debt margin	<u>\$ 53,290,656</u>

**NOTE 7 – Retirement Plans**

***(a) Iowa Public Employees' Retirement System - IPERS***

Plan Description – IPERS membership is mandatory for employees of the City and the Water works, except for those covered by another retirement system. Throughout this IPERS disclosure, all references to the City will incorporate both the City and the Water Works, unless otherwise noted.

Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's total contributions to IPERS for the year ended June 30, 2016 were \$515,480. The Water Work's total contributions to IPERS for the year ended June 30, 2016 were \$47,060.

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum based on 3.00 percent inflation and 1.00 percent real wage inflation

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

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

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

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

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**City Specific IPERS Disclosures**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$4,109,324 for its proportionate share of the net pension liability. The new pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City’s collective proportion was .082659 percent which was a decrease of .000097 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$331,594. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Results	\$ 62,087	\$ -
Changes of Assumptions	113,140	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	342,004
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	54,181
City Contributions Subsequent to the Measurement Date	515,480	-
Total	<u>\$ 690,707</u>	<u>\$ 396,185</u>

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**CITY OF MARSHALLTOWN, IOWA**  
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The \$515,480 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 ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Total</u>
2017	\$ (130,516)
2018	(130,516)
2019	(130,516)
2020	168,691
2021	1,899
	<u>\$ (220,958)</u>

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 7,194,687	\$ 4,109,324	\$ 1,505,056

**Payable to the Pension Plan** – At June 30, 2016, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Water Works Specific IPERS Disclosures**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2016, the Water Works reported a liability of \$362,120 for its proportionate share of the net pension liability. The new pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Work's proportion of the net pension liability was based on the Water Work's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Water Work's collective proportion was .0073296 percent which was a decrease of .000203 percent from its proportion measured as of June 30, 2014.

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**CITY OF MARSHALLTOWN, IOWA**  
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For the year ended June 30, 2016, the Water Works recognized pension expense of \$30,272. At June 30, 2016, the Water Utility 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 Results	\$ 5,471	\$ -
Changes of Assumptions	9,970	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	30,138
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	2,286	4,164
Water Works Contributions Subsequent to the Measurement Date	47,060	-
Total	<u>\$ 64,787</u>	<u>\$ 34,302</u>

The \$47,060 reported as deferred outflows of resources related to pensions resulting from the Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Total</u>
2017	\$ (10,345)
2018	(10,345)
2019	(10,345)
2020	14,532
2021	(72)
	<u>\$ (16,575)</u>

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Water Utility's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	\$ 634,007	\$ 362,120	\$ 132,628

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**CITY OF MARSHALLTOWN, IOWA**  
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Payable to the Pension Plan – At June 30, 2016, the Water Works reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(b) *Municipal Fire and Police Retirement System of Iowa – MFPRSI***

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50366 or at [www.mfprsi.org](http://www.mfprsi.org).

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

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

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

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

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

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

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

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$ 1,174,434.

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

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

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense including inflation

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

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

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

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

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**CITY OF MARSHALLTOWN, IOWA**  
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Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.4% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$7,122,296 for its proportionate share of the net pension liability. The new pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's collective proportion was 1.515981 percent which was a decrease of .045074 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expenses of \$606,309. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Results	\$ 191,449	\$ 12,172
Changes of Assumptions	535,896	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	733,109
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	237,992
City Contributions Subsequent to the Measurement Date	1,174,434	-
Total	<u>\$ 1,901,779</u>	<u>\$ 983,273</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The \$1,174,434 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Total</u>
2017	\$ 225,568
2018	225,568
2019	225,568
2020	(391,857)
2021	(28,919)
	<u>\$ 255,928</u>

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 12,400,129	\$ 7,122,296	\$ 2,737,034

**Payables to the Pension Plan** – At June 30, 2016, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

***(c) Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan***

**Plan Description** – The Water Works maintains the Marshalltown Water Works Supplemental Retirement and Pension Plan, which is a single employer defined benefit plan administered by United Bank and Trust. As of April 1, 2015, pension plan membership consisted of 14 inactive plan members (or beneficiaries) currently receiving benefits, 3 inactive plan members entitled to but not yet receiving benefits, and 10 active plan members.

The Plan was established by the Marshalltown Water Works' Board of Trustees on September 30, 1953. The Plan was restated and amended on January 1, 2014. The Board of Trustees has the authority to amend the Plan at any time.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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Pension Benefits – Employees who retire at or after age 65, or age 62 with 25 years of credited service, are entitled to retirement benefits payable monthly for life. Monthly benefits are equal to 2.12% of the employee's five-year final average salary multiplied by the number of years of consecutive service for the year ended June 30, 2016. Service prior to January 1, 1986 shall be limited to 25 years. Benefits are fully vested on reaching 10 or more years of credited service.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability benefits is eligible to claim Water Works pension benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement and has participated in the plan for 10 or more years prior to death, and is totally vested, the surviving spouse may request a return of the participant's accrued contributions with interest to the date of the participant's death, or may leave the balance in the pension plan and be entitled to a joint and 100% survivor annuity at the time the participant would have become eligible for pension benefits.

Contributions – The Water Works' funding policy provides for employer and employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The frozen entry age actuarial cost method is used to determine annual plan costs. The employer contribution rate for the year ended June 30, 2016 was 8.93% plus an additional \$3,000 per bi-weekly payroll. The employee contribution rate for the year ended June 30, 2016 was 4.95%. Contributions paid by the Water Works for the year ended June 30, 2016 totaled \$119,344, and the contributions paid by employees totaled \$22,917.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Water Works reported a net pension liability of \$1,547,805. The net pension liability was measured as of April 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that April 1, 2015.

For the year ended June 30, 2016, the Water Works recognized pension expense of \$150,472. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Results	\$ 32,770	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	77,291	2,315
Total	<u>\$ 110,061</u>	<u>\$ 2,315</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Total</u>
2017	\$ 31,154
2018	31,154
2019	26,116
2020	19,322
2021	-
	<u>\$ 107,746</u>

Actuarial Assumptions – The total pension liability in the April 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rates of salary increase (effective June 30, 2013)	3.00 percent per annum
Long-term investment rate of return (effective June 30, 2013)	7.00 percent compounded annually

The actuarial assumptions used in the April 1, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the 1983 Group Annuity Mortality Table.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.46% based on the target allocation of assets summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>
Large Cap Equity	30.0%
Small Cap Equity	10.0
International Equity	10.0
High Dividend Equity	10.0
Fixed Income	40.0
Total	<u>100.0%</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Sensitivity of the Water Works' Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' net pension liability calculated using the discount rate of 7.0 percent, as well as what the Water Works' net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' Proportionate Share of the Net Pension Liability	\$ 1,796,863	\$ 1,547,805	\$ 1,335,800

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* prospectively during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides postemployment medical and dental benefits for retirees and their spouses. The Plan does not issue a stand-alone financial report.

Retirees or eligible spouses are required to contribute for their coverage the following percentages of the total premium:

50% if disabled while on duty (police or fire) except disability related expenses are 100% paid by the City,  
 50% if retiring employee satisfies the rule of 88 or police/fire employee is 55 with 22 years of service,  
 50% for grandfathered police/fire,  
 100% for all other including surviving spouses.

To be eligible for the medical and dental insurance coverage, a retiree must be at least 55 years old, or disabled and receiving or eligible to receive a pension under the Iowa Public Employees' Retirement System (IPERS) or the Municipal Fire and Police Retirement System of Iowa (MFPRSI). There are 147 active and 61 retired members in the plan.

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

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

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2016 and 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	2016	2015
Normal Cost	\$ 192,825	\$ 192,825
Amortization of UAAL	325,679	325,679
Annual required contribution	518,504	518,504
Interest on net OPEB obligation	20,740	20,740
Adjustment to annual required contribution	(62,408)	(62,408)
Annual OPEB cost	476,836	476,836
Contributions made	(202,045)	(25,527)
Increase in net OPEB obligation	274,791	451,309
Net OPEB obligation, beginning of year	3,951,420	3,500,111
Net OPEB obligation, end of year	\$ 4,226,211	\$ 3,951,420

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016, 2015, and 2014, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
June 30, 2016	\$ 476,836	42.37%	\$ 4,226,211
June 30, 2015	476,836	5.35%	3,951,420
June 30, 2014	350,525	19.19%	3,500,111

**Funded Status and Funding Progress** - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$5,856,914, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,856,914. The covered payroll (annual payroll of active employees covered by the plan) was \$9,663,341 and the ratio of the UAAL to covered payroll was 60.6%. As of June 30, 2016, there were no trust fund assets.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes (continued on next page)

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the City's funding policy and a 3% inflation rate. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Police and fire are assumed to retire at age 55 with 22 years of service. Other City employees are assumed to retire after age 55, when age plus service equals 88.

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

**NOTE 9 – RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 700 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 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 due and payable in the current 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 the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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 and reinsurance premiums, all of which are due and payable in the current 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.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$180,897.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the City's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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 sixty 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop-loss amount of \$85,000 and an aggregate stop-loss of approximately \$2,465,943 for 2016. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2016, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

All operating funds of the City participate in the program and make payments to the Group Insurance Benefits Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

The City has established an Occupational Insurance Benefits Fund to self-insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and (continued on next page)

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2016, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop-loss insurance for this coverage.

The claims liabilities of \$210,542 in the Group Insurance Benefits Fund and \$2,751 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire amounts will be paid within one year of year-end.

Changes in reported liabilities for the fiscal years ended June 30, 2016 and 2015, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
Liabilities as of June 30, 2014	\$ 218,754	\$ 1,664
Claims and changes in estimates during fiscal year 2015	2,193,712	58,196
Claim payments	<u>(2,080,173)</u>	<u>(56,853)</u>
Liabilities as of June 30, 2015	332,293	3,007
Claims and changes in estimates during fiscal year 2016	2,112,780	31,664
Claim payments	<u>(2,234,531)</u>	<u>(31,920)</u>
Liabilities as of June 30, 2016	<u>\$ 210,542</u>	<u>\$ 2,751</u>

**NOTE 10 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), which allows for the plan to hold its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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During this fiscal year, the City also made payroll IRAs available to its employees in accordance with Internal Revenue Code Section 401. This plan is also available to all regular City employees. Participation is optional and withdrawals are governed by current IRS regulations.

**NOTE 11 – COMMITMENTS**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2016. The City has additional commitments for signed construction contracts of approximately \$3,621,716 as of June 30, 2016, to be paid as work on the projects progresses.

**NOTE 12 – MAJOR CUSTOMER**

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$2,189,618 and \$328,872, respectively.

**NOTE 13 – LITIGATION**

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**NOTE 14 – DEFICIT BALANCES**

At June 30, 2016, funds with deficit balances were as follows:

Special Revenue Funds - Grant Fund	\$	97,248
Capital Projects Funds - Airports Projects Fund		96,940

These deficit balances will be recovered through future grant funding.

**NOTE 15 – SUBSEQUENT EVENTS**

On July 12, 2016, the City of Marshalltown issued General Obligation Corporate Purpose Bonds, Series 2016A in the amount of \$5,000,000. The bonds were issued for the construction of streets, storm water drainage improvements, and the acquisition of a fire truck. Additionally, on October 24, 2016, the City issued General Obligation Municipal Building Bonds, Series 2016B in the amount of \$4,870,000. The bonds were issued to finance the construction, furnishing and equipping of a facility for the joint use of the municipal police and fire departments, including construction of related infrastructure improvements, and the acquiring of real estate. The City maintained their Aa2 bond rating for the sale of these bonds.

Additionally, on August 24, 2016, the City received a loan from the State of Iowa in the amount of \$142,000 with an interest rate of 0 percent. The proceeds of the loan are to be used for fire equipment.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN**

Schedule of Funding Progress						
Actuarial Valuation Date	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2014	\$ -	\$ 5,856,914	\$ 5,856,914	0.00%	\$ 9,663,341	60.6%
July 1, 2012	-	5,687,909	5,687,909	0.00%	9,331,501	61.0%
July 1, 2010	-	9,137,264	9,137,264	0.00%	8,671,182	105.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)**  
**GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Actual			Budgeted Amounts		Final to
	Governmental Funds	Enterprise Funds	Total	Original Budget	Final Budget	Actual Variance
Receipts						
Property taxes	\$ 9,539,124	\$ -	\$ 9,539,124	\$ 10,329,114	\$ 10,329,114	\$ (789,990)
TIF revenues	1,287,160	-	1,287,160	1,408,940	1,408,940	(121,780)
Other city taxes	5,537,459	-	5,537,459	4,601,695	4,902,498	634,961
Licenses and permits	289,404	5,425	294,829	242,350	245,125	49,704
Use of money and property	129,005	86,281	215,286	152,120	146,642	68,644
Intergovernmental	7,891,338	363,188	8,254,526	8,165,205	9,299,064	(1,044,538)
Charges for service	1,085,692	7,204,547	8,290,239	8,503,124	7,613,184	677,055
Special assessments	12,999	-	12,999	26,678	26,678	(13,679)
Miscellaneous	809,129	173,320	982,449	916,600	876,820	105,629
Other financing sources	2,094,822	6,000,000	8,094,822	22,500,000	8,094,422	400
Total receipts	<u>28,676,132</u>	<u>13,832,761</u>	<u>42,508,893</u>	<u>56,845,826</u>	<u>42,942,487</u>	<u>(433,594)</u>
Disbursements						
Public safety	9,415,764	-	9,415,764	9,495,340	9,797,815	382,051
Public works	3,416,000	-	3,416,000	3,984,619	4,954,475	1,538,475
Health and social services	1,378,186	-	1,378,186	1,707,150	1,674,585	296,399
Culture and recreation	2,697,993	-	2,697,993	2,894,963	3,076,086	378,093
Community and economic development	1,431,330	-	1,431,330	1,464,579	1,638,259	206,929
General government	1,257,790	-	1,257,790	1,646,865	1,521,758	263,968
Debt service	3,491,018	-	3,491,018	3,467,146	3,491,284	266
Capital projects	2,626,550	-	2,626,550	17,985,051	3,158,917	532,367
Business-type activities	-	8,658,021	8,658,021	14,267,363	11,697,817	3,039,796
Total disbursements	<u>25,714,631</u>	<u>8,658,021</u>	<u>34,372,652</u>	<u>56,913,076</u>	<u>41,010,996</u>	<u>6,638,344</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,961,501</u>	<u>5,174,740</u>	<u>8,136,241</u>	<u>(67,250)</u>	<u>1,931,491</u>	<u>6,204,750</u>
Transfers						
Transfers in	8,003,404	441,321	8,444,725	9,154,279	9,181,333	736,608
Transfers out	<u>(8,444,725)</u>	<u>-</u>	<u>(8,444,725)</u>	<u>(9,154,279)</u>	<u>(9,181,333)</u>	<u>(736,608)</u>
Total transfers	<u>(441,321)</u>	<u>441,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,520,180	5,616,061	8,136,241	(67,250)	1,931,491	6,204,750
Fund balances, beginning	<u>14,004,339</u>	<u>9,266,506</u>	<u>24,164,525</u>	<u>27,616,268</u>	<u>23,270,843</u>	<u>893,682</u>
Fund balances, ending	<u>\$ 16,524,519</u>	<u>\$ 14,882,567</u>	<u>\$ 32,300,766</u>	<u>\$ 27,549,018</u>	<u>\$ 25,202,334</u>	<u>\$ 7,098,432</u>

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION**  
**YEAR ENDED JUNE 30, 2016**

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual	Modified	Cash Basis	Accrual	Accrual Basis
		Adjustments	Accrual Basis		Adjustments	
Revenues	\$ 28,676,132	\$ 234,599	\$ 28,910,731	\$ 13,832,761	\$ (4,770,877)	\$ 9,061,884
Expenditures/expenses	<u>25,714,631</u>	<u>(128,113)</u>	<u>25,586,518</u>	<u>8,658,021</u>	<u>(1,694,517)</u>	<u>6,963,504</u>
Net	2,961,501	362,712	3,324,213	5,174,740	(3,076,360)	2,098,380
Transfers	(441,321)	-	(441,321)	441,321	-	441,321
Beginning fund balances/ net position	<u>14,004,339</u>	<u>913,029</u>	<u>14,917,368</u>	<u>9,266,506</u>	<u>36,735,895</u>	<u>46,002,401</u>
Ending fund balances/ net position	<u>\$ 16,524,519</u>	<u>\$ 1,275,741</u>	<u>\$ 17,800,260</u>	<u>\$ 14,882,567</u>	<u>\$ 33,659,535</u>	<u>\$ 48,542,102</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2016**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental 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 internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine (9) major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment was prepared with the required public hearing. The amendments decreased budgeted disbursements by \$15,902,080.

At June 30, 2016, disbursements did not exceed the amended budgeted amounts. Additionally, disbursements never exceeded the amounts budgeted before an amendment during the year.

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**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM- IPERS**

---

	<u>2016</u>	<u>2015</u>
City's Collective Proportion of the Net Pension Liability	0.0827%	0.0828%
City's Collective Proportionate Share of the Net Pension Liability	\$ 4,109,324	\$ 3,349,191
City's Covered-Employee Payroll	\$ 5,714,192	\$ 5,521,483
City's Collective Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	71.91%	60.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.19%	87.61%

See accompanying notes to required supplementary information.

**Note:** GASB Statement No.68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM- IPERS**

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 515,480	\$ 515,480	-	\$ 5,772,452	8.93%
2015	510,213	510,213	-	5,714,192	8.93%
2014	493,003	493,003	-	5,521,483	8.93%
2013	471,574	471,574	-	5,462,753	8.63%
2012	422,426	422,426	-	5,234,876	8.07%
2011	359,543	359,543	-	5,173,124	6.95%
2010	336,261	336,261	-	5,056,637	6.65%
2009	305,547	305,547	-	4,808,928	6.35%
2008	277,631	277,631	-	4,590,139	6.05%
2007	248,973	248,973	-	4,328,730	5.75%

See accompanying auditor's report.

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF WATER WORKS' PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM- IPERS**

---

	<u>2016</u>	<u>2015</u>
Water Works' Collective Proportion of the Net Pension Liability	0.0073%	0.0075%
Water Works' Collective Proportionate Share of the Net Pension Liability	\$ 362,120	\$ 298,746
Water Works' Covered-Employee Payroll	\$ 502,146	\$ 492,923
Water Works' Collective Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	72.11%	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.19%	87.61%

See accompanying notes to required supplementary information.

**Note:** GASB Statement No.68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF WATER WORKS CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM- IPERS**

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 47,060	\$ 47,060	-	\$ 526,989	8.93%
2015	44,842	44,842	-	502,146	8.93%
2014	44,018	44,018	-	492,923	8.93%
2013	41,028	41,028	-	473,218	8.67%
2012	36,382	36,382	-	450,830	8.07%
2011	30,686	30,686	-	441,525	6.95%
2010	28,064	28,064	-	422,015	6.65%
2009	25,865	25,865	-	407,323	6.35%
2008	23,482	23,482	-	388,132	6.05%
2007	22,694	22,694	-	394,678	5.75%

See accompanying auditor's report.

# **CITY OF MARSHALLTOWN, IOWA**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**

### **IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM- IPERS**

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#### Changes of benefit terms

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member account from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM- IPERS**

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- Modified salary increase assumptions based on various service duration.

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

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - MFPRSI**

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	<u>2016</u>	<u>2015</u>
City's Collective Proportion of the Net Pension Liability	1.5160%	1.5611%
City's Collective Proportionate Share of the Net Pension Liability	\$ 7,122,296	\$ 5,658,798
City's Covered-Employee Payroll	\$ 3,975,266	\$ 3,987,282
City's Collective Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	179.17%	141.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.04%	86.27%

See accompanying notes to required supplementary information.

**Note:** GASB Statement No.68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - MFPRSI**

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 1,174,434	\$ 1,174,434	-	\$ 4,229,147	27.77%
2015	1,208,879	1,208,879	-	3,975,266	30.41%
2014	1,200,723	1,200,723	-	3,987,282	30.11%
2013	1,025,722	1,025,722	-	3,908,165	26.25%
2012	950,492	950,492	-	3,838,823	24.76%
2011	736,174	736,174	-	3,699,363	19.90%
2010	616,553	616,553	-	3,626,678	17.00%
2009	655,955	655,955	-	3,498,435	18.75%
2008	862,919	862,919	-	3,386,660	25.48%
2007	896,498	896,498	-	3,230,620	27.75%

See accompanying auditor's report.

Notes to Required Supplementary Information – Pension Liability:

Changes of benefit terms: There were no significant changes of benefit terms.

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



**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF WATER WORKS' NET PENSION LIABILITY**  
**SUPPLEMENTAL RETIREMENT AND PENSION PLAN**

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	2016	2015
Water Works' Net Pension liability	\$ 1,547,805	\$ 1,471,746
Water Works' Covered-Employee Payroll	\$ 462,980	\$ 483,147
Water Works' Net Pension Liability as a Percentage of its Covered-Employee Payroll	334.31%	304.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.16%	46.85%

The amounts presented for each fiscal year were determined as of April 1.

See accompanying auditor's report.

**Note:** GASB Statement No. 67 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Water Works will present information for those years for which information is available.

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF WATER WORKS CONTRIBUTIONS**  
**SUPPLEMENTAL RETIREMENT AND PENSION PLAN**

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 119,344	\$ 119,344	-	\$ 462,980	25.78%
2015	121,145	121,145	-	483,147	25.07%
2014	122,357	122,357	-	500,366	24.45%
2013	117,189	117,189	-	478,884	24.47%
2012	112,779	112,779	-	479,708	23.51%
2011	111,885	111,885	-	470,579	23.78%
2010	114,091	114,091	-	547,402	20.84%
2009	91,232	91,232	-	543,736	16.78%
2008	34,708	34,708	-	514,193	6.75%
2007	31,193	31,193	-	462,199	6.75%

See accompanying auditor's report.

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## **OTHER SUPPLEMENTARY INFORMATION**

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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**E-911 Surcharge** – To account for activity associated with the 911 Communication Commission.

**Grant Fund** – To account for various state and federal grant activities.

**Special Contributions** – To reflect activities associated with donations and special contributions to various City departments.

**Tax Increment Financing** – To account for revenue taxes levied for specific uses within the designated district. Specific uses may include the construction of infrastructure and payments associated with debt and other development agreements.

**Other** – To account for other various revenues, seized assets, City tort liability, special assessments and economic development gift funding.

## CAPITAL PROJECTS FUNDS

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**Airport Projects** – To account for ongoing projects at the municipal airport.

**Culture and Recreation Projects** – To account for resources used in the acquisition and construction of capital facilities and other capital assets associated with the City's culture and recreation function.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

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	<u>Special</u>	
	<u>E-911 Surcharge</u>	<u>Grant Fund</u>
Assets		
Cash and cash equivalents	\$ 297,764	\$ -
Receivables		
Property taxes		
Delinquent	-	-
Accounts and unbilled usage	-	-
Due from other governments	169,121	20,945
Prepaid items	<u>27,386</u>	<u>971</u>
Total assets	<u>\$ 494,271</u>	<u>\$ 21,916</u>
Liabilities, deferred inflows of resources, and fund balances		
Liabilities		
Accounts payable	\$ 1,978	\$ 2,095
Accrued payroll and payroll benefits	-	2,544
Retainage payable	-	-
Due to other governments	-	9,652
Due to other funds	<u>-</u>	<u>99,211</u>
Total liabilities	<u>1,978</u>	<u>113,502</u>
Deferred inflows of resources		
Unavailable revenue- other	-	-
Unavailable revenue- Intergovernmental	<u>-</u>	<u>5,662</u>
Total deferred inflows of resources	<u>-</u>	<u>5,662</u>
Fund balances		
Nonspendable	27,386	971
Restricted	464,907	-
Unassigned	<u>-</u>	<u>(98,219)</u>
Total fund balances	<u>492,293</u>	<u>(97,248)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 494,271</u>	<u>\$ 21,916</u>

Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Special Contributions	Tax Increment Financing	Other	Airport Projects	Culture and Recreation Projects	
\$ 199,784	\$ 760,218	\$ 225,466	\$ -	\$ 69,366	\$ 1,552,598
-	10,362	-	-	-	10,362
224	-	1,043	-	-	1,267
-	1,170	-	80,015	52,247	323,498
7,391	-	-	-	-	35,748
<u>\$ 207,399</u>	<u>\$ 771,750</u>	<u>\$ 226,509</u>	<u>\$ 80,015</u>	<u>\$ 121,613</u>	<u>\$ 1,923,473</u>
\$ 4,947	\$ -	\$ 560	\$ 14,060	\$ 31,212	\$ 54,852
680	-	-	-	-	3,224
-	-	-	2,000	-	2,000
-	-	-	-	-	9,652
-	-	-	80,880	-	180,091
5,627	-	560	96,940	31,212	249,819
94	-	-	-	-	94
-	-	-	80,015	-	85,677
94	-	-	80,015	-	85,771
7,391	-	-	-	-	35,748
194,287	771,750	225,949	-	90,401	1,747,294
-	-	-	(96,940)	-	(195,159)
201,678	771,750	225,949	(96,940)	90,401	1,587,883
<u>\$ 207,399</u>	<u>\$ 771,750</u>	<u>\$ 226,509</u>	<u>\$ 80,015</u>	<u>\$ 121,613</u>	<u>\$ 1,923,473</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (DEFICIT)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>Special</u>	
	<u>E-911 Surcharge</u>	<u>Grant Fund</u>
Revenues		
TIF revenues	\$ -	\$ -
Other city taxes	273,656	-
Use of money and property	935	12
Intergovernmental	100,000	307,013
Charges for service	-	-
Miscellaneous	<u>75</u>	<u>5,631</u>
Total revenues	<u>374,666</u>	<u>312,656</u>
Expenditures		
Current		
Public safety	250,082	318,727
Public works	-	-
Health and social services	-	450
Culture and recreation	-	261
Community and economic development	<u>-</u>	<u>7,128</u>
Total expenditures	<u>250,082</u>	<u>326,566</u>
Excess of revenues (expenditures) over expenditures (revenues)	<u>124,584</u>	<u>(13,910)</u>
Other financing sources (uses)		
Transfers in	-	30
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>30</u>
Net change in fund balances	124,584	(13,880)
Fund balances (deficit) - beginning	<u>367,709</u>	<u>(83,368)</u>
Fund balances (deficit) - ending	<u>\$ 492,293</u>	<u>\$ (97,248)</u>



Revenue Funds			Capital Projects Funds		Total
Special Contributions	Tax Increment Financing	Other	Airport Projects	Culture and Recreation Projects	Nonmajor Governmental Funds
\$ -	\$ 1,276,898	\$ -	\$ -	\$ -	\$ 1,276,898
-	-	-	-	-	273,656
754	2,580	835	-	258	5,374
-	129,364	-	24,811	52,247	613,435
63,663	-	-	-	-	63,663
142,064	-	13,236	-	39,200	200,206
<u>206,481</u>	<u>1,408,842</u>	<u>14,071</u>	<u>24,811</u>	<u>91,705</u>	<u>2,433,232</u>
80,792	-	11,230	-	-	660,831
-	-	570	122,174	-	122,744
-	-	-	-	-	450
112,520	-	3,293	-	98,246	214,320
-	78,462	-	-	4,200	89,790
<u>193,312</u>	<u>78,462</u>	<u>15,093</u>	<u>122,174</u>	<u>102,446</u>	<u>1,088,135</u>
<u>13,169</u>	<u>1,330,380</u>	<u>(1,022)</u>	<u>(97,363)</u>	<u>(10,741)</u>	<u>1,345,097</u>
-	-	-	-	-	30
(4,648)	(808,915)	-	-	-	(813,563)
<u>(4,648)</u>	<u>(808,915)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(813,533)</u>
8,521	521,465	(1,022)	(97,363)	(10,741)	531,564
<u>193,157</u>	<u>250,285</u>	<u>226,971</u>	<u>423</u>	<u>101,142</u>	<u>1,056,319</u>
<u>\$ 201,678</u>	<u>\$ 771,750</u>	<u>\$ 225,949</u>	<u>\$ (96,940)</u>	<u>\$ 90,401</u>	<u>\$ 1,587,883</u>

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# NONMAJOR ENTERPRISE FUNDS

**Compost Facility** – To account for the operation and maintenance of the City's facility for yard wastes. Services are supported primarily by user charges.

**Bus Transit** – To account for the City's mass transit operations. Services are supported primarily from transit property taxes accounted for and transferred from the General Fund, intergovernmental revenues, and user charges.

**Recreation Concessions** – To account for the concessions activity of the municipal swimming pool and coliseum. Services are supported by user fees.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2016**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 173,069	\$ 188,430	\$ 16,764	\$ 378,263
Receivables				
Accounts and unbilled usage	954	182	202	1,338
Inventories	4,840	-	-	4,840
Prepaid items	601	17,797	99	18,497
Total current assets	<u>179,464</u>	<u>206,409</u>	<u>17,065</u>	<u>402,938</u>
Noncurrent assets				
Capital assets				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	85,947	1,866,824	-	1,952,771
Accumulated depreciation	(298,019)	(1,302,242)	-	(1,600,261)
Total noncurrent assets	<u>60,645</u>	<u>1,249,446</u>	<u>-</u>	<u>1,310,091</u>
Total assets	<u>240,109</u>	<u>1,455,855</u>	<u>17,065</u>	<u>1,713,029</u>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	<u>3,961</u>	<u>37,888</u>	<u>396</u>	<u>42,245</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	448	8,069	3,569	12,086
Accrued payroll and payroll benefits	872	5,289	1,077	7,238
Compensated absences	860	5,953	-	6,813
Total current liabilities	<u>2,180</u>	<u>19,311</u>	<u>4,646</u>	<u>26,137</u>
Noncurrent liabilities				
Compensated absences	3,001	20,413	-	23,414
Net OPEB liability	-	30,852	-	30,852
Net pension liability	11,760	235,012	3,232	250,004
Total noncurrent liabilities	<u>14,761</u>	<u>286,277</u>	<u>3,232</u>	<u>304,270</u>
Total liabilities	<u>16,941</u>	<u>305,588</u>	<u>7,878</u>	<u>330,407</u>
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	<u>-</u>	<u>19,858</u>	<u>53</u>	<u>19,911</u>
<b>Net position</b>				
Net investment in capital assets	60,645	1,249,446	-	1,310,091
Unrestricted	166,484	(81,149)	9,530	94,865
Total net position	<u>\$ 227,129</u>	<u>\$ 1,168,297</u>	<u>\$ 9,530</u>	<u>\$ 1,404,956</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for service	\$ 73,336	\$ 96,506	\$ 40,917	\$ 210,759
Operating expenses				
Salaries and benefits	57,221	419,363	17,967	494,551
Services and supplies	10,207	204,027	31,849	246,083
Depreciation	12,051	148,428	-	160,479
Total operating expenses	79,479	771,818	49,816	901,113
Operating loss	(6,143)	(675,312)	(8,899)	(690,354)
Nonoperating revenues (expenses)				
Federal and state grants	-	363,188	-	363,188
Interest income	537	437	44	1,018
Loss on disposal of fixed assets	-	(3,154)	-	(3,154)
Net nonoperating revenues	537	360,471	44	361,052
Loss before transfers	(5,606)	(314,841)	(8,855)	(329,302)
Transfers in	-	176,832	-	176,832
Change in net position	(5,606)	(138,009)	(8,855)	(152,470)
Net position - beginning	232,735	1,306,306	18,385	1,557,426
Net position - ending	\$ 227,129	\$ 1,168,297	\$ 9,530	\$ 1,404,956

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Cash flows from operating activities				
Cash received from customers	\$ 73,535	\$ 96,324	\$ 40,715	\$ 210,574
Cash payments to suppliers for goods and services	(10,859)	(205,501)	(31,141)	(247,501)
Cash payments to employees for services	<u>(54,556)</u>	<u>(443,080)</u>	<u>(18,803)</u>	<u>(516,439)</u>
Net cash provided by (used for) operating activities	<u>8,120</u>	<u>(552,257)</u>	<u>(9,229)</u>	<u>(553,366)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	176,832	-	176,832
Grants received	<u>-</u>	<u>373,171</u>	<u>-</u>	<u>373,171</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>550,003</u>	<u>-</u>	<u>550,003</u>
Cash flows from investing activities				
Interest received on investment securities	<u>537</u>	<u>437</u>	<u>44</u>	<u>1,018</u>
Net increase (decrease) in cash and cash equivalents	8,657	(1,817)	(9,185)	(2,345)
Cash and cash equivalents, beginning	<u>164,412</u>	<u>190,247</u>	<u>25,949</u>	<u>380,608</u>
Cash and cash equivalents, ending	<u>\$ 173,069</u>	<u>\$ 188,430</u>	<u>\$ 16,764</u>	<u>\$ 378,263</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Reconciliation of operating loss to net cash provided by (used for) operating activities				
Operating loss	\$ (6,143)	\$ (675,312)	\$ (8,899)	\$ (690,354)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	12,051	148,428	-	160,479
Changes in assets, deferred outflows, liabilities, and deferred inflows				
Decrease (increase) in receivables	199	(182)	(202)	(185)
Decrease (increase) in inventories and prepaid items	(1,059)	(286)	8	(1,337)
Increase (decrease) in accounts payable	407	(1,188)	700	(81)
Increase (decrease) in accrued liabilities	3,481	(15,448)	(714)	(12,681)
Increase in net OPEB liability	-	2,006	-	2,006
Increase in net pension liability	3,374	42,475	511	46,360
Decrease (increase) in deferred outflows	(3,196)	207	3	(2,986)
Decrease in deferred inflows	(994)	(52,957)	(636)	(54,587)
Total adjustments	<u>14,263</u>	<u>123,055</u>	<u>(330)</u>	<u>136,988</u>
Net cash provided by (used for) operating activities	<u>\$ 8,120</u>	<u>\$ (552,257)</u>	<u>\$ (9,229)</u>	<u>\$ (553,366)</u>

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# INTERNAL SERVICE FUNDS

**Group Insurance Benefits** – To account for employee health insurance premiums and claim payments.

**Occupational Insurance Benefits** – To account for medical claims associated with work related injuries and disabled policemen and firemen.

**Workmen's Compensation Deductible** – To account for workmen's compensation deductible insurance claims.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2016**

---

	<u>Group Insurance Benefits</u>	<u>Occupational Insurance Benefits</u>	<u>Workmen's Compensation Deductible</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 2,557,654	\$ 113,919	\$ 37,584	\$ 2,709,157
Receivables				
Accounts	<u>18,775</u>	<u>-</u>	<u>-</u>	<u>18,775</u>
Total current assets	<u>2,576,429</u>	<u>113,919</u>	<u>37,584</u>	<u>2,727,932</u>
Liabilities				
Current liabilities				
Accounts payable	210,542	2,751	-	213,293
Deposits payable	<u>147,156</u>	<u>-</u>	<u>-</u>	<u>147,156</u>
Total current liabilities	<u>357,698</u>	<u>2,751</u>	<u>-</u>	<u>360,449</u>
Total net position - unrestricted	<u>\$ 2,218,731</u>	<u>\$ 111,168</u>	<u>\$ 37,584</u>	<u>\$ 2,367,483</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Group Insurance Benefits	Occupational Insurance Benefits	Workmen's Compensation Deductible	Total
Operating revenues				
Charges for service	\$ 2,164,537	\$ -	\$ -	\$ 2,164,537
Miscellaneous	394,412	-	-	394,412
Total operating revenues	2,558,949	-	-	2,558,949
Operating expenses				
Claims paid	2,112,780	31,664	77	2,144,521
Health insurance premiums	322,328	-	-	322,328
Miscellaneous	177,066	1,406	-	178,472
Total operating expenses	2,612,174	33,070	77	2,645,321
Operating loss	(53,225)	(33,070)	(77)	(86,372)
Nonoperating revenues				
Interest income	6,561	387	115	7,063
Change in net position	(46,664)	(32,683)	38	(79,309)
Net position - beginning	2,265,395	143,851	37,546	2,446,792
Net position - ending	<u>\$ 2,218,731</u>	<u>\$ 111,168</u>	<u>\$ 37,584</u>	<u>\$ 2,367,483</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Group Insurance Benefits	Occupational Insurance Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities				
Cash received from customers	\$ 2,143,105	\$ -	\$ -	\$ 2,143,105
Cash payments to suppliers for goods and services	(2,733,925)	(33,326)	(77)	(2,767,328)
Other operating receipts	394,412	-	-	394,412
Net cash used for operating activities	(196,408)	(33,326)	(77)	(229,811)
Cash flows from investing activities				
Interest received on investment securities	6,561	387	115	7,063
Net increase (decrease) in cash and cash equivalents	(189,847)	(32,939)	38	(222,748)
Cash and cash equivalents, beginning	2,747,501	146,858	37,546	2,931,905
Cash and cash equivalents, ending	<u>\$ 2,557,654</u>	<u>\$ 113,919</u>	<u>\$ 37,584</u>	<u>\$ 2,709,157</u>
Reconciliation of operating loss to net cash used for operating activities				
Operating loss	\$ (53,225)	\$ (33,070)	\$ (77)	\$ (86,372)
Changes in assets and liabilities				
Increase in receivables	(16,426)	-	-	(16,426)
Decrease in accounts payable	(121,751)	(256)	-	(122,007)
Decrease in deposits payable	(5,006)	-	-	(5,006)
Total	(143,183)	(256)	-	(143,439)
Net cash provided by (used for) operating activities	<u>\$ (196,408)</u>	<u>\$ (33,326)</u>	<u>\$ (77)</u>	<u>\$ (229,811)</u>

# FIDUCIARY FUNDS

Agency funds are used to account for funds where the City acts as custodian. Agency funds include:

**Payroll Fund** – For the internal accounting of payroll and associated liability payments.

**Sleuth User Group** – To account for membership fees and operations for public safety user group.

**Surety Bonds/Deposits** – To account for developer's deposits for construction inspections required by the City.

**Other** – To account for other miscellaneous activities associated with City agencies.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 180,250	\$ 34,330,765	\$ 34,272,535	\$ 238,480
Prepaid items	22,359	32,546	22,359	32,546
Total assets	<u>\$ 202,609</u>	<u>\$ 34,363,311</u>	<u>\$ 34,294,894</u>	<u>\$ 271,026</u>
<b>LIABILITIES</b>				
Accrued payroll and benefits	\$ 179,068	\$ 34,298,219	\$ 34,239,287	\$ 238,000
Accounts Payable	1,182	480	1,182	480
Due to City	22,359	32,546	22,359	32,546
Total liabilities	<u>\$ 202,609</u>	<u>\$ 34,331,245</u>	<u>\$ 34,262,828</u>	<u>\$ 271,026</u>
<b>SLEUTH USER GROUP</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 14,842</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 14,909</u>
<b>LIABILITIES</b>				
Due to Sleuth User Group	<u>\$ 14,842</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 14,909</u>
<b>SURETY BONDS/DEPOSITS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 1,092</u>	<u>\$ 1,247</u>	<u>\$ 1,092</u>	<u>\$ 1,247</u>
<b>LIABILITIES</b>				
Due to City	<u>\$ 1,092</u>	<u>\$ 1,247</u>	<u>\$ 1,092</u>	<u>\$ 1,247</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 2,167</u>	<u>\$ 8,426</u>	<u>\$ 7,535</u>	<u>\$ 3,058</u>
<b>LIABILITIES</b>				
Due to other governments	<u>\$ 2,167</u>	<u>\$ 8,426</u>	<u>\$ 7,535</u>	<u>\$ 3,058</u>
<b>ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 198,351	\$ 34,340,505	\$ 34,281,162	\$ 257,694
Prepaid items	<u>22,359</u>	<u>32,546</u>	<u>22,359</u>	<u>32,546</u>
Total assets	<u>\$ 220,710</u>	<u>\$ 34,373,051</u>	<u>\$ 34,303,521</u>	<u>\$ 290,240</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,182	\$ 480	\$ 1,182	\$ 480
Accrued payroll and benefits	179,068	34,298,219	34,239,287	238,000
Due to Sleuth User Group	14,842	67	-	14,909
Due to City	23,451	33,793	23,451	33,793
Due to other governments	<u>2,167</u>	<u>8,426</u>	<u>7,535</u>	<u>3,058</u>
Total liabilities	<u>\$ 220,710</u>	<u>\$ 34,340,985</u>	<u>\$ 34,271,455</u>	<u>\$ 290,240</u>

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## **LONG-TERM DEBT**

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**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES**  
**JUNE 30, 2016**

Issue	Year Ending June 30,	Interest Rates	Interest	Principal
<b>Governmental Activities</b>				
<b>General Obligation</b>				
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	2017	3.50%	\$ 38,500	\$ 1,100,000
			<u>38,500</u>	<u>1,100,000</u>
2009A Essential corporate purpose refunding bonds, issued May 1, 2009	2017	2.80%	18,800	350,000
	2018	3.00%	9,000	300,000
			<u>27,800</u>	<u>650,000</u>
2011B Essential corporate purpose, issued October 26, 2011	2017	1.20%	39,918	145,000
	2018	1.45%	38,177	145,000
	2019	1.65%	36,075	150,000
	2020	1.90%	33,600	155,000
	2021	2.05%	30,655	160,000
	2022	2.20%	27,375	165,000
	2023	2.35%	23,745	170,000
	2024	2.45%	19,750	175,000
	2025	2.60%	15,463	180,000
	2026	2.75%	10,782	190,000
	2027	2.85%	5,558	195,000
			<u>281,098</u>	<u>1,830,000</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2016**

Issue	Year Ending June 30,	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
<b>General Obligation (continued)</b>				
2012A Essential corporate purpose, issued April 12, 2012	2017	1.00%	\$ 81,937	\$ 350,000
	2018	1.00%	78,437	350,000
	2019	1.25%	74,938	400,000
	2020	1.50%	69,937	400,000
	2021	1.75%	63,938	400,000
	2022	2.00%	56,938	425,000
	2023	2.00%	48,437	425,000
	2024	2.25%	39,938	400,000
	2025	2.25%	30,937	425,000
	2026	2.25%	21,375	450,000
	2027	2.50%	11,250	450,000
			<u>578,062</u>	<u>4,475,000</u>
2012B Crossover advance refunding, issued April 24, 2012	2017	1.50%	38,395	360,000
	2018	1.50%	32,995	355,000
	2019	1.50%	27,670	345,000
	2020	1.50%	22,495	335,000
	2021	1.65%	17,470	330,000
	2022	1.90%	12,025	320,000
	2023	2.05%	5,945	290,000
			<u>156,995</u>	<u>2,335,000</u>
2013A Essential corporate purpose, issued March 12, 2013	2017	1.500%	81,675	300,000
	2018	1.500%	77,175	950,000
	2019	1.500%	62,925	970,000
	2020	1.500%	48,375	975,000
	2021	1.625%	33,750	1,000,000
	2022	1.750%	17,500	1,000,000
			<u>321,400</u>	<u>5,195,000</u>
2014A Essential corporate purpose, issued December 16, 2014	2017	2.000%	37,200	100,000
	2018	2.000%	35,200	175,000
	2019	2.000%	31,700	275,000
	2020	2.000%	26,200	275,000
	2021	2.300%	20,700	300,000
	2022	2.400%	13,800	325,000
	2023	2.500%	6,000	240,000
			<u>170,800</u>	<u>1,690,000</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2016**

Issue	Year Ending June 30,	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
<b>General Obligation (continued)</b>				
2015A Essential corporate purpose, issued November 24, 2015	2017	2.000%	\$ 45,988	\$ -
	2018	2.000%	45,988	200,000
	2019	2.000%	41,988	250,000
	2020	2.350%	36,988	275,000
	2021	2.350%	30,525	325,000
	2022	2.350%	22,888	350,000
	2023	2.350%	14,663	375,000
	2024	2.600%	5,850	225,000
			<u>244,878</u>	<u>2,000,000</u>
<b>Notes Payable</b>				
Equipment loan note, issued February 1, 2005	2017	0.00%	-	11,447
	2018	0.00%	-	21,150
			<u>-</u>	<u>32,597</u>
<b>General Obligation and Notes Payable</b>				
Total governmental activities	2017		382,413	2,716,447
	2018		316,972	2,496,150
	2019		275,296	2,390,000
	2020		237,595	2,415,000
	2021		197,038	2,515,000
	2022		150,526	2,585,000
	2023		98,790	1,500,000
	2024		65,538	800,000
	2025		46,400	605,000
	2026		32,157	640,000
	2027		16,808	645,000
			<u>\$ 1,819,533</u>	<u>\$ 19,307,597</u>

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2016**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Business-type Activities</b>				
<b>General Obligation</b>				
2011 Essential corporate purpose, issued April 1, 2011	2017	2.00%	\$ 126,168	\$ 370,000
	2018	2.25%	118,768	380,000
	2019	2.45%	110,218	395,000
	2020	2.65%	100,540	410,000
	2021	2.90%	89,676	425,000
	2022	3.00%	77,350	440,000
	2023	3.10%	64,150	460,000
	2024	3.20%	49,890	475,000
	2025	3.35%	34,690	500,000
	2026	3.45%	17,940	520,000
			<u>789,390</u>	<u>4,375,000</u>
<b>Note Payable</b>				
Alliant Loan, issued September 17, 2014	2017	0.00%	6,063	98,428
	2018	0.00%	4,805	99,686
	2019	0.00%	3,531	100,959
	2020	0.00%	2,241	102,249
	2021	0.00%	935	103,556
	2022	0.00%	28	17,388
			<u>17,603</u>	<u>522,266</u>
<b>Revenue Bonds</b>				
Sewer Revenue Improvement and Refunding, Issued May 8, 2012	2017	2.58%	67,958	512,000
	2018	2.58%	54,748	530,000
	2019	2.58%	41,074	532,000
	2020	2.58%	27,348	121,000
	2021	2.58%	24,226	124,000
	2022	2.58%	21,028	127,000
	2023	2.58%	17,750	131,000
	2024	2.58%	14,370	134,000
	2025	2.58%	10,914	137,000
	2026	2.58%	7,378	141,000
	2027	2.58%	3,742	145,000
			<u>290,536</u>	<u>2,634,000</u>

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2016**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Business-type Activities (Continued)</b>				
<b>Revenue Bonds (Continued)</b>				
Sewer Revenue Improvement Issued June 18, 2013	2017	2.09%	\$ 64,393	\$ 233,000
	2018	2.09%	59,502	237,000
	2019	2.09%	54,518	243,000
	2020	2.09%	49,418	247,000
	2021	2.09%	44,225	253,000
	2022	2.09%	38,916	258,000
	2023	2.09%	33,492	264,000
	2024	2.09%	27,943	269,000
	2025	2.09%	22,290	275,000
	2026	2.09%	16,511	281,000
	2027	2.09%	10,607	287,000
	2028	2.09%	4,588	292,000
			<u>426,403</u>	<u>3,139,000</u>
2014 Series Sewer Revenue Improvement Issued June 18, 2013	2017	2.90%	141,955	315,000
	2018	2.90%	132,820	325,000
	2019	2.90%	123,395	334,000
	2020	2.90%	113,709	344,000
	2021	2.90%	103,733	354,000
	2022	2.90%	93,467	364,000
	2023	2.90%	82,911	374,000
	2024	2.90%	72,065	385,000
	2025	2.90%	60,900	396,000
	2026	2.90%	49,416	408,000
	2027	2.90%	37,584	420,000
	2028	2.90%	25,404	432,000
	2029	2.90%	12,876	444,000
			<u>1,050,235</u>	<u>4,895,000</u>

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2016**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Business-type Activities (Continued)</b>				
<b>Revenue Bonds (Continued)</b>				
Sewer Revenue Improvement Issued August 13, 2015	2017	2.69%	\$ 151,716	\$ 337,000
	2018	2.69%	142,651	346,000
	2019	2.69%	133,343	355,000
	2020	2.69%	123,794	365,000
	2021	2.69%	113,975	375,000
	2022	2.69%	103,888	385,000
	2023	2.69%	93,531	395,000
	2024	2.69%	82,906	406,000
	2025	2.69%	71,984	417,000
	2026	2.69%	60,767	428,000
	2027	2.69%	49,254	440,000
	2028	2.69%	37,418	451,000
	2029	2.69%	25,286	464,000
	2030	2.69%	12,804	476,000
			<u>1,203,317</u>	<u>5,640,000</u>
Total business-type activities	2017		558,253	1,865,428
	2018		513,294	1,917,686
	2019		466,079	1,959,959
	2020		417,050	1,589,249
	2021		376,770	1,634,556
	2022		334,677	1,591,388
	2023		291,834	1,624,000
	2024		247,174	1,669,000
	2025		200,778	1,725,000
	2026		152,012	1,778,000
	2027		101,187	1,292,000
	2028		67,410	1,175,000
	2029		38,162	908,000
	2030		12,804	476,000
			<u>\$ 3,777,484</u>	<u>\$ 21,205,266</u>

## **STATISTICAL SECTION (UNAUDITED)**

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CITY OF MARSHALLTOWN, IOWA  
STATISTICAL SECTION – CONTENTS

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This part of the City’s statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	114
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	122
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	127
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	132
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	134

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**CITY OF MARSHALLTOWN, IOWA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal</b>				
	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 34,132,724	\$ 32,948,014	\$ 30,504,272	\$ 29,002,766	\$ 28,325,116
Restricted	16,806,635	10,119,191	8,457,793	9,706,673	11,863,770
Unrestricted	<u>(20,244,351)</u>	<u>(17,323,596)</u>	<u>(5,613,806)</u>	<u>(5,497,165)</u>	<u>(730,534)</u>
Total governmental activities net position	<u>\$ 30,695,008</u>	<u>\$ 25,743,609</u>	<u>\$ 33,348,259</u>	<u>\$ 33,212,274</u>	<u>\$ 39,458,352</u>
Business-type activities					
Net investment in capital assets	\$ 39,370,548	\$ 38,458,793	\$ 40,565,122	\$ 37,861,816	\$ 35,454,854
Restricted	181,757	130,261	80,048	64,281	49,296
Unrestricted	<u>8,989,797</u>	<u>7,413,347</u>	<u>4,444,459</u>	<u>5,613,164</u>	<u>4,815,992</u>
Total business-type activities net position	<u>\$ 48,542,102</u>	<u>\$ 46,002,401</u>	<u>\$ 45,089,629</u>	<u>\$ 43,539,261</u>	<u>\$ 40,320,142</u>
Primary Government					
Net investment in capital assets	\$ 73,503,272	\$ 71,406,807	\$ 71,069,394	\$ 66,864,582	\$ 63,779,970
Restricted	16,988,392	10,249,452	8,537,841	9,770,954	11,913,066
Unrestricted	<u>(11,254,554)</u>	<u>(9,910,249)</u>	<u>(1,169,347)</u>	<u>115,999</u>	<u>4,085,458</u>
Total primary government net position	<u>\$ 79,237,110</u>	<u>\$ 71,746,010</u>	<u>\$ 78,437,888</u>	<u>\$ 76,751,535</u>	<u>\$ 79,778,494</u>

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**Year**

2011	2010	2009	2008	2007
\$ 27,720,521	\$ 26,650,049	\$ 23,043,549	\$ 19,020,002	\$ 14,837,533
8,246,658	5,480,294	4,092,324	3,466,011	3,093,281
<u>2,811,692</u>	<u>5,344,963</u>	<u>7,751,144</u>	<u>8,744,229</u>	<u>9,609,800</u>
<u>\$ 38,778,871</u>	<u>\$ 37,475,306</u>	<u>\$ 34,887,017</u>	<u>\$ 31,230,242</u>	<u>\$ 27,540,614</u>

\$ 31,937,474	\$ 30,006,298	\$ 29,462,000	\$ 28,057,883	\$ 27,975,107
946,902	947,675	948,423	949,146	949,930
<u>5,329,554</u>	<u>5,842,883</u>	<u>5,736,915</u>	<u>5,564,413</u>	<u>4,708,652</u>
<u>\$ 38,213,930</u>	<u>\$ 36,796,856</u>	<u>\$ 36,147,338</u>	<u>\$ 34,571,442</u>	<u>\$ 33,633,689</u>

\$ 59,657,995	\$ 56,656,347	\$ 52,505,549	\$ 47,077,885	\$ 42,812,640
9,193,560	6,427,969	5,040,747	4,415,157	4,043,211
<u>8,141,246</u>	<u>11,187,846</u>	<u>13,488,059</u>	<u>14,308,642</u>	<u>14,318,452</u>
<u>\$ 76,992,801</u>	<u>\$ 74,272,162</u>	<u>\$ 71,034,355</u>	<u>\$ 65,801,684</u>	<u>\$ 61,174,303</u>

**CITY OF MARSHALLTOWN, IOWA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal</b>				
	2016	2015	2014	2013	2012
<b>Expenses</b>					
Governmental activities:					
Public safety	\$ 8,996,389	\$ 8,516,307	\$ 9,092,842	\$ 8,607,561	\$ 8,731,373
Public works	5,706,337	6,186,551	6,465,974	13,472,047	7,049,394
Health and social services	1,274,669	1,784,302	1,301,574	903,270	1,154,023
Culture and recreation	3,358,064	3,505,193	3,645,774	3,435,212	2,757,409
Community and economic development	1,449,883	1,370,533	3,051,319	2,249,158	2,417,304
General government	1,158,789	1,299,063	1,322,112	1,285,356	1,278,776
Interest on long term debt	429,891	425,967	627,060	628,314	563,965
Total governmental activities expenses	<u>22,374,022</u>	<u>23,087,916</u>	<u>25,506,655</u>	<u>30,580,918</u>	<u>23,952,244</u>
Business-type activities:					
Water pollution control	5,375,656	4,584,245	4,608,246	4,295,804	4,735,491
Storm sewer	683,181	698,627	786,788	669,666	611,543
Compost	79,479	42,054	39,846	51,440	40,048
Transit	771,818	767,054	827,333	794,179	732,113
Concessions	49,816	34,907	42,535	59,267	82,739
Total business-type activities expenses	<u>6,959,950</u>	<u>6,126,887</u>	<u>6,304,748</u>	<u>5,870,356</u>	<u>6,201,934</u>
Total primary government expenses	<u>\$ 29,333,972</u>	<u>\$ 29,214,803</u>	<u>\$ 31,811,403</u>	<u>\$ 36,451,274</u>	<u>\$ 30,154,178</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for service:					
Public safety	\$ 264,966	\$ 150,181	\$ 254,952	\$ 198,296	\$ 173,007
Public works	970,315	1,529,047	658,590	766,244	477,553
Health and social services	37,053	52,534	68,187	38,891	79,159
Culture and recreation	468,455	449,155	426,653	454,318	473,715
Community and economic development	265,176	278,924	360,999	153,563	170,617
Other activities	123,855	171,846	112,992	123,157	269,371
Operating grants and contributions	6,712,866	6,461,208	6,354,163	6,202,784	5,656,234
Capital grants and contributions	519,172	170,084	701,920	326,833	492,676
Total governmental activities program revenues	<u>9,361,858</u>	<u>9,262,979</u>	<u>8,938,456</u>	<u>8,264,086</u>	<u>7,792,332</u>
Business-type activities					
Charges for service:					
Water pollution control	6,563,351	6,066,644	5,860,659	5,079,296	4,937,481
Storm sewer	948,214	776,483	709,946	310,689	310,584
Compost	73,336	74,687	60,223	57,417	59,316
Transit	93,352	110,342	124,956	134,387	104,394
Concessions	40,917	32,522	39,208	43,706	49,559
Operating grants and contributions	363,188	386,922	407,338	376,900	353,216
Capital grants and contributions	942,209	493,326	444,674	2,889,069	2,281,955
Total business-type activities program revenues	<u>9,024,567</u>	<u>7,940,926</u>	<u>7,647,004</u>	<u>8,891,464</u>	<u>8,096,505</u>
Total primary government program revenues	<u>\$ 18,386,425</u>	<u>\$ 17,203,905</u>	<u>\$ 16,585,460</u>	<u>\$ 17,155,550</u>	<u>\$ 15,888,837</u>

<b>Year</b>				
2011	2010	2009	2008	2007
\$ 8,028,333	\$ 8,065,379	\$ 7,633,307	\$ 7,542,266	\$ 7,221,486
6,203,182	4,652,177	4,783,710	5,083,392	4,002,011
1,771,196	1,330,332	710,361	1,273,679	1,404,277
3,801,068	3,842,524	2,744,793	2,900,972	2,477,842
2,346,822	2,343,854	2,369,887	1,795,613	1,992,572
1,174,190	707,425	1,073,832	1,120,708	1,271,344
578,629	659,449	846,296	841,587	910,061
<u>23,903,420</u>	<u>21,601,140</u>	<u>20,162,186</u>	<u>20,558,217</u>	<u>19,279,593</u>
4,275,726	4,451,055	4,104,671	4,127,563	3,935,556
558,572	536,859	484,772	516,213	451,013
37,961	39,067	45,822	89,164	37,472
702,544	596,690	569,665	562,279	501,321
54,447	48,738	107,677	59,936	53,291
<u>5,629,250</u>	<u>5,672,409</u>	<u>5,312,607</u>	<u>5,355,155</u>	<u>4,978,653</u>
<u>\$ 29,532,670</u>	<u>\$ 27,273,549</u>	<u>\$ 25,474,793</u>	<u>\$ 25,913,372</u>	<u>\$ 24,258,246</u>
\$ 223,311	\$ 194,712	\$ 79,976	\$ 186,932	\$ 550,576
428,841	717,658	720,300	446,564	663,753
48,134	78,181	41,585	66,515	68,541
490,057	443,268	436,038	469,169	488,282
227,024	157,415	287,548	312,835	184,928
155,658	98,728	153,242	159,155	83,055
7,801,666	5,935,212	4,952,094	6,006,627	5,739,079
304,891	2,106,963	1,766,302	1,570,148	2,898,828
<u>9,679,582</u>	<u>9,732,137</u>	<u>8,437,085</u>	<u>9,217,945</u>	<u>10,677,042</u>
4,280,970	4,772,834	4,921,428	4,915,786	4,051,010
301,235	299,772	279,142	303,621	334,058
45,860	31,943	33,404	26,155	22,405
117,259	118,331	115,486	129,841	85,433
48,180	48,570	59,669	61,986	61,732
239,651	669,067	572,393	290,701	253,130
1,797,999	621,223	611,649	165,849	239,065
<u>6,831,154</u>	<u>6,561,740</u>	<u>6,593,171</u>	<u>5,893,939</u>	<u>5,046,833</u>
<u>\$ 16,510,736</u>	<u>\$ 16,293,877</u>	<u>\$ 15,030,256</u>	<u>\$ 15,111,884</u>	<u>\$ 15,723,875</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**CHANGES IN NET POSITION (continued)**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

					<b>Fiscal</b>
	2016	2015	2014	2013	2012
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (13,012,164)	\$ (13,824,937)	\$ (16,568,199)	\$ (22,316,832)	\$ (16,159,912)
Business-type activities	2,064,617	1,814,039	1,342,256	3,021,108	1,894,571
Total primary government net expense	<u>\$ (10,947,547)</u>	<u>\$ (12,010,898)</u>	<u>\$ (15,225,943)</u>	<u>\$ (19,295,724)</u>	<u>\$ (14,265,341)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property	\$ 9,534,568	\$ 9,777,342	\$ 10,036,577	\$ 9,967,944	\$ 9,853,096
Other	6,983,922	5,755,121	5,778,420	5,132,322	6,063,108
Unrestricted					
State generated revenues	1,244,225	845,140	453,645	369,337	317,412
Investment earnings	90,717	53,042	112,280	126,436	173,169
Miscellaneous revenues	551,452	660,348	493,213	637,775	602,269
Transfers	(441,321)	(172,735)	(169,951)	(163,060)	(169,661)
Total governmental activities	<u>17,963,563</u>	<u>16,918,258</u>	<u>16,704,184</u>	<u>16,070,754</u>	<u>16,839,393</u>
Business-type activities:					
Investment earnings	33,763	26,891	38,161	34,951	41,980
Miscellaneous revenues	-	-	-	-	-
Transfers	441,321	172,735	169,951	163,060	169,661
Total business-type activities	<u>475,084</u>	<u>199,626</u>	<u>208,112</u>	<u>198,011</u>	<u>211,641</u>
Total primary government	<u>\$ 18,438,647</u>	<u>\$ 17,117,884</u>	<u>\$ 16,912,296</u>	<u>\$ 16,268,765</u>	<u>\$ 17,051,034</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 4,951,399	\$ 3,093,321	\$ 135,985	\$ (6,246,078)	\$ 679,481
Business-type activities	2,539,701	2,013,665	1,550,368	3,219,119	2,106,212
Total primary government	<u>\$ 7,491,100</u>	<u>\$ 5,106,986</u>	<u>\$ 1,686,353</u>	<u>\$ (3,026,959)</u>	<u>\$ 2,785,693</u>

<b>Year</b>				
2011	2010	2009	2008	2007
\$ (14,223,838)	\$ (11,869,003)	\$ (11,725,101)	\$ (11,340,272)	\$ (8,602,551)
<u>1,201,904</u>	<u>889,331</u>	<u>1,280,564</u>	<u>538,784</u>	<u>68,180</u>
<u>\$ (13,021,934)</u>	<u>\$ (10,979,672)</u>	<u>\$ (10,444,537)</u>	<u>\$ (10,801,488)</u>	<u>\$ (8,534,371)</u>
\$ 9,210,796	\$ 8,957,392	\$ 8,617,322	\$ 7,821,311	\$ 7,523,858
5,565,923	5,206,539	5,787,467	5,735,724	5,697,114
305,694	333,259	339,243	368,341	343,333
167,610	162,173	325,699	602,711	655,348
435,191	641,234	468,253	653,069	297,817
<u>(157,811)</u>	<u>(192,057)</u>	<u>(156,108)</u>	<u>(151,256)</u>	<u>(314,222)</u>
<u>15,527,403</u>	<u>15,108,540</u>	<u>15,381,876</u>	<u>15,029,900</u>	<u>14,203,248</u>
57,359	55,775	139,224	245,262	255,923
-	-	-	2,151	-
<u>157,811</u>	<u>192,057</u>	<u>156,108</u>	<u>151,256</u>	<u>314,222</u>
<u>215,170</u>	<u>247,832</u>	<u>295,332</u>	<u>398,669</u>	<u>570,145</u>
<u>\$ 15,742,573</u>	<u>\$ 15,356,372</u>	<u>\$ 15,677,208</u>	<u>\$ 15,428,569</u>	<u>\$ 14,773,393</u>
\$ 1,303,565	\$ 3,239,537	\$ 3,656,775	\$ 3,689,628	\$ 5,600,697
<u>1,417,074</u>	<u>1,137,163</u>	<u>1,575,896</u>	<u>937,453</u>	<u>638,325</u>
<u>\$ 2,720,639</u>	<u>\$ 4,376,700</u>	<u>\$ 5,232,671</u>	<u>\$ 4,627,081</u>	<u>\$ 6,239,022</u>

**CITY OF MARSHALLTOWN, IOWA**  
**PROGRAM REVENUES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

Function/Program	Program Revenues					
	2016	2015	2014	2013	2012	2011
Governmental activities						
Public safety	\$ 1,215,215	\$ 875,300	\$ 1,478,721	\$ 1,154,130	\$ 777,123	\$ 980,216
Public works	4,825,946	4,657,620	3,501,138	4,272,126	3,602,446	3,737,210
Health and social services	967,598	1,470,156	1,834,718	702,887	955,529	1,531,281
Culture and recreation	670,183	638,615	565,562	571,380	707,189	1,399,468
Community and economic development	1,559,061	1,447,647	1,387,104	1,426,383	1,465,674	1,822,717
General government	<u>123,855</u>	<u>173,641</u>	<u>171,213</u>	<u>137,180</u>	<u>284,371</u>	<u>208,690</u>
Total governmental activities	<u>\$ 9,361,858</u>	<u>\$ 9,262,979</u>	<u>\$ 8,938,456</u>	<u>\$ 8,264,086</u>	<u>\$ 7,792,332</u>	<u>\$ 9,679,582</u>
Business-type activities						
Water pollution control	\$ 6,976,658	\$ 6,378,473	\$ 5,896,233	\$ 5,303,615	\$ 6,519,524	\$ 5,130,757
Storm sewer	1,477,116	992,924	887,240	3,016,135	767,941	1,197,010
Compost	73,336	74,687	60,223	57,417	59,316	45,860
Transit	456,540	462,320	764,100	470,591	700,165	409,347
Concessions	<u>40,917</u>	<u>32,522</u>	<u>39,208</u>	<u>43,706</u>	<u>49,559</u>	<u>48,180</u>
Total business-type activities	<u>\$ 9,024,567</u>	<u>\$ 7,940,926</u>	<u>\$ 7,647,004</u>	<u>\$ 8,891,464</u>	<u>\$ 8,096,505</u>	<u>\$ 6,831,154</u>



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**by Fiscal Year**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 960,979	\$ 854,028	\$ 969,752	\$ 1,198,228
4,029,975	3,260,842	3,342,003	4,322,473
1,300,200	321,478	975,487	1,021,964
925,422	2,010,582	1,862,073	2,068,851
1,651,247	1,836,913	1,909,475	1,982,471
<u>864,314</u>	<u>153,242</u>	<u>159,155</u>	<u>83,055</u>
<u>\$ 9,732,137</u>	<u>\$ 8,437,085</u>	<u>\$ 9,217,945</u>	<u>\$ 10,677,042</u>
\$ 5,315,535	\$ 5,426,868	\$ 4,915,859	\$ 4,196,643
454,271	465,414	427,640	417,245
31,943	33,404	59,235	22,405
711,421	607,816	429,219	348,808
<u>48,570</u>	<u>59,669</u>	<u>61,986</u>	<u>61,732</u>
<u>\$ 6,561,740</u>	<u>\$ 6,593,171</u>	<u>\$ 5,893,939</u>	<u>\$ 5,046,833</u>

**CITY OF MARSHALLTOWN, IOWA**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	\$ 221,785	\$ 237,568	\$ 249,958	\$ 241,974	\$ 258,309	\$ 230,633	N/A	N/A	N/A	N/A
Restricted	725,844	694,247	588,928	1,153,313	517,008	456,488	N/A	N/A	N/A	N/A
Committed	250,000	250,000	250,000	250,000	250,000	250,000	N/A	N/A	N/A	N/A
Unassigned	2,520,920	2,371,948	2,663,261	2,736,209	2,783,055	2,839,102	N/A	N/A	N/A	N/A
Reserved	N/A	N/A	N/A	N/A	N/A	N/A	\$ 233,410	\$ 266,493	\$ 254,813	\$ 260,504
Unreserved	N/A	N/A	N/A	N/A	N/A	N/A	3,587,644	3,778,280	3,719,837	3,201,762
Total general fund	<u>3,718,549</u>	<u>3,553,763</u>	<u>3,752,147</u>	<u>4,381,496</u>	<u>3,808,372</u>	<u>3,776,223</u>	<u>3,821,054</u>	<u>4,044,773</u>	<u>3,974,650</u>	<u>3,462,266</u>
All Other Governmental Funds										
Nonspendable	169,570	146,258	79,862	141,231	222,131	178,954	N/A	N/A	N/A	N/A
Restricted	14,107,300	11,301,502	7,328,052	12,887,420	17,264,749	7,701,874	N/A	N/A	N/A	N/A
Unassigned	(195,159)	(84,155)	(270,543)	(198,484)	(323,895)	(506,674)	N/A	N/A	N/A	N/A
Reserved	N/A	N/A	N/A	N/A	N/A	N/A	5,485,108	5,280,068	7,071,466	3,117,481
Unreserved reported in:										
Special revenue funds	N/A	N/A	N/A	N/A	N/A	N/A	1,003,450	1,692,822	2,376,891	3,256,828
Capital projects funds	N/A	N/A	N/A	N/A	N/A	N/A	110,818	129,053	-	1,935,500
Total all other governmental funds	<u>14,081,711</u>	<u>11,363,605</u>	<u>7,137,371</u>	<u>12,830,167</u>	<u>17,162,985</u>	<u>7,374,154</u>	<u>6,599,376</u>	<u>7,101,943</u>	<u>9,448,357</u>	<u>8,309,809</u>
Total fund balances of governmental funds	<u>\$ 17,800,260</u>	<u>\$ 14,917,368</u>	<u>\$ 10,889,518</u>	<u>\$ 17,211,663</u>	<u>\$ 20,971,357</u>	<u>\$ 11,150,377</u>	<u>\$ 10,420,430</u>	<u>\$ 11,146,716</u>	<u>\$ 13,423,007</u>	<u>\$ 11,772,075</u>

**Note:**

In 2011, the City implemented new accounting presentations under GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which requires a new presentation of fund balances.

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**CITY OF MARSHALLTOWN, IOWA**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year</b>					
	2016	2015	2014	2013	2012	2011
<b>Revenues</b>						
Taxes	\$ 17,018,694	\$ 16,030,409	\$ 16,251,920	\$ 15,617,908	\$ 16,392,387	\$ 15,191,296
Use of money and property	129,003	124,857	169,135	194,543	203,524	198,097
Licenses and permits	289,261	321,446	391,091	219,392	203,813	232,542
Intergovernmental	7,931,849	7,471,242	6,618,339	6,475,308	7,229,540	7,278,810
Charges for service	1,023,895	964,075	874,840	915,644	897,955	866,580
Special assessments	12,991	14,738	11,688	14,306	21,759	31,019
Miscellaneous	410,616	2,102,572	684,707	912,585	651,226	741,748
Total revenues	<u>26,816,309</u>	<u>27,029,339</u>	<u>25,001,720</u>	<u>24,349,686</u>	<u>25,600,204</u>	<u>24,540,092</u>
<b>Expenditures</b>						
Public safety	8,864,323	8,743,014	8,559,357	8,135,052	7,977,604	7,370,014
Public works	4,208,292	4,669,213	4,985,535	12,081,043	5,605,515	4,841,484
Health and social services	1,352,206	1,907,586	1,385,246	968,157	1,223,039	1,753,967
Culture and recreation	2,539,673	2,268,546	2,739,578	2,551,437	1,853,940	2,998,877
Community and economic development	1,431,086	1,381,445	3,044,706	2,234,323	2,414,531	2,341,523
General government	1,133,255	1,273,399	1,253,001	1,177,738	1,087,036	1,071,829
Capital outlay	2,554,674	1,439,787	2,944,911	3,118,982	2,572,134	1,601,447
Debt service						
Principal	3,066,991	2,971,716	5,663,840	2,788,840	2,928,840	2,613,841
Interest and other fiscal charges	436,018	457,343	649,203	643,405	626,514	581,504
Total expenditures	<u>25,586,518</u>	<u>25,112,049</u>	<u>31,225,377</u>	<u>33,698,977</u>	<u>26,289,153</u>	<u>25,174,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,229,791</u>	<u>1,917,290</u>	<u>(6,223,657)</u>	<u>(9,349,291)</u>	<u>(688,949)</u>	<u>(634,394)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of governmental assets	-	-	4,000	35,298	166,128	2,152
Debt issued	2,000,000	2,225,000	67,463	5,600,000	10,460,000	1,520,000
Payment of refunded bonds	-	-	-	-	53,462	-
Premium and accrued interest on debt issued	94,422	58,295	-	117,359	-	-
Transfers in	8,003,404	8,268,840	8,195,955	7,813,126	7,182,963	7,085,563
Transfers out	<u>(8,444,725)</u>	<u>(8,441,575)</u>	<u>(8,365,906)</u>	<u>(7,976,186)</u>	<u>(7,352,624)</u>	<u>(7,243,374)</u>
Total other financing sources (uses)	<u>1,653,101</u>	<u>2,110,560</u>	<u>(98,488)</u>	<u>5,589,597</u>	<u>10,509,929</u>	<u>1,364,341</u>
Net change in fund balances	<u>\$ 2,882,892</u>	<u>\$ 4,027,850</u>	<u>\$ (6,322,145)</u>	<u>\$ (3,759,694)</u>	<u>\$ 9,820,980</u>	<u>\$ 729,947</u>
Debt service as a percentage of noncapital expenditures	15.2%	14.5%	22.3%	11.2%	15.0%	13.6%

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**Ended June 30,**

2010	2009	2008	2007
\$ 14,569,739	\$ 14,855,452	\$ 14,053,501	\$ 13,698,670
206,909	343,980	617,026	688,991
212,918	294,196	365,034	303,126
7,168,913	6,031,273	7,587,326	6,106,617
845,703	820,780	874,706	909,103
51,581	83,043	28,083	206,510
<u>1,125,338</u>	<u>1,525,314</u>	<u>1,157,194</u>	<u>1,760,370</u>
<u>24,181,101</u>	<u>23,954,038</u>	<u>24,682,870</u>	<u>23,673,387</u>

7,492,213	7,143,869	7,588,682	7,165,536
3,787,116	3,498,289	3,913,315	2,922,597
1,318,373	718,526	1,284,767	1,421,014
3,081,402	2,176,451	2,552,969	2,145,963

2,347,611	1,975,245	1,462,263	1,987,416
1,990,657	1,023,774	1,082,742	1,122,209
2,160,036	5,767,146	5,923,147	2,351,022

2,660,000	2,553,840	2,152,278	2,041,190
<u>651,854</u>	<u>1,286,096</u>	<u>1,190,984</u>	<u>932,281</u>
<u>25,489,262</u>	<u>26,143,236</u>	<u>27,151,147</u>	<u>22,089,228</u>

<u>(1,308,161)</u>	<u>(2,189,198)</u>	<u>(2,468,277)</u>	<u>1,584,159</u>
--------------------	--------------------	--------------------	------------------

224,484	14,015	20,465	13,299
700,000	3,500,000	15,455,000	-
-	(3,445,000)	(11,205,000)	-

-	-	-	-
5,825,922	6,496,136	7,506,477	7,596,884
<u>(6,017,979)</u>	<u>(6,652,244)</u>	<u>(7,657,733)</u>	<u>(7,736,709)</u>
<u>732,427</u>	<u>(87,093)</u>	<u>4,119,209</u>	<u>(126,526)</u>

<u>\$ (575,734)</u>	<u>\$ (2,276,291)</u>	<u>\$ 1,650,932</u>	<u>\$ 1,457,633</u>
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14.2%	18.8%	15.7%	15.1%
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**CITY OF MARSHALLTOWN, IOWA**  
**TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal year	Property Tax	Tax Increment Financing Tax	Utility ExciseTax	Utility Franchise Fee	Hotel/Motel Tax	Local Option Sales Tax	911 Surcharge	Mobile Home Tax	Total
2006-07	\$ 7,526,150	\$ 1,795,068	\$ 868,036	\$ 198,668	\$ 199,910	\$ 2,818,990	\$ 277,194	\$ 14,654	\$ 13,698,670
2007-08	7,820,995	1,935,170	844,407	229,721	290,531	2,657,617	260,185	14,875	14,053,501
2008-09	8,615,820	1,801,960	891,859	217,600	342,176	2,738,030	234,078	13,929	14,855,452
2009-10	8,954,147	1,312,611	868,422	221,034	393,823	2,618,645	188,530	12,527	14,569,739
2010-11	9,204,384	1,402,010	797,989	229,291	370,541	2,939,704	234,195	13,182	15,191,296
2011-12	9,864,582	1,513,164	857,689	223,436	415,196	3,250,865	253,941	13,514	16,392,387
2012-13	9,967,944	1,138,171	820,070	277,060	378,567	2,781,316	240,582	14,198	15,617,908
2013-14	10,036,577	1,475,200	921,454	163,488	432,108	2,936,344	273,435	13,314	16,251,920
2014-15	9,777,342	1,219,210	884,215	223,758	474,474	3,164,249	274,188	12,973	16,030,409
2015-16	9,534,568	1,276,898	903,826	226,548	542,180	4,248,087	273,656	12,931	17,018,694

**CITY OF MARSHALLTOWN, IOWA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**YEAR ENDED JUNE 30, 2016**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fund	Property Tax	Tax Increment Financing Tax	Utility Excise Tax	Utility Franchise Fee	Hotel/Motel Tax	Local Option Sales Tax	911 Surcharge	Mobile Home Tax	Total
General	\$ 5,541,436	\$ -	\$ 531,679	\$ 226,548	\$ 542,180	\$ -	\$ -	\$ 7,607	\$ 6,849,450
Tax Increment									
Financing	-	1,276,898	-	-	-	-	-	-	1,276,898
E-911 Surcharge	-	-	-	-	-	-	273,656	-	273,656
Local Option									
Sales Tax	-	-	-	-	-	4,248,087	-	-	4,248,087
Property tax	1,319,723	-	126,919	-	-	-	-	1,816	1,448,458
Debt Service	2,277,623	-	207,165	-	-	-	-	2,963	2,487,751
Capital Projects	395,786	-	38,063	-	-	-	-	545	434,394
Total	<u>\$ 9,534,568</u>	<u>\$ 1,276,898</u>	<u>\$ 903,826</u>	<u>\$ 226,548</u>	<u>\$ 542,180</u>	<u>\$ 4,248,087</u>	<u>\$ 273,656</u>	<u>\$ 12,931</u>	<u>\$ 17,018,694</u>

**CITY OF MARSHALLTOWN, IOWA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Levy Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Regular Realty	TIF	Agland Realty	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated	Taxable Assessed
										Actual Gross Value	Value as a Percentage of Actual Gross Value
2005	2006-07	333,119,910	210,662,117	50,595,114	594,377,141	51,716,709	2,469,617	648,563,467	12.94049	1,051,707,358	61.668%
2006	2007-08	341,564,905	270,177,904	57,589,054	669,331,863	54,807,718	2,534,103	726,673,684	12.93500	1,186,917,748	61.224%
2007	2008-09	354,114,382	234,223,608	49,224,985	637,562,975	50,679,345	3,533,390	691,775,710	13.68652	1,255,060,705	55.119%
2008	2009-10	380,636,723	225,880,427	56,224,469	662,741,619	36,639,623	3,804,309	703,185,551	13.76759	1,262,319,793	55.706%
2009	2010-11	397,183,541	216,744,087	57,440,303	671,367,931	39,224,720	4,089,857	714,682,508	13.93650	1,280,682,454	55.805%
2010	2011-12	417,071,906	212,845,232	59,866,238	689,783,376	41,694,319	4,377,890	735,855,585	14.51331	1,310,087,232	56.168%
2011	2012-13	431,280,150	221,772,457	61,505,293	714,557,900	31,552,130	4,605,496	750,715,526	14.28339	1,312,105,030	57.215%
2012	2013-14	449,211,004	219,544,651	64,114,746	732,870,401	44,270,422	4,695,878	781,836,701	14.18432	1,333,053,884	58.650%
2013	2014-15	434,833,408	202,005,765	58,618,711	695,457,884	37,409,137	4,496,113	737,363,134	14.76356	1,281,885,530	57.522%
2014	2015-16	448,390,423	183,199,944	57,943,159	689,533,526	40,194,757	4,601,327	734,329,610	14.76257	1,322,550,079	55.524%

**Rollback Factors by Class**

Fiscal Year	Tax Exempt		Residential	Agricultural	Commercial	Railroad
	Gas & Electric	Property				
2006-07	67,247,692	116,058,327	45.99600	100.00000	99.15090	99.15090
2007-08	64,804,167	117,919,100	45.55960	100.00000	100.00000	100.00000
2008-09	99,127,772	109,139,073	44.08030	90.10230	99.73120	99.73120
2009-10	101,313,932	89,188,699	45.58930	93.85680	100.00000	100.00000
2010-11	117,499,581	95,951,150	46.90940	66.27150	100.00000	100.00000
2011-12	135,852,760	86,651,379	48.52990	69.01520	100.00000	100.00000
2012-13	147,398,057	112,284,058	50.75180	57.54110	100.00000	100.00000
2013-14	153,467,212	112,570,348	52.81660	59.93340	100.00000	100.00000
2014-15	165,363,180	156,351,613	54.40020	43.39970	95.00000	100.00000
2015-16	37,409,137	148,643,971	55.73350	44.02100	90.00000	90.00000

Source: Marshall County Auditor's Office and IA Dept of Mgmt website.

**Notes:** Effective with the January 1, 1999 valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuations.

Each year the State of Iowa assigns a rollback factor to calculate the percent of assessed value which will be taxable.

This rate is assigned per property classification and can fluctuate each year. Industrial property is taxed at 100% of its gross assessed value.



**CITY OF MARSHALLTOWN, IOWA**  
**TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS (PER \$1,000 ASSESSED VALUATIONS)**

Levy year Jan 1,	Collection Year	Marshall County	Community Schools	Marshalltown	City Assessor	Community College	County Extension	State of Iowa	Total
2005	2006-07	6.60870	18.13123	12.94049	0.32273	0.98001	0.07509	0.00400	39.06225
2006	2007-08	7.60000	18.07061	12.93500	0.31708	1.81770	0.10587	0.00350	40.84976
2007	2008-09	7.59349	18.01415	13.68652	0.32982	2.19223	0.11859	0.00350	41.93830
2008	2009-10	7.73919	18.00985	13.76759	0.29308	2.15454	0.11078	0.00300	42.07803
2009	2010-11	7.73661	17.84133	13.93650	0.26635	2.03379	0.12442	0.00340	41.94240
2010	2011-12	7.72562	17.65203	14.51331	0.24816	1.95682	0.12408	0.00320	42.22322
2011	2012-13	7.44499	17.54224	14.28339	0.26539	1.88711	0.12385	0.00330	41.55027
2012	2013-14	7.44499	17.52934	14.18432	0.27661	1.80632	0.13567	0.00330	41.38055
2013	2014-15	7.44499	18.15000	14.76355	0.29712	1.79487	0.15194	0.00330	42.60577
2014	2015-16	7.44499	18.33104	14.76257	0.29197	1.78170	0.15594	0.00330	42.77151

Source: Marshall County Auditor's Office

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

**CITY OF MARSHALLTOWN, IOWA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Jan 1, 2014 Taxable Assessed Value Payable 15- 16	Rank	Percentage of Total City Taxable Assessed Value	Jan 1, 2005 Taxable Assessed Value Payable 06- 07	Rank	Percentage of Total City Taxable Assessed Value
IES Utilities (Interstate Power)	\$ 69,632,174	1	9.2%			
Emerson Process Mgt/Fisher Controls	21,178,550	2	2.8%	10,874,010	5	
Lennox Industries Inc	11,840,895	3	1.6%	14,684,500	1	
MMSC, Ventures Inc	11,203,030	4	1.5%	10,914,430	4	
Swift & Company	10,702,540	5	1.4%	9,118,774	6	
Walmart, Real Estate Business	10,549,950	6	1.4%	11,333,356	3	
Swift, Pork Company	10,288,390	7	1.4%			
Menard, Inc	9,148,420	8	1.2%			
Union, Pacific Railroad Co.	8,234,630	9	1.1%			
Trilogy/Embers, of Marshalltown, Iowa	66,128,054	10	8.7%			
Marshalltown, Center IA LLC			0.0%	11,976,680	2	
FHS Marshalltown LP				6,602,000	7	1.0%
Inns of Iowa Ltd				6,064,149	8	0.9%
Gotula Properties LC				5,581,128	9	0.9%
HyVee Food Stores				5,068,470	10	0.8%
	<u>\$ 228,906,633</u>		<u>30.3%</u>	<u>\$ 92,217,497</u>		<u>3.6%</u>

Note: Alliant Energy (IES Utilities), the local gas and electric provider, is now assessed a utility excise tax instead of taxes based upon their property valuation. The gas and electric assessed property value for January 1, 2014 was \$60,930,476.

**CITY OF MARSHALLTOWN, IOWA**  
**SALES TAX**  
**LAST TEN YEARS**

<u>CalendarYear</u>	<u>Taxable Retail Sales</u>	<u>No. of Businesses</u>
2006	334,897,482	3,982
2007	349,978,209	3,937
2008	348,367,544	4,084
2009	324,325,683	4,031
2010	326,686,187	3,971
2011	327,832,928	3,944
2012	348,039,169	3,950
2013	346,378,427	3,947
2014	328,920,980	2,935
2015	331,780,905	2,870

Source: Iowa Department of Revenue Sales and Use Tax Report based on fiscal year ending March 31 following the calendar year.

**CITY OF MARSHALLTOWN, IOWA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Collection year	Levy year	Current levy	Amount (1)	Percent of levy collected (2)	Delinquent tax collections (3)	Total tax collections	Collections to total tax levy (2)
2006-07	2005	7,690,645	7,892,654	102.63%	1,803	7,894,457	102.65%
2007-08	2006	8,143,010	8,157,864	100.18%	3,656	8,161,520	100.23%
2008-09	2007	8,945,150	8,955,138	100.11%	1,427	8,956,565	100.13%
2009-10	2008	9,293,081	9,291,663	99.98%	1,727	9,293,390	100.00%
2010-11	2009	9,505,825	9,498,727	99.93%	4,030	9,502,757	99.97%
2011-12	2010	10,167,673	10,166,706	99.99%	7,958	10,174,664	100.07%
2012-13	2011	10,317,995	10,324,685	100.06%	4,456	10,329,141	100.11%
2013-14	2012	10,535,094	10,478,161	99.46%	4,710	10,482,871	99.50%
2014-15	2013	10,397,290	10,381,760	99.85%	6,716	10,388,476	99.92%
2015-16	2014	10,329,114	10,314,800	99.86%	2,945	10,317,745	99.89%

(1) Current tax collections reflect payments received by the Marshall County Treasurer's office from July 1 through June 30 of each year. Taxes levied for the current year are classified as delinquent if not paid by June 30 each year.

(2) Collection percentages are close to 100% each year since the State of Iowa provides for "tax sales" in June of each year for properties with unpaid taxes. Substantially all of the taxes are paid by investors purchasing tax certificates from the "tax sales." Collections in excess of 100% are due to rounding differences when tax rates are applied to property valuations, differences in tax credits reimbursed by the State of Iowa, or changes in taxable valuations by the County Assessor after the City's budget is certified.

(3) Delinquent tax collections reflect amounts of delinquent taxes the City received during the year. Information is not available from the County Treasurer's Office as to the year(s) for which the delinquent tax collections apply.

Source: General Purpose Financial Statements

**CITY OF MARSHALLTOWN, IOWA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities							
			Urban								
			Renewal Tax								
	General	Notes	Increment	General		Sewer	Total	Personal	Percentage of		
	Obligation	Payable	Revenue	Obligation	Revenue Bonds	Capital Loan	Primary	Income	Personal	Population	Per Capita
	Bonds		Bonds and	Bonds		Note Payable	Government		Income		
			Notes								
2007	15,810,000	110,724	3,923,438	-	1,815,000	4,346,000	26,005,162	22,855	1,138	26,073	997
2008	21,845,000	96,884	-	-	1,555,000	4,040,000	27,536,884	22,919	1,201	26,073	1,056
2009	19,360,000	83,044	-	-	1,295,000	3,725,000	24,463,044	22,894	1,069	26,073	938
2010	17,405,245	69,204	-	-	1,035,000	3,396,914	21,906,363	22,436	976	26,073	840
2011	16,324,658	55,363	-	6,053,230	775,000	3,062,701	26,270,952	22,204	1,183	27,552	954
2012	23,918,462	41,523	-	5,746,348	4,595,000	-	34,301,333	22,204	1,545	27,552	1,245
2013	26,852,789	27,683	-	5,404,466	7,822,000	-	40,106,938	21,924	1,829	27,683	1,449
2014	21,185,242	81,304	-	4,720,834	12,727,000	-	38,714,380	21,880	1,769	27,844	1,390
2015	20,512,103	44,588	-	4,705,702	11,710,000	619,452	37,591,845	22,512	1,670	27,727	1,356
2016	19,519,042	32,597	-	4,343,820	16,308,000	522,266	40,725,725	22,403	1,818	27,727	1,469

Source: Census Quick Facts

**CITY OF MARSHALLTOWN, IOWA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
2007	15,810,000	110,724	15,920,724	1.34	610.62
2008	21,845,000	96,884	21,941,884	1.85	841.56
2009	19,360,000	83,044	19,443,044	1.55	745.72
2010	17,405,245	69,204	17,474,449	1.25	670.01
2011	22,377,888	55,363	22,433,251	1.15	594.34
2012	29,664,810	41,523	29,706,333	1.58	916.91
2013	32,257,255	27,683	32,284,938	1.76	965.13
2014	25,906,076	81,304	25,987,380	1.66	941.54
2015	25,217,805	664,040	25,881,845	1.69	933.45
2016	23,862,862	554,863	24,417,725	1.57	880.65

**CITY OF MARSHALLTOWN, IOWA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2016**

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 11,645,000	51.43%	\$ 5,989,024
Marshalltown Community School District	14,900,000	81.48%	12,140,520
Marshall County	<u>1,567,980</u>	50.78%	<u>796,220</u>
	28,112,980		18,925,764
City of Marshalltown	<u>19,551,639</u>	100.00%	<u>19,551,639</u>
	<u>\$ 47,664,619</u>		<u>\$ 38,477,403</u>

Source:

- 1) State of Iowa Treasurer's Office
- 2) IA Valley School District

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

**CITY OF MARSHALLTOWN, IOWA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross assessed valuations:										
Regular realty	\$ 1,322,550,079	\$ 1,281,885,530	\$ 1,135,316,250	\$ 1,133,154,843	\$ 1,132,540,153	\$ 1,123,958,153	\$ 1,124,366,238	\$ 1,105,253,588	\$ 1,027,939,554	\$ 1,001,496,418
Utility	203,378,461	165,363,180	153,467,212	147,398,057	135,852,760	117,499,581	101,313,932	99,127,772	107,436,245	104,349,219
Incremental	40,194,757	37,409,137	44,270,422	31,552,130	41,694,319	39,224,720	36,639,623	50,679,345	54,807,718	51,716,709
Total actual valuations applicable to debt	1,566,123,297	1,484,657,847	1,333,053,884	1,312,105,030	1,310,087,232	1,280,682,454	1,262,319,793	1,255,060,705	1,190,183,517	1,157,562,346
Debt limit - 5% of total actual valuations applicable to debt	78,306,165	74,232,892	66,652,694	65,605,252	65,504,362	64,034,123	63,115,990	62,753,035	59,509,176	57,878,117
Amount of debt applicable to limitation:										
General obligation bonds and notes	24,204,863	25,734,040	26,216,304	32,162,683	29,696,523	22,475,363	17,469,204	19,443,044	21,941,884	15,920,724
Urban Renewal Rebate agreements	1,690,000	-	-	-	-	-	-	-	-	-
Urban renewal tax increment revenue bonds	-	-	-	-	-	-	-	-	-	3,923,438
Total debt applicable to limitation	25,894,863	25,734,040	26,216,304	32,162,683	29,696,523	22,475,363	17,469,204	19,443,044	21,941,884	19,844,162
Less:										
Funds available from:										
Debt service	107,604	46,959	48,225	3,079,346	3,082,247	-	-	262,165	232,719	281,555
Special revenue	771,750	250,051	-	-	474,917	417,812	348,685	413,834	438,585	632,232
Total debt applicable to debt margin	25,015,509	25,437,030	26,168,079	29,083,337	26,139,359	22,057,551	17,120,519	18,767,045	21,270,580	18,930,375
Legal debt margin	\$ 53,290,656	\$ 48,795,862	\$ 40,484,615	\$ 36,521,915	\$ 39,365,003	\$ 41,976,572	\$ 45,995,471	\$ 43,985,990	\$ 38,238,596	\$ 38,947,742



**CITY OF MARSHALLTOWN, IOWA**  
**PLEDGED – REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

Water Pollution Control				Debt Service Requirements			
Year	Gross Revenue	Expenses (1)	Available For Debt Service	Principal	Interest & other debt expense	Total	Coverage
2006-07	4,279,994	2,484,430	1,795,564	771,000	246,351	1,017,351	1.76
2007-08	5,128,279	2,746,362	2,381,917	566,000	197,189	763,189	3.12
2008-09	5,330,410	2,828,873	2,501,537	575,000	196,155	771,155	3.24
2009-10	5,214,302	3,154,596	2,059,706	585,000	165,650	750,650	2.74
2010-11	5,184,069	2,943,228	2,240,841	595,000	192,539	787,539	2.85
2011-12	6,557,228	3,225,133	3,332,095	605,000	384,184	989,184	3.37
2012-13	5,151,326	2,800,306	2,351,050	610,000	313,139	923,139	2.55
2013-14	5,897,218	2,994,802	2,902,416	595,000	307,956	902,956	3.21
2014-15	6,091,170	2,731,357	3,359,813	1,017,000	503,890	1,520,890	2.21
2015-16	6,593,505	3,246,028	3,347,477	1,402,000	641,312	2,043,312	1.64

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

**CITY OF MARSHALLTOWN, IOWA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

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CalendarYear	Median Age (Zip 50158)	School Enrollment		Unemployment Percent
		Public	Private	
	(1)	(2)	(3)	(4)
2007	40.4	5,035	185	4.00
2008	40.2	5,065	235	4.80
2009	40.8	4,938	181	6.70
2010	38.0	5,123	170	6.70
2011	38.0	5,317	208	7.00
2012	38.0	5,322	227	6.70
2013	38.0	5,308	228	6.20
2014	37.3	5,085	218	5.90
2015	35.3	5,385	216	5.00
2016	35.3	5,322	221	4.00

Note: Total personal income information for the City of Marshalltown is not available.

Sources:

- (1) StateMaster.com web-site
- (2) Marshalltown Community School District
- (3) Marshalltown Catholic School
- (4) Job Service of Iowa: <http://www.iowaworkforce.org>

**CITY OF MARSHALLTOWN, IOWA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Employer	Industry	2016- Employees	2007- Employees
(JBS) Swift & Company	Pork processors	2,300	2,200
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	1,135	1,200
Marshalltown Community School District	Education	960	850
Iowa Veteran's Home	Hospital Care Facility	945	1,000
Lennox Industries, Inc	Furnace and air conditioning manufacturer	915	1,369
Central Iowa Health Care	Hospital	595	675
HyVee Food Stores *	Grocery store	370	320
Wal-Mart*	Retail	300	325
Marshalltown Community College	Education	265	-
McFarland Clinic PC	Medical clinic	230	223
City of Marshalltown*	Municipal government	205	185
Marshall County	County government	178	-

Note: Total employment information for the City of Marshalltown is not available. Consequently, each employer's percentage of total employment can not be calculated.

Source: Marshalltown Chamber of Commerce

\* Includes full time, part time and seasonal employees

**CITY OF MARSHALLTOWN, IOWA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Full-time-Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety	98.28	97.32	99.1	99.00	99.00	88.00	86.00	98.91	101.94	100.13
Public Works	20.61	21.14	21.02	21.00	21.00	20.00	21.00	20.06	19.88	18.31
Health and Social Services	8.38	9.44	8.49	8.00	8.00	6.50	6.50	6.26	7.14	7.78
Culture and Recreation	26.39	27.28	27.6	29.00	29.00	28.00	29.00	25.95	26.17	25.28
Community and Economic Development	2.6	3.29	4.21	4.00	3.00	5.50	5.50	3.55	3.09	3.15
General Government	15.57	17.67	17.91	18.00	17.00	18.00	18.00	17.55	18.16	17.89
Business-Type	32.57	32.25	32.89	34.00	35.00	34.00	36.00	31.95	30.70	30.34
Capital Projects	-	-	-	-	1.00	1.00	1.00	0.13	0.02	0.45
Total	<u>204.40</u>	<u>208.39</u>	<u>211.22</u>	<u>213.00</u>	<u>213.00</u>	<u>201.00</u>	<u>203.00</u>	<u>204.36</u>	<u>207.10</u>	<u>203.33</u>

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# CITY OF MARSHALLTOWN, IOWA

## OPERATING INDICATORS BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2016	2015	2014	2013	2012
General Government					
Building Permits:					
New Construction:					
Number of permits	29	46	42	36	58
Value of permits	13,434,000	27,124,000	29,427,000	2,553,000	10,523,000
Remodeling, repairs and additions:					
Number of permits	102	80	72	71	101
Value of permits	11,915,000	10,719,000	24,001,000	16,435,000	5,275,000
Police					
Physical arrests	2,216	3,114	3,438	3,000	
Violations:					
Parking	3,005	5,420	5,835	4,248	5,629
Traffic	1,255	1,889	1,803	2,500	2,939
Drunk driving	100	122	164	112	110
Narcotics	358	577	449	308	398
Fire					
Emergency responses	2,527	2,530	2,321	2,218	689
Fires extinguished	131	127	112	169	54
Inspections	519	223	471	541	353
Parks and recreation					
Adult team sports					
Leagues	6	8	12	8	10
Participation	9,656	8,492	5,670	8,705	8,611
Youth activities					
Programs	27	32	33	32	28
Participation	3,224	3,249	3,502	3,569	3,587
Library					
Volumes in collection	143,783	100,376	101,034	101,194	133,971
Total volumes borrowed	287,092	274,787	290,606	292,964	300,784
Sewage system					
Per million					
Daily average treatment in gallons	4.73	4.26	4.75	6.4	6.4
Maximum daily capacity of treatment plant in thousands of gallons	17,440	17,440	17,440	17,440	17,440
Sewer customers served	9,481	9,785	9,383	9,409	9,405
* Computer software was counting sewer credit meters					
Sewer rates in effect					
Base charge per month	\$17.57	\$15.60	\$14.31	\$12.12	\$10.27
Flow charge per 100 cubic feet	\$2.27	\$2.11	\$2.03	\$1.89	\$1.76
Transit					
Total route miles	134,737	110,394	133,405	132,475	131,749
# of passengers	101,805	111,542	104,513	113,728	112,318
General Elections - November of each year					
Registered voters	16,231	25,549	15,796	15,196	16,659
Number of votes cast	3,492	13,844	N/A	11,836	1,063
Percentage of registered voters voting	21.51%	54.19%	N/A	77.89%	6.38%

Ending June 30,				
2011	2010	2009	2008	2007
37	37	51	39	49
1,967,000	17,798,500	12,191,800	22,522,000	11,058,000
95	74	103	149	131
26,630,000	3,951,800	14,757,000	25,418,400	17,893,700
2,254	3,421	3,581	3,045	3,833
10,269	N/A	N/A	6,802	7,073
3,290	3,787	4,758	4,793	6,005
120	224	218	234	240
369	385	460	512	130
1,885	N/A	N/A	2,274	2,052
71	N/A	N/A	51	61
376	N/A	N/A	380	412
8	10	10	4	4
6,762	6,105	5,373	2,201	2,312
31	27	40	35	35
4,246	3,780	3,478	7,268	7,625
129,219	101,194	93,755	91,914	90,561
310,849	327,106	262,755	253,855	231,420
6.4	7.51	6.82	7.38	5.89
17,440	17,440	17,440	17,440	17,440
9,447	10,248	9,397	9,435	9,448
\$10.27	\$10.27	\$9.51	\$9.51	\$9.51
\$1.76	\$1.76	\$1.76	\$1.63	\$1.55
135,711	107,157	105,282	105,435	102,109
130,974	111,586	113,934	111,849	88,431
17,494	16,860	17,015	17,015	17,015
8,643	1,335	N/A	N/A	8,296
49.41%	7.92%	N/A	N/A	48.76%

**CITY OF MARSHALLTOWN, IOWA**  
**CAPITAL ASSET AND EMPLOYMENT STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
# of stations	1	1	1	1	1
# of employees	57	55	55	63	59
Non-dispatch	45	42	43	50	47
Dispatch	12	13	12	13	12
Fire					
# of stations	1	1	1	1	1
# of employees	28	28	27	30	29
Parks and recreation					
Park areas					
# parks	21	26	26	26	26
# acres	210	328	328	325	325
Athletics					
# Baseball/softball fields	5	6	6	10	6
# Soccer/football fields	0	6	6	4	6
# Tennis courts	5	12	12	13	12
# Basketball Courts	4				
Other					
# playgrounds	20	21	21	20	17
Miles of bike trails	7	9.6	9.6	8	8
# Swimming pools	1	1	1	1	1
# Park Shelters	29				
Public works					
Streets:					
Paved	157.5	157.5	157.5	157.5	157.5
Unpaved	5.8	5.8	5.8	5.8	5.8
Sewage system					
Number of treatment plants	1	1	1	1	1
Miles of sewers					
Storm	60.48	59.7	59.31	59.31	59.04
Sanitary	148.85	146.6	146.5	146.5	146.5
Transit					
# of buses	8	10	8	9	9
Education - Public and private					
Number of elementary schools	6	6	8	9	9
Number of elementary school instructors	283	299	305	243	237
Number of secondary schools	3	3	3	2	2
Number of secondary school instructors	280	250	238	143	146
Cemeteries					
Number of facilities	2	2	2	2	2
Number of acres					
Developed	135	135	135	135	135
Undeveloped	80	80	80	80	80
Hospitals					
Number of hospitals	1	1	1	1	1
Number of beds	49	125	125	125	125



Ending June 30,				
2011	2010	2009	2008	2007
1	1	1	1	1
61	59	58	58	59
48	46	45	45	46
13	13	13	13	13
1	1	1	1	1
29	26	29	29	30
26	26	26	26	26
325	325	328	328	328
6	6	6	6	6
6	6	6	6	6
	12	12	4	4
17	17	17	17	17
8	8	8	8	8
1	1	1	1	1
157.5	157.5	157.5	157.4	157.4
5.8	5.8	5.8	5.8	5.8
1	1	1	1	1
58.8	58.5	57.1	57.1	56.4
146.5	146.5	145.7	145.7	145.3
10	10	9	10	10
9	7	7	7	7
248	225	225	203	137
2	2	2	2	3
150	156	150	147	240
2	2	2	2	2
135	135	135	135	135
80	80	80	80	80

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**HISTORIC EARNINGS**  
**LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011
Revenues:						
Sewer Rental	\$ 6,341,560	\$ 5,875,990	\$ 5,611,519	\$ 4,860,499	\$ 4,661,934	\$ 4,152,904
Interest Income	30,154	24,526	36,356	32,361	37,704	53,312
Grants	-	-	39,669	39,669	1,582,043	849,787
Miscellaneous	<u>221,791</u>	<u>190,654</u>	<u>218,797</u>	<u>218,797</u>	<u>275,547</u>	<u>128,066</u>
Total revenues	<u>6,593,505</u>	<u>6,091,170</u>	<u>5,906,341</u>	<u>5,151,326</u>	<u>6,557,228</u>	<u>5,184,069</u>
Expenses:						
Costs of Service	3,217,648	2,678,407	2,994,802	2,800,306	3,225,133	2,945,845
Depreciation	1,487,116	1,283,352	1,269,460	1,182,359	1,126,174	1,134,959
Debt Service	<u>2,492,501</u>	<u>1,502,938</u>	<u>1,252,956</u>	<u>1,131,139</u>	<u>1,859,184</u>	<u>778,689</u>
Total expenses	<u>7,197,265</u>	<u>5,464,697</u>	<u>5,517,218</u>	<u>5,113,804</u>	<u>6,210,491</u>	<u>4,859,493</u>
Net Income (Loss)	<u>\$ (603,760)</u>	<u>\$ 626,473</u>	<u>\$ 389,123</u>	<u>\$ 37,522</u>	<u>\$ 346,737</u>	<u>\$ 324,576</u>

**WATER POLLUTION CONTROL HISTORIC COVERAGE**  
**LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011
Net Income (Loss)	\$ (560,240)	\$ 626,473	\$ 380,000	\$ 37,522	\$ 346,737	\$ 324,576
Add depreciation	1,487,116	1,283,352	1,269,460	1,182,359	1,126,174	1,134,959
Add debt retirement	<u>2,492,501</u>	<u>1,502,938</u>	<u>1,252,956</u>	<u>1,131,139</u>	<u>1,859,184</u>	<u>778,689</u>
Net income available for debt service	<u>\$ 3,419,377</u>	<u>\$ 3,412,763</u>	<u>\$ 2,902,416</u>	<u>\$ 2,351,020</u>	<u>\$ 3,332,095</u>	<u>\$ 2,238,224</u>
Historic debt service	\$ 2,492,501	\$ 1,502,938	\$ 1,252,956	\$ 1,131,139	\$ 1,859,184	\$ 778,689
Historic coverage	1.37	2.32	2.32	2.08	1.79	2.87
Projected max future debt	\$ 2,430,980	\$ 1,343,085	\$ 1,343,085	\$ 1,085,594	\$ 1,085,594	\$ 1,211,115
Projected coverage	1.41	2.16	2.16	2.17	3.07	1.85

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2010	2009	2008	2007
\$ 4,558,315	\$ 4,868,033	\$ 4,584,414	\$ 3,923,869
50,336	116,922	212,420	228,888
391,132	292,060	73	96
<u>214,519</u>	<u>53,395</u>	<u>331,372</u>	<u>127,141</u>
<u>5,214,302</u>	<u>5,330,410</u>	<u>5,128,279</u>	<u>4,279,994</u>
3,142,187	2,828,873	2,746,362	2,484,430
1,119,009	1,079,643	1,184,012	1,188,396
<u>749,863</u>	<u>771,155</u>	<u>763,189</u>	<u>1,021,961</u>
<u>5,011,059</u>	<u>4,679,671</u>	<u>4,693,563</u>	<u>4,694,787</u>
<u>\$ 203,243</u>	<u>\$ 650,739</u>	<u>\$ 434,716</u>	<u>\$ (414,793)</u>

2010	2009	2008	2007
\$ 203,243	\$ 650,739	\$ 434,716	\$ (414,793)
1,119,009	1,079,643	1,184,012	1,188,396
<u>749,863</u>	<u>771,155</u>	<u>763,189</u>	<u>1,021,961</u>
<u>\$ 2,072,115</u>	<u>\$ 2,501,537</u>	<u>\$ 2,381,917</u>	<u>\$ 1,795,564</u>
\$ 749,863	\$ 771,155	\$ 763,189	\$ 1,021,961
2.76	3.24	3.12	1.76
\$ 735,293	\$ 744,273	\$ 752,953	\$ 762,363
2.82	3.36	3.16	2.36

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**NUMBER OF CUSTOMERS BY TYPE**  
**LAST TEN FISCAL YEARS**

Year	Residential	Multi-Family	Commercial	Industrial	Total	Incr (Decr)
2007	8,243	416	743	46	9,448	22
2008	8,229	418	741	47	9,435	(13)
2009	8,206	412	735	44	9,397	(38)
2010	8,247	421	732	33	9,433	36
2011	8,251	406	749	41	9,447	14
2012	8,216	406	743	40	9,405	(42)
2013	8,228	405	737	39	9,409	4
2014	8,469	397	824	50	9,740	331
2015	8,505	398	823	51	9,777	37
2016	8,525	394	840	50	9,809	32

Note: Due to a computer modification in fiscal year 2003, a more accurate count can be ascertained.

Prior years included credit meters. Information based upon number of meters.

Source: Marshalltown Water Works

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**PRESENT NET POSITION**  
**AS OF JUNE 30, 2016**

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Sewer Revenue Operating and Maintenance Accounts	\$ 461,318
Sewer Revenue Sinking Reserve Fund Account	181,757
Additional Capital Replacement Fund Account	6,224,021
Undesignated	<u>1,300,592</u>
 Total Water Pollution Control Net Position	 <u>\$ 8,167,688</u>

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**MAJOR USERS – TWO YEAR COMPARISON**

	2016			2015		
	Avg Gallons Per Month	Monthly Bill	2016 Ranking	Avg Gallons Per Month	Monthly Bill	2015 Ranking
JBS Swift & Company	61,035,000	\$ 180,117	1	56,573,337	\$ 200,596	1
IA Veterans Home	2,306,209	7,016	2	2,494,331	7,077	2
Sunset Village Mobile Home Park	744,260	2,276	3	711,286	2,029	5
Emerson Processing/Fisher Controls	709,291	2,170	4	908,508	2,588	3
Packaging Corporation	524,535	1,609	5	622,087	1,777	6
Central Iowa Healthcare	515,746	1,583	6	734,162	2,094	4
Central Iowa Truckwash LLC	491,124	1,508	7	NA	NA	NA
Rainbow Carwash I & III	416,013	1,280	8	558,631	1,597	8
Marshalltown Community School District	324,819	1,003	9	575,274	1,644	7
Concrete Inc.	318,087	983	10	NA	NA	NA
Boulder Properties	NA	NA	NA	380,607	1,093	9
YMCA	NA	NA	NA	299,387	863	10

Source: City Financial Records and Marshalltown Water Works

## **COMPLIANCE SECTION**

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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 Marshalltown, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2016. Our report includes a reference to other auditors who audited the financial statements of the Marshalltown Waterworks and the Marshalltown Convention and Visitor's Bureau, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Marshalltown Convention and Visitor's Bureau, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those financial statements.

**Internal Control over Financial Reporting**

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider the deficiencies described in Part II of the accompanying schedule of findings and question costs as items 2016-A and 2016-B to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying schedule of findings and questioned costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City's Responses to Findings**

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

### **Purpose of this Report**

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

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

Dubuque, Iowa  
December 19, 2016



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

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

### **Report on Compliance for the Major Federal Program**

We have audited the City of Marshalltown, Iowa's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance of the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

## Opinion on Its Major Federal Program

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

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dubuque, Iowa  
December 19, 2016

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Direct program:				
Section 8 Housing Choice Vouchers	14.871		\$ 1,164,521	\$ -
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		893,424	-
Total U.S. Department of Housing and Urban Development			2,057,945	-
U.S. Department of Justice:				
Pass-through program from:				
Iowa Department of Justice:				
Organized Crime Drug Enforcement Task Force	16.111	WC-IAN-0117	5,762	-
Violence Against Women Formula Grants	16.588	VW-11-52	39,458	-
Direct program:				
Bulletproof Vest Partnership Program	16.607		4,428	-
Pass through program from:				
Marshall County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-JAG-78965	31,411	-
Direct:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,652	9,652
			41,063	9,652
Total U.S. Department of Justice			90,711	9,652

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Transportation:				
Direct program:				
Airport Improvement Program	20.106		\$ 27,994	\$ -
Pass-through program from:				
Iowa Department of Transportation				
Highway Planning and Construction	20.205	TAP-U-4797(620)--8164	41,797	-
Highway Planning and Construction	20.205	NRT-nt10(004)9g-00	10,449	-
Highway Planning and Construction	20.205	STP-U-4797(618)--70-64	4,305	-
Highway Planning and Construction	20.205	STP-U-4797(619)--70-64	2,565	-
Highway Planning and Construction	20.205	STP-U-4797(617)--70-64	2,015	-
			<u>61,131</u>	<u>-</u>
Formula Grants for Rural Areas	20.509	IA-18-X030	<u>204,673</u>	<u>-</u>
State and Community Highway Safety	20.600	PAP 12-04, Task 18	17,714	-
State and Community Highway Safety	20.600	PAP 15-402-M0OP, Task 07-00-00	<u>3,772</u>	<u>-</u>
			<u>21,486</u>	<u>-</u>
Total U.S. Department of Transportation			<u>315,284</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Pass-through program from:				
Iowa Department of Public Health				
Drug-Free Communities Support Program				
Grants	93.276	2H79SP013022-06	<u>7,637</u>	<u>-</u>
U.S. Department of Homeland Security:				
Pass-through program from:				
Iowa Department of Homeland Security				
Assistance to Firefighters Grant Program	97.044	EMW-2014-FO-00565	<u>150,620</u>	<u>-</u>
Total			<u>\$ 2,622,197</u>	<u>\$ 9,652</u>

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Marshalltown, Iowa, and is presented on the modified accrual basis of accounting for governmental funds and the full accrual basis of accounting for proprietary funds. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note 2 – Significant Accounting Policies**

Governmental fund types account for the City's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources in the governmental fund types and on the full accrual basis – when expenditures are incurred in the proprietary funds. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

The City has not elected to use the 10% de minimis cost rate.

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**Part I: Summary of the Independent Auditor's Results:**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency not considered to be a material weakness	Yes
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified	No
Significant deficiency not considered to be a material weakness	None reported
Type of auditor's report issued on compliance for the major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<b><u>Name of Federal Program or Cluster</u></b>	<b><u>CFDA Number</u></b>
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

**2016-A      Significant Audit Adjustments**

**Criteria:** A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**Part II: Findings Related to the Financial Statements (continued):**

**Condition:** During the course of our engagement, we proposed significant audit adjustments to the financial statements that were not identified as a result of the City's existing internal controls and, therefore, could have resulted in a misstatement of the City's financial statements.

**Cause:** There is a limited number of office employees with varying levels of experience with the reporting requirements.

**Effect:** The effect of this condition was that prior to posting audit adjustments financial data was not in accordance with generally accepted accounting principles.

**Recommendation:** We recommend that finance staff continue to receive relevant training and that management review all documentation completed by staff for use in preparing the financial statements.

**Views of Responsible Officials:** Management Agrees.

**2016-B      Segregation of Duties**

**Criteria:** Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition:** The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

**Cause:** The City has limited time and staffing constraints.

**Effect:** Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation:** We recommend that City staff review operating procedures in order to obtain the maximum internal controls possible.

**Views of Responsible Officials:** Management Agrees.



**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**Part III: Findings and Questioned Costs for Federal Awards:**

There were no findings and questioned costs to report.

**Part IV: Other Findings Related to Required Statutory Reporting:**

- 2016-IA-A Certified Budget** – Disbursements did not exceed the amended budget amounts during the year.
- 2016-IA-B Questionable Expenditures** - We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2016-IA-C Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 2016-IA-D Business Transactions** - No business transactions between the City and City officials or employees were noted.
- 2016-IA-E Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 2016-IA-F Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 2016-IA-G Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- 2016-IA-H Revenue Bonds** – No instances of noncompliance with provisions of the City’s revenue bond resolutions were noted.
- 2016-IA-I Annual Urban Renewal Report** – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

**CITY OF MARSHALLTOWN, IOWA**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2016**

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**Prior Audit Findings Related to the Financial Statements:**

**2015-A      Audit Adjustments**

**Initial Fiscal Year Finding Occurred - 2007**

**Finding Summary** – Draft Financial Statements have not been prepared in accordance with Generally Accepted Accounting Principles, resulting in audit adjustments being proposed.

**Status** – Finding has been partially repeated as 2016-A.

**2015-B      Segregation of Duties**

**Initial Fiscal Year Finding Occurred - 2007**

**Finding Summary** - The City has been unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

**Status** – Finding has been repeated as 2016-B.

**Prior Audit Findings and Questioned Costs for Federal Awards:**

There were no federal findings reported in the prior year.

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## **APPENDIX B**

### **DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

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

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

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

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

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

## APPENDIX C

### DRAFT FORM OF OPINION OF BOND COUNSEL

We hereby certify that we have examined certified copies of the proceedings (the “Proceedings”) of the Council of the City of Marshalltown, in Marshall County, Iowa (the “Issuer”), passed preliminary to the issue by the Issuer of its General Obligation Municipal Building Bonds, Series 2017 (the “Bonds”), in the amount of \$12,720,000\*, dated October 10, 2017, in the denomination of \$5,000 each, or any integral multiple thereof. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing June 1, 2018, at the respective rates as follows:

Year	Principal Amount	Interest Rate Per Annum	Year	Principal Amount	Interest Rate Per Annum
2019	\$535,000	____%	2029	\$390,000	____%
2020	\$525,000	____%	2030	\$915,000	____%
2021	\$155,000	____%	2031	\$950,000	____%
2022	\$100,000	____%	2032	\$990,000	____%
2023	\$505,000	____%	2033	\$1,020,000	____%
2024	\$515,000	____%	2034	\$1,060,000	____%
2025	\$535,000	____%	2035	\$1,105,000	____%
2026	\$350,000	____%	2036	\$1,155,000	____%
2027	\$360,000	____%	2037	\$1,180,000	____%
2028	\$375,000	____%			

but the Bonds maturing in each of the years 2026 to 2037, inclusive, are subject to redemption prior to maturity on June 1, 2025, or any date thereafter, upon terms of par and accrued interest.

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

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

DORSEY & WHITNEY LLP

\*Subject to adjustment

## APPENDIX D

### DRAFT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Marshalltown, Iowa (the “Issuer”), in connection with the issuance of \$12,720,000 General Obligation Municipal Building Bonds, Series 2017 (the “Bonds”), dated October 10, 2017. The Bonds are being issued pursuant to a resolution of the Issuer approved on September 25, 2017 (the “Resolution”). The Issuer covenants and agrees as follows:

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

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

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

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

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

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system available at <http://emma.msrb.org>.

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

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

“Municipal Securities Rulemaking Board” or “MSRB” shall mean the Municipal Securities Rulemaking Board, 1300 I Street, N.W., Suite 1000, Washington, D.C. 20005.

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

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

“State” shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

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

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

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

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

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



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

Debt Information  
Financial Information  
Property Tax Information

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

Section 5. Reporting of Significant Events

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

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

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

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

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

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

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

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

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have

no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

Dated: October 10, 2017

CITY OF MARSHALLTOWN, IOWA

By \_\_\_\_\_  
Mayor

Attest:

By \_\_\_\_\_  
City Clerk