NEW ISSUE - DTC BOOK ENTRY ONLY

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

In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds will be excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is exempt from State of Iowa taxes imposed by Division II and Division III of Iowa Code chapter 422, will not be included in "adjusted current earnings" to be used in computing the "state alternative minimum taxable income" of corporations for purposes of Iowa Code section 422.33, as amended, but is subject to taxes imposed by Division V of Iowa Code Chapter 422. See "TAX EXEMPTION AND RELATED TAX MATTERS" herein.

$6,385,000
City of Marion, Iowa
General Obligation Urban Renewal Bonds,
Series 2019D

Dated: Date of Delivery

Due: As shown on inside cover

The $6,385,000 General Obligation Urban Renewal Bonds, Series 2019D (the "Bonds"), are being issued in fully registered form in denominations of $5,000 or any integral multiple thereof pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa, 2019, as amended and a resolution authorizing issuance of the Bonds (the "Resolution") adopted by the City of Marion, Iowa (the "Issuer" or the "City"), on August 8, 2019. The Depository Trust Company, New York, New York ("DTC") will act as the securities depository for the Bonds and its nominee, Cede & Co., will be the registered owner of the Bonds. Individual purchases of the Bonds will be recorded on a book-entry only system operated by DTC. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by UMB Bank, n.a., West Des Moines, Iowa, as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds. See "APPENDIX E – BOOK-ENTRY SYSTEM" herein.

The Bonds will bear interest from their dated date, payable semiannually on each June 1 and December 1, commencing December 1, 2019. The Bonds are subject to redemption by the Issuer prior to their stated maturities in the manner and at the time described herein. All of the Bonds then outstanding are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, on June 1, 2026, or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium. See "THE BONDS – Redemption" herein.

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

Proceeds of the Bonds will be used for the purpose of paying the cost, to that extent of undertaking an urban renewal project in the West Tower Terrace Urban Renewal Area consisting of providing economic development grant support to the Regional YMCA Development Project and paying certain costs of issuance related to the Bonds. See "PLAN OF FINANCING" herein.

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with the issuance of the Bonds. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about August 29, 2019.

Baird

The Date of this Official Statement is August 8, 2019

$6,385,000
City of Marion, Iowa
General Obligation Urban Renewal Bonds,
Series 2019D

MATURITY SCHEDULE

Due	Amount	Rate	Yield†	Cusip Num. *
June 1, 2020	$100,000	2.000%	0.850%	569611 C38
June 1, 2021	$100,000	2.000%	1.050%	569611 C46
June 1, 2022	$100,000	2.000%	1.060%	569611 C53
June 1, 2023	$100,000	2.000%	1.070%	569611 C61
June 1, 2024	$100,000	2.000%	1.100%	569611 C79
June 1, 2025	$100,000	2.000%	1.150%	569611 C87
June 1, 2026	$430,000	2.000%	1.250%	569611 C95
June 1, 2027	$440,000	2.000%	1.400%	569611 D29
June 1, 2028	$450,000	2.000%	1.550%	569611 D37
June 1, 2029	$455,000	2.000%	1.700%	569611 D45
June 1, 2030	$465,000	2.000%	1.900%	569611 D52
June 1, 2031	$475,000	2.000%	2.000%	569611 D60
June 1, 2032	$485,000	2.125%	2.200%	569611 D78
June 1, 2033	$495,000	2.250%	2.300%	569611 D86
June 1, 2034	$505,000	2.250%	2.350%	569611 D94
June 1, 2035	$515,000	2.375%	2.400%	569611 E28
June 1, 2036	$530,000	2.375%	2.450%	569611 E36
June 1, 2037	$540,000	2.500%	2.500%	569611 E44

† The Bonds maturing in the years 2027 through 2030, inclusive, are priced to the call date of June 1, 2026.

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

OFFICIAL STATEMENT

$6,385,000
City of Marion, Iowa
General Obligation Urban Renewal Bonds,
Series 2019D

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto (the "Official Statement"), is to set forth certain information in conjunction with the sale of $6,385,000 General Obligation Urban Renewal Bonds, Series 2019D (the "Bonds"), of the City of Marion, Iowa (the "Issuer" or the "City"). This Introduction is not a summary of this Official Statement, but is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Copies of statutes, resolutions, ordinances, reports or other documents referred to herein are available, upon request, from the Issuer.

The Bonds are being issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa, 2019, as amended (collectively, the "Act") and a Resolution adopted by the Issuer on August 8, 2019 (the "Resolution"), to evidence the obligations of the Issuer under a Loan Agreement between the Issuer and the Underwriter.

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

Proceeds of the Bonds will be used for the purpose of paying the cost, to that extent of undertaking an urban renewal project in the West Tower Terrace Urban Renewal Area consisting of providing economic development grant support to the Regional YMCA Development Project and paying certain costs of issuance related to the Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" herein.

The Issuer anticipates issuing its Road Use Tax Revenue Bonds, Series 2019E (the "Series 2019E Bonds"), Sanitary Sewer Revenue Bonds, Series 2019F (the "Series 2019F Bonds") and Solid Waste Revenue Bonds, Series 2019G (the "Series 2019G Bonds") on or about September 18, 2019. THE SERIES 2019E BONDS, SERIES 2019F BONDS AND SERIES 2019G BONDS ARE NOT BEING OFFERED PURSUANT TO THIS OFFICIAL STATEMENT, AND THE BONDS AND SERIES 2019E BONDS, SERIES 2019F BONDS AND SERIES 2019G BONDS CONSTITUTE SEPARATE ISSUES.

THE ISSUER

The Issuer, with a special 2016 U.S. Census population of 38,023, comprises approximately 16.06 square miles. The Issuer operates under a statutory form of government consisting of a six-member City Council, of which the Mayor is not a voting member. Additional information concerning the Issuer is included in "APPENDIX A – INFORMATION ABOUT THE ISSUER" hereto.

THE BONDS

General

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

The Bonds are dated as of the date of their delivery, will mature on June 1 in the years and in the amounts set forth on the inside cover page hereof, and will bear interest at the rates to be set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 in each year, beginning on December 1, 2019, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the interest payment date, to the addresses appearing on the registration books maintained by the Registrar or such other address as is furnished to the Registrar in writing by a registered owner. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Redemption

Optional Redemption. All of the Bonds then outstanding are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, beginning June 1, 2026, or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium.

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

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

SECURITY AND SOURCE OF PAYMENT

General

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

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

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

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

BONDHOLDERS' RISKS

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

Tax Levy Procedures

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

Changes in Property Taxation

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

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

Matters Relating to Enforceability of Agreements

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

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

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

Secondary Market

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

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

Rating Loss

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

Bankruptcy and Insolvency

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

Under sections 76.16 and 76.16A of the Act, a city, county, or other political subdivision may become a debtor under chapter nine of the federal bankruptcy code, if it is rendered insolvent, as defined in 11 U.S.C. §101(32)(c), as a result of a debt involuntarily incurred. As used therein, *"debt"* means an obligation to pay money, other than pursuant to a valid and binding collective bargaining agreement or previously authorized bond issue, as to which the governing body of the city, county, or other political subdivision has made a specific finding set forth in a duly adopted resolution of each of the following: (1) that all or a portion of such obligation will not be paid from available insurance proceeds and must be paid from an increase in general tax levy; (2) that such increase in the general tax levy will result in a severe, adverse impact on the ability of the city, county, or political subdivision to exercise the powers granted to it under applicable law, including without limitation providing necessary services and promoting economic development; (3) that as a result of such obligation, the city, county, or other political subdivision is unable to pay its debts as they become due; and (4) that the debt is not an obligation to pay money to a city, county, entity organized pursuant to chapter 28E of the Code of Iowa, or other political subdivision.

Forward-Looking Statements

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

Tax Matters and Loss of Tax Exemption

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

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

DTC-Beneficial Owners

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

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

Proposed Federal Tax Legislation

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

Pension Information

The Issuer contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer not covered by MFPRSI (defined below) are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2018 (the "IPERS CAFR"), indicates that as of June 30, 2018, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 82.36%, and the unfunded actuarial liability was $6.815 billion. The IPERS CAFR identifies the IPERS Net Pension Liability at June 30, 2018, at approximately $6.328 billion, while its net pension liability at June 30, 2017, was approximately $6.661 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on IPERS.

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

In fiscal year ended June 30, 2018, the Issuer's IPERS contribution totaled approximately $707,409. The Issuer is current in its obligations to IPERS.

Pursuant to Governmental Accounting Standards Board Statement No. 68, IPERS has allocated the net pension liability among its members, with the Issuer's identified portion at June 30, 2018, at approximately $6,981,586. While the Issuer's contributions to IPERS are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on pension and liabilities of the Issuer.

The Issuer also contributes to the Municipal Fire and Police Retirement System of Iowa ("MFPRSI"), which is a multiple-employer cost-sharing defined benefit pension plan for fire fighters and police officers, administered under Chapter 411 of the Code of Iowa. MFPRSI plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to MFPRSI. Contribution amounts are set by State statute. The MFPRSI Comprehensive Annual Financial Report for its fiscal year ended June 30, 2018 (the "MFPRSI Report"), indicates that as of June 30, 2018, the date of the most recent actuarial valuation for MFPRSI, the funded ratio of MFPRSI was 82.00%, and the unfunded actuarial liability was $566.2 million. The MFPRSI Report identifies the MFPRSI Net Pension Liability at June 30, 2018, at approximately $595.4 million, while its net pension liability at June 30, 2017, was approximately $586.5 million. The MFPRSI Report is available on the MFPRSI website. See "APPENDIX D — AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on MFPRSI.

Bond Counsel, Disclosure Counsel, the Underwriter, the Municipal Advisor, and the Issuer undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the MFPRSI discussed above or included on the MFPRSI 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 MFPRSI website.

In fiscal year ended June 30, 2018, the Issuer's MFPRSI contribution totaled approximately $1,503,683. The Issuer is current in its obligations to MFPRSI.

Pursuant to Governmental Accounting Standards Board Statement No. 68, MFPRSI has allocated the net pension liability among its members, with the Issuer's identified portion at June 30, 2018, at approximately $11,788,882. While the Issuer's contributions to MFPRSI are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" hereto for additional information on pension liabilities of the Issuer.

Other Post-Employment Benefits ("OPEB") Information

The Issuer operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. As of June 30, 2018, there were 177 active employees and 17 inactive employees or beneficiaries in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug coverage is provided through a fully insured plan with Wellmark Blue Cross and Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The contribution requirements of plan members are established and may be amended by the Issuer. The Issuer currently finances the retiree benefit plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, the unfunded actuarial accrued liability was $1,215,882. See "APPENDIX D — AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on OPEB obligations of the Issuer.

Summary

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

LITIGATION

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

ACCOUNTANT

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

MUNICIPAL ADVISOR

The Issuer has retained Independent Public Advisors, LLC as Municipal Advisor (the "Municipal Advisor") in connection with the preparation of the issuance of the Bonds. The Municipal Advisor assisted in the preparation of Appendix A hereto and in other matters relating to the planning, structuring and issuance of the Bonds. In assisting with the preparation of the Appendix A, the Municipal Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

PLAN OF FINANCING

The Issuer will use the proceeds of the Bonds to provide funds for the purpose of paying the cost, to that extent, of undertaking an urban renewal project in the West Tower Terrace Urban Renewal Area consisting of providing economic development grant support to the Regional YMCA Development Project and paying certain costs of issuance related to the Bonds. See "SOURCES AND USES OF FUNDS" herein.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Bond Principal	$6,385,000.00
Net Premium	59,282.70
Total Sources of Funds	$6,444,282.70
Uses of Funds	
Project Fund	$6,300,000.00
Costs of Issuance & Contingency[1]	144,282.70
Total Uses of Funds	$6,444,282.70

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

TAX EXEMPTION AND RELATED TAX MATTERS

Federal Income Tax Exemption

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed under the Code.

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

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

Proposed Changes in Federal and State Tax Law

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

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

State of Iowa Taxation

The opinion of Bond Counsel will also state that the interest on the Bonds is exempt from the taxes imposed by Division II (Personal Net Income Tax) and Division III (Business Tax on Corporations) of Chapter 422 of the Code of Iowa, as amended, and will not be included in "adjusted current earnings" to be used in computing the "state alternative minimum taxable income" of corporations for purposes of section 422.33 of the Code of Iowa, as amended. Interest on the Bonds is subject to the taxes imposed by Division V (Taxation of Financial Institutions) of Chapter 422 of the Code of Iowa, as amended.

Original Issue Premium

The Bonds maturing in the years 2020 through 2030 are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire the Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire any Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling the Bonds acquired at a premium.

Original Issue Discount

The Bonds maturing in the years 2032 through 2036 (the "Discount Bonds") are being sold at a discount from the principal amount payable on such Discount 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 Bond (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 advisors with respect to the tax consequences of the ownership Discount Bonds.

The Code contains provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds 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.

LEGAL MATTERS

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

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

RATING

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

CONTINUING DISCLOSURE

The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide annually certain financial information and operating data relating to the Issuer (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report is to be filed by the Issuer no later than twelve months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2019, with the Municipal Securities Rulemaking Board, at its internet repository named "Electronic Municipal Market Access" ("EMMA"). The notices of events, if any, are also to be filed with EMMA. See "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

During the past five years, the Issuer has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule.

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by Robert W. Baird & Co., Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of $6,355,914.30 (reflecting the par amount of the Bonds with net original issue premium of $59,282.70 and an underwriter's discount of $88,368.40).

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

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

On April 1, 2019, Baird Financial Corporation, the parent company of Baird, acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

MISCELLANEOUS

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

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

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

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

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

City of Marion, Iowa

/s/ Lianne Cairy

Finance Director

[PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

INFORMATION ABOUT THE ISSUER

CITY OF MARION, IOWA

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

MAYOR AND CITY COUNCIL

Nicolas AbouAssaly, *Mayor* .... *Term Expires December 31, 2019*
Colette Atkins, *Council Member Ward 1* .... *Term Expires December 31, 2019*
Steve Jensen, *Council Member Ward 2* .... *Term Expires December 31, 2021*
Will Brandt, *Council Member Ward 3* .... *Term Expires December 31, 2019*
Rene Gadelha, *Council Member Ward 4* .... *Term Expires December 31, 2021*
Paul Draper, *Council Member at Large* .... *Term Expires December 31, 2019*
Randy Strnad, *Council Member at Large/Mayor Pro Tem* .... *Term Expires December 31, 2021*

CITY OFFICIALS

Lon Pluckhahn .... *City Manager*
Lianne Cairy .... *Finance Director/City Treasurer*
Kara Bullerman .... *City Attorney*

PROPERTY VALUATIONS

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs all County Auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The assessments finalized as of January 1 of each year are applied to the following fiscal year.

The 2018 final Actual Values were adjusted by the Linn County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2018, the Taxable Value rollback rate was 56.9180% of Actual Value for residential property; 56.1324% of Actual Value for agricultural property; 90% of Actual Value for commercial, industrial, and railroad property, 75.0000% of Actual Value for multiresidential property, and 100% of Actual Value for utility property.

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

VALUATIONS

	1/1/2018 VALUATIONS[2]	
	100% Actual Value	Taxable Value (With Rollback)
Residential	$2,303,748,485	$1,286,790,691
Multiresidential	60,545,117	44,210,544
Commercial	301,373,084	266,684,488
Industrial	21,131,486	18,539,158
Utilities w/o Gas & Electric	4,216,326	4,216,326
Gross valuation	$2,691,014,498	$1,620,441,207
Less military exemption	(3,209,708)	(3,209,708)
Net valuation	$2,687,804,790	$1,617,231,499
TIF increment (used to compute debt service levies and constitutional debt limit)	$111,866,538	$111,866,538
Taxed separately		
Ag. Land & Buildings	$6,263,480[3]	$3,477,434
Utilities – Gas & Electric	$91,126,224	$13,052,378

Source: Iowa Department of Management

GROSS TAXABLE VALUATION BY CLASS OF PROPERTY[4]

	1/1/2018 Assessment Year	
	Taxable Valuation	Percent Total
Residential	$1,286,790,691	78.78%
Multiresidential	44,210,544	2.71%
Commercial, Industrial, Utility	289,439,972	17.72%
Utilities – Gas & Electric	13,052,378	0.80%
Total Gross Taxable Valuation	$1,633,493,585	100.00%

Source: Iowa Department of Management

[2] *For taxes payable July 1, 2019 through June 30, 2020.*
[3] *Excludes $87,545 of TIF ag land valuation*
[4] *Before military exemption, and exclusive of ag land, ag buildings, and taxable TIF increment.*

TREND OF VALUATIONS

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

Assessment Year	Payable Fiscal Year	100% Actual Valuation	Net Taxable Valuation (With Rollback)	Taxable TIF Increment
2014	2015-16	$2,415,076,697	$1,372,567,499	$77,686,319
2015	2016-17	2,506,609,781	1,393,433,278	103,565,885
2016	2017-18	2,593,503,769	1,483,739,838	89,797,369
2017	2018-19	2,784,268,608	1,541,990,980	114,561,372
2018	2019-20	2,897,061,032	1,630,283,877	111,866,538

LARGER TAXPAYERS

Taxpayer	Property Type	1/1/2018 Taxable Valuation
Menard Inc	Commercial/Retail	$16,556,490
Wal-Mart Real Estate Business Trust	Commercial/Grocery/Retail	12,168,180
Collins Square LLC	Commercial/Retail	11,036,790
Interstate Power & Light Co	Electric & Gas Utility	9,096,563
JE Pense LLC	Commercial/Manufacturing	9,215,190
Rosslare Capital Investments LLC	Commercial/Residential	6,836,447
Marion Senior Development LLC	Commercial/Residential	6,246,375
Azure Coop	Commercial/Residential	6,674,945
Tama Street Properties LLC	Commercial /Office	6,084,360
Chapelridge of CR Partnership	Commercial/Real Estate	4,721,434

INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2018 Actual Valuation currently applicable to the fiscal year 2019-20, is as follows:

2018 Actual Valuation of Property	$2,900,270,740
Less: Military Exemption	(3,209,708)
Net Valuation	$2,897,061,032
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	$144,853,052
Less: Applicable General Obligation Debt	(61,630,000)
Less: Tax Increment Revenue Debt	(400,777)
Constitutional Debt Margin	$82,822,275

DIRECT DEBT

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

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding As of 7/15/19
02/12A	$3,050,000	Corporate Purpose	06/28	$1,865,000
02/12B	4,570,000	Corporate Purpose	06/23	1,980,000
11/13B COP	1,700,000	Taxable Police Building Lease	06/20	365,000
01/14A	6,575,000	Corporate Purpose	06/29	5,240,000
08/17A	6,840,000	Corporate Purpose	06/37	6,545,000
10/17B	3,510,000	Refunding	06/25	2,675,000
04/18A	3,235,000	Corporate Purpose	06/31	3,235,000
05/19A	5,430,000	Corporate Purpose	06/37	5,430,000
05/19C	9,570,000	Refunding	06/33	9,570,000
08/19D	6,385,000	Corporate Purpose	06/37	6,385,000
Subtotal				$43,290,000

General Obligation Debt Paid by Tax Increment

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding As of 07/15/19
02/12A	$6,220,000	Urban Renewal	06/28	$3,790,000
02/14B	1,065,000	Urban Renewal	06/25	665,000
10/14C	2,360,000	Urban Renewal	06/25	1,795,000
02/15A	12,180,000	Urban Renewal	06/34	10,060,000
02/15B	2,565,000	Urban Renewal	06/27	1,795,000
10/17B	695,000	Urban Renewal & Refunding	06/20	235,000
05/19B	3,365,000	Urban Renewal	06/37	0[5]
Subtotal				$18,340,000

Total General Obligation Debt Subject to Debt Limit: $61,630,000

[Remainder of Page Intentionally Left Blank]

[5] *Bands are subject to annual appropriation; as such no bonds will be considered in the debt limit computation until FY21.*

ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS[6]

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

	Current Outstanding G.O. Debt Paid by Taxes		**The Series 2019D Bonds**		**Total Estimated Outstanding G.O. Debt Paid by Taxes**	
Fiscal Year	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
FY 2019-20	$2,625,000	$3,683,258	$100,000	$203,832	$2,725,000	$3,887,090
FY 2020-21	2,725,000	3,718,188	100,000	235,425	2,825,000	3,953,613
FY 2021-22	2,805,000	3,726,288	100,000	233,425	2,905,000	3,959,713
FY 2022-23	2,890,000	3,737,188	100,000	231,425	2,990,000	3,968,613
FY 2023-24	2,575,000	3,345,144	100,000	229,425	2,675,000	3,574,569
FY 2024-25	2,645,000	3,338,338	100,000	227,425	2,745,000	3,565,763
FY 2025-26	2,390,000	3,004,063	430,000	555,425	2,820,000	3,559,488
FY 2026-27	2,465,000	3,010,725	440,000	556,825	2,905,000	3,567,550
FY 2027-28	2,550,000	3,023,213	450,000	558,025	3,000,000	3,581,238
FY 2028-29	2,405,000	2,800,538	455,000	554,025	2,860,000	3,354,563
FY 2029-30	1,875,000	2,195,650	465,000	554,925	2,340,000	2,750,575
FY 2030-31	1,945,000	2,211,250	475,000	555,625	2,420,000	2,766,875
FY 2031-32	1,695,000	1,904,325	485,000	556,125	2,180,000	2,460,450
FY 2032-33	1,810,000	1,969,450	495,000	555,819	2,305,000	2,525,269
FY 2033-34	840,000	945,150	505,000	554,681	1,345,000	1,499,831
FY 2034-35	860,000	939,950	515,000	553,319	1,375,000	1,493,269
FY 2035-36	890,000	944,150	530,000	556,088	1,420,000	1,500,238
FY 2036-37	915,000	942,450	540,000	553,500	1,455,000	1,495,950
Total	$36,905,000	$45,439,314	$6,385,000	$8,025,339	$43,290,000	$53,464,657

[Remainder of Page Intentionally Left Blank]

[6] *Interest as of May 1, 2019, exclusive of interest on refunded bonds.*

General Obligation Debt Paid by Tax Increment

	Total Estimated Outstanding G.O. Debt Paid by Increment	
Fiscal Year	Principal	Principal and Interest
FY 2019-20	1,640,000	2,205,175
FY 2020-21	1,585,000	2,116,645
FY 2021-22	1,620,000	2,120,295
FY 2022-23	1,660,000	2,127,008
FY 2023-24	1,700,000	2,126,070
FY 2024-25	1,745,000	2,128,326
FY 2025-26	1,670,000	2,008,604
FY 2026-27	1,720,000	2,015,030
FY 2027-28	1,515,000	1,763,850
FY 2028-29	1,075,000	1,281,413
FY 2029-30	1,100,000	1,273,713
FY 2030-31	940,000	1,080,250
FY 2031-32	970,000	1,082,050
FY 2032-33	995,000	1,077,950
FY 2033-34	1,030,000	1,083,100
FY 2034-35	240,000	262,000
FY 2035-36	245,000	260,000
FY 2036-37	255,000	262,650
Total	$21,705,000	$26,274,327

OTHER DEBT

Date of Issue	Maximum Amount	Type	Final Maturity	Principal Outstanding As of 07/15/19
06/18	$4,500,000	Tax Increment Revenue Bond	06/33	$4,105,297[7]

In addition to the Tax Increment Revenue Bond stated above, the City entered into a guarantee agreement related to the development and construction of a baseball complex. The City has provided a guarantee, subject to annual appropriation by the City Council, of up to half of the borrower's annual principal and interest on a loan in an amount not to exceed $2.4 million. To date, not funds have been appropriated by the City Council for payment of debt.

TIF-backed Development Agreements

From time to time the City, pursuant to Section 403.9 of the Code of Iowa and the Issuer's urban renewal plans, has entered into Development Agreements which contain payment obligations from the Issuer to an external party. The Issuer's payment requirements under these contracts are not structured as general liabilities of the Issuer, but rather are exclusively secured by and payable from a pledge of the City's incremental property tax revenues (TIF) to be derived from the taxable properties (or some subset thereof) contained within an urban renewal area of the Issuer pursuant to Section 403.19 of the Code of Iowa. The City's payment obligations under these contracts are routinely contingent upon development or redevelopment performance requirements of the external party and are typically made subject to annual appropriation rights by the City Council. TIF Payments under these contracts are typically due and owing semi-annually on December 1 and June 1 of each fiscal year of the City. The City has 12 of these Development Agreements in place, each with an aggregate remaining maximum payment liability less than $100,000. The aggregated (and estimated) remaining payment liability of the City under these smaller contracts is $389,450, and the last of the payments thereunder is scheduled to be paid by June 1, 2027.

[7] *Outstanding amount represents funds drawn to date.*

In addition, the City's more significant Development Agreements, each with an estimated remaining payment liability of $100,000 or more and each subject to annual appropriation by the City, are listed in the following table:

Agreement Date	Urban Renewal Area	Maximum Aggregate Remaining Payment Amount	Last Payment Date
12/16/2010	West Tower Terrace	$250,000	6/1/2022
5/4/2017	Central Corridor	301,000	6/1/2034
2/23/2017	Central Corridor	315,000	6/1/2028
1/22/2015	Central Corridor	770,000	6/1/2027
2/23/2017	Central Corridor	351,608	6/1/2031
7/6/2017	Central Corridor	280,000	6/1/2029
9/6/2012	Central Corridor	185,000	6/1/2025
1/22/2015	Central Corridor	691,000	6/1/2031
10/8/2015	Collins Road Extension	572,000	6/1/2038
3/20/2014	Collins Road Extension	105,000	6/1/2022
11/21/2017	Collins Road Extension	165,225	6/1/2028
2/19/2015	Collins Road Extension	102,000	6/1/2022
11/20/2018	Collins Road Extension	287,000	6/1/2027
8/21/2014	Collins Road Extension	740,000	6/1/2025
10/8/2015	Collins Road Extension	406,000	6/1/2037
11/3/2011	Collins Road Extension	378,000	6/1/2025
10/5/2015	Collins Road Extension	900,000	6/1/2036
11/21/2017	Collins Road Extension	100,000	6/1/2025
8/21/2014	Collins Road Extension	264,000	6/1/2020
3/19/2015	Collins Road Extension	220,000	6/1/2026
11/20/2018	Collins Road Extension	445,000	6/1/2028
8/3/2017	Collins Road Extension	Depends on Development	

INDIRECT DEBT

Taxing District	1/1/2018 Taxable Valuation[8]	Taxable Valuation Within City	Percent Applicable	GO Debt[9] on 7/15/2019	Debt Applicable to City Residents
Linn County	$12,098,104,955	$1,742,127,114	14.40%	$34,550,000	$4,975,200
Cedar Rapids CSD	6,071,719,029	30,358,595	0.50%	5,300,000	26,500
Linn Mar CSD	2,279,564,663	1,258,091,738	55.19%	82,885,000	45,744,232
Marion CSD	506,087,276	477,746,389	94.40%	6,775,000	6,395,600
Kirkwood Community College	27,440,182,308	1,742,451,577	6.35%	156,781,169	9,955,604
Total Applicable Indirect Debt					$67,097,136

DEBT RATIOS

	G.O. Debt	Debt/Actual Market Value $2,897,061,032	Debt/38,023 Population
Direct General Obligation Debt	$61,630,000	2.127%	$1,620.86
Indirect General Obligation Debt	67,097,136	2.316%	1,764.65
Combined Debt	$128,727,136	4.443%	$3,386.17

[8] *Incudes Taxable TIF Increment, Ag Land & Buildings, and Utilities.*

[9] *Based on publically available data. School district figures exclude Sales and Service Tax Revenue Bonds.*

LEVIES AND TAX COLLECTIONS

Year	Taxes Levied	Current Collections	% of Taxes Levied
2015-16	$18,835,845	$19,399,893	102.99%
2016-17	19,287,872	19,982,211	103.60%
2017-18	20,770,148	21,522,636	103.62%
2018-19[10]	22,181,052	22,219,522	100.17%
2019-20	23,439,340	-in process of collection--	

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

TAX RATES

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

	FY 2015/16 $/$1,000	FY 2016/17 $/$1,000	FY 2017/18 $/$1,000	FY 2018/19 $/$1,000	FY 2019/20 $/$1,000
City Levies:					
General	$8.10000	$8.10000	$8.10000	$8.10000	$8.10000
Outside $8.10000	0.49384	0.53654	0.59362	0.60095	0.60794
Debt Service	2.29472	2.13362	2.24702	2.08103	2.15216
Employee Benefits	2.69769	3.05092	3.04879	3.34801	3.36328
Emergency Levy	0.00000	0.00000	0.00000	0.09339	0.00000
Total City	$13.58625	$13.82108	$13.98943	$14.22338	$14.22338
City Ag Land	$3.00375	$3.00375	$3.00375	$3.00375	$3.00375

LEVY LIMITS

A city's general fund tax levy is limited to $8.10 per $1,000 of taxable value, with provision for an additional $0.27 per $1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the $8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the $8.10 limitation is $8.10 for FY 2019-20. The City is not using the emergency levy in FY19-20. The City also levies for employee benefits. Debt service levies are not limited.

THE CITY

CITY GOVERNMENT

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

[10] Taxes Levied number updated to include Utility Replacement dollars. Thereafter, the Taxes Levied number includes Utility Replacement dollars. Current collections starting in 2018-2019 do not include the State Commercial backfill unlike prior years.

appointed by the City Council. The current Finance Director/City Treasurer, Lianne Cairy, CPA has been with the City since 2012. Ms. Cairy is responsible for maintaining all of the City's funds.

EMPLOYEES, PENSIONS AND OPEB

The City has approximately 205 full-time and approximately 132 part-time employees (including seasonal and on-call employees), of which all full-time employees are enrolled in the Iowa Public Employees Retirement System (IPERS) pension plan administered by the State of Iowa.

The City contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2018 (the "IPERS CAFR") indicates that as of June 30, 2018, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 82.4%, and the unfunded actuarial liability was $6.815 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "APPENDIX D —AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on IPERS.

In fiscal year 2018, the City's IPERS contributions totaled $707,409 compared to a contribution in fiscal year 2017 of $698,972. The City's contributions to MFPRSI in fiscal year 2018 totaled $1,503,683 compared to a contribution of $1,475,656 in fiscal year 2017.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the IPERS CAFR. According to IPERS, as of the end of fiscal year 2018, there were approximately 361,412 total members participating in IPERS, including City employees. Assumptions used in calculating funding status are identified in the IPERS CAFR.

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (UAAL) [b] – [a]	Funded Ratio [a] / [b]	Covered Payroll [c]	UAAL as a % of Covered Payroll ([b]-[a]) /[c]
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%
2017	30,472,423,914	37,440,382,029	6,967,958,115	81.39%	7,863,160,443	88.62%
2018	31,827,755,864	38,642,833,653	6,815,077,789	82.36%	7,983,219,527	85.37%

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2018)

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

In addition to IPERS, the City contributes to the Municipal Fire and Police Retirement System of Iowa (the "MFPRSI"), a benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits that are established by State statute to plan members and beneficiaries. Plan members are required to contribute 9.40% of their earnable compensation and the City's contribution rate was 25.68% for the year ended June 30, 2018. The City's contributions to the Plan for the years ended June 30, 2018, 2017, and 2016, were $1,503,683, $1,475,656, and $1,429,516 respectively, which met the required minimum contribution for each year.

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

See note 8 of the audited financial statements of the Issuer attached as Appendix D for further information on OPEB obligations of the Issuer.

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City is located in eastern Central Iowa adjacent to the City of Cedar Rapids and approximately 50 miles from Dubuque. The City's population has grown from 18,028 in the 1970 census to a total of 34,768 in the 2010 census. State Highway 13 runs just to the east and Hwy 151 intersects directly through the City. Commercial air transportation is available in Cedar Rapids.

BUILDING PERMITS

City officials reported the following construction activity as of June 30, 2019. Permits for the City are reported on a calendar year basis. The figures below include both new construction and remodeling.

Calendar	Commercial Construction		Residential Construction	
Year	Number	Value of Permits	Number	Value of Permits
2015	102	$55,235,594	1,316	$42,325,801
2016	98	20,659,624	1,109	31,772,465
2017	129	46,801,937	1,212	35,154,103
2018	110	41,835,402	1,087	31,411,810
2019	33	26,924,564	505	10,487,855

U.S. CENSUS DATA

1990	20,403
2000	26,294
2010	34,768
2016 Special Census	38,023

Source: U.S. Census Bureau.

UNEMPLOYMENT RATES

		City of Marion[11]	Linn County[11]	State of Iowa[12]
Annual Averages:	2014	3.7%	4.4%	4.3%
	2015	3.1%	3.9%	3.8%
	2016	3.2%	3.7%	3.7%
	2017	2.9%	3.4%	3.1%
	2018	2.5%	2.8%	2.5%

Source: Iowa Workforce Development Center website accessed March 2019.

EDUCATION

Education for the City of Marion is provided by the Marion Independent School District and Linn-Mar Community School District. The Marion Independent School District has a 2018/19 certified enrollment of 1,932 students and owns and operates 1 pre-school, 2 elementary schools, 1 intermediate school, 1 middle school, 1 high school and 1 home school program building. The Linn-Mar Community School District has a 2018/19 certified enrollment of 7,557 students and owns and operates 7 elementary schools, 2 middle schools, 1 high school, 1 alternative high school and 1 home school program building. Private school opportunities are also provided by St. Joseph Catholic School and Grace Baptist School. Post high-school educational programs are provided by Kirkwood Community College, Mt. Mercy College, Coe College and Cornell College.

[11] *Not seasonally adjusted.*
[12] *Seasonally adjusted.*

APPENDIX B

FORM OF BOND COUNSEL OPINION

We hereby certify that we have examined certified copies of the proceedings (the "Proceedings") of the City Council of the City of Marion (the "Issuer"), in Linn County, Iowa, passed preliminary to the issue by the Issuer of its General Obligation Urban Renewal Bonds, Series 2019D (the "Bonds") in the amount of $6,385,000, in the denomination of 5,000 each, or any integral multiple thereof, dated August 29, 2019, in evidence of the Issuer's obligation under a certain loan agreement (the "Loan Agreement"), dated as of August 29, 2019. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually on June 1 and December 1 in each year, commencing December 1, 2019, at the respective rates as follows:

Date	Principal	Interest Rate	Date	Principal	Interest Rate
2020	$100,000	_____%	2029	$455,000	_____%
2021	$100,000	_____%	2030	$465,000	_____%
2022	$100,000	_____%	2031	$475,000	_____%
2023	$100,000	_____%	2032	$485,000	_____%
2024	$100,000	_____%	2033	$495,000	_____%
2025	$100,000	_____%	2034	$505,000	_____%
2026	$430,000	_____%	2035	$515,000	_____%
2027	$440,000	_____%	2036	$530,000	_____%
2028	$450,000	_____%	2037	$540,000	_____%

Principal of the Bonds maturing in the years 2027 to 2037, inclusive, is subject to optional redemption prior to maturity on June 1, 2026, or on any date thereafter on terms of par plus accrued interest.

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

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

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

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

4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "Code"). The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from the taxes imposed by Division II (Personal Net Income Tax) and Division III (Business Tax on Corporations) of Chapter 422 of the Code of Iowa, as amended, and will not be included in "adjusted current earnings" to be used in computing the "state alternative minimum taxable income" of corporations for purposes of Section 422.33 of the Code of Iowa, as amended. Interest on the Bonds is subject to the taxes imposed by Division V (Taxation of Financial Institutions) of Chapter 422 of the Code of Iowa, as amended.

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

[PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Marion, Iowa (the "Issuer"), in connection with the issuance of $6,385,000 General Obligation Urban Renewal Bonds, Series 2019D (the "Bonds"), dated August 29, 2019. The Bonds are being issued pursuant to a resolution of the Issuer approved on August 8, 2019 (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.

"Financial Obligation" shall mean a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

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

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

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

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

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

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

(a) Not later than June 30 (the "Submission Deadline") of each year following the end of the 2018-2019 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:

VALUATIONS
GROSS TAXABLE VALUATION BY CLASS OF PROPERTY
TREND OF VALUATIONS
DEBT LIMIT
DIRECT DEBT - General Obligation Debt Paid by Property Taxes
DIRECT DEBT - General Obligation Debt Paid by Tax Increment
DIRECT DEBT - Total General Obligation Debt Subject to Debt Limit
ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS - General Obligation Debt Paid by Property Taxes
ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS - General Obligation Debt Paid by Tax Increment
OTHER DEBT
DEBT RATIOS
LEVIES AND TAX COLLECTIONS
TAX RATES (City-Specific Data)
EMPLOYEES, PENSIONS AND OPEB (City-Specific Data)

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.

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(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), (14), or (15) 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), (12), or (16) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section (5)(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

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

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

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

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

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

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

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

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

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

Dated: August 29, 2019

CITY OF MARION, IOWA

By____________________________________
Mayor

Attest:

By____________________________________
City Clerk

[PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE ISSUER

CITY OF MARION, IOWA

INDEPENDENT AUDITOR'S REPORTS

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

JUNE 30, 2018

Table of Contents

Officials

Name	Title	Term Expires
	Elected Officials	
	(Before January, 2018)	
Nicolas AbouAssaly	Mayor	December 31, 2019
Kim Etzel	Council Member - First Ward	December 31, 2019
Joe Spinks	Council Member - Second Ward	December 31, 2017
Will Brandt	Council Member - Third Ward	December 31, 2019
David Nicholson	Council Member - Fourth Ward	December 31, 2017
Mary Lou Pazour	Council Member - At-Large	December 31, 2017
Paul Draper	Council Member - At-Large	December 31, 2019
	(After January, 2018)	
Nicolas AbouAssaly	Mayor	December 31, 2019
Kim Etzel	Council Member - First Ward	December 31, 2019
Steve Jensen	Council Member - Second Ward	December 31, 2021
Will Brandt	Council Member - Third Ward	December 31, 2019
Rene Gadelha	Council Member - Fourth Ward	December 31, 2021
Randy Strnad	Council Member - At-Large	December 31, 2021
Paul Draper	Council Member - At-Large	December 31, 2019
	Appointed Officials	
Lon Pluckhahn	City Manager	Indefinite
Wesley A. Nelson	Finance Director/City Clerk	Indefinite
Anne Kruse	City Attorney	Indefinite
Tom Treharne	Director of Planning and Development (resigned April 22, 2018)	Indefinite
Tom Treharne	Community Development Director (April 23, 2018)	Indefinite
Joseph McHale	Chief of Police	Civil Service
Michael Barkalow	City Engineer (April 30, 2018)	Indefinite
Daniel Whitlow	City Engineer (retired January 1, 2018)	Indefinite
Deb Krebill	Fire Chief	Civil Service
Elsworth Carman	Library Director (resigned June 24, 2018)	Indefinite
Elsworth Carman	Director of Administrative Services (June 25, 2018)	Indefinite
Mike Carolan	Director of Parks and Recreation	Indefinite
Jo Pearson	Activing Library Director (June 25, 2018)	Indefinite
Ryan Miller	Public Services Director	Indefinite
John C. Bender	Marion Municipal Water Department - Trustee - 2017 Chairperson	December 31, 2021
Gregory O. Hapgood	Marion Municipal Water Department - Trustee - 2018 Chairperson	December 31, 2022
John D. McIntosh	Marion Municipal Water Department - Trustee	December 31, 2023
Mary Ann McComas	Marion Municipal Water Department - Trustee	December 31, 2018
William A. Kling	Marion Municipal Water Department - Trustee	December 31, 2020
Todd Steigerwaldt	Marion Municipal Water Department - General Manager	Indefinite

HOGAN • HANSEN
A Professional Corporation
Certified Public Accountants and Consultants

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion, Iowa, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

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

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

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

2750 First Avenue, NE, Suite 150, Cedar Rapids, IA 52402-4800 • (319) 366-8267 • Fax (319) 366-8301 • E-Mail cr@hoganhansen.com
Member of American Institute of CPAs - Iowa Society of CPAs
Algona • Ames • Belmond • Cedar Rapids • Forest City • Mason City • Waterloo

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 18, the City of Marion adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinions are not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of proportionate share of the net pension liability, the schedules of contributions and the schedule of changes in the City's total OPEB liability, related ratios and notes on pages 5 through 12 and 57 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marion's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 67 through 72, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2019 on our consideration of the City of Marion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marion's internal control over financial reporting and compliance.

Hogan - Hansen

HOGAN - HANSEN

Cedar Rapids, Iowa
January 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Marion, Iowa, we offer readers of the City of Marion's financial statements this narrative and analysis of the financial statements of the City of Marion for the fiscal year ended June 30, 2018. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business-type activities of the City.

FINANCIAL HIGHLIGHTS

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during fiscal year 2018. The beginning net position was restated by $38,663 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources as of June 30, 2017 were not restated because the information needed to restate those amounts was not available.

The assets of the City of Marion's governmental activities exceeded its liabilities at the close of June 30, 2018 by $183 million (net position).

The City's net position for governmental activities increased by $2.2 million.

At the end of the current fiscal year, unassigned fund balance for the General Fund was $7.3 million, or 34.4% of the total General Fund expenditures. For the purpose of these financial statements, the General Fund also includes the Equipment Replacement, Tax Stabilization and Police Retirement Trust and Agency Funds.

Total general obligation debt increased by $6,145,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required supplementary information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability and related contributions, as well as the schedule of changes in the City's total OPEB liability, related ratios and notes.

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

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

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

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

Fund Financial Statements

The City has three kinds of funds:

1. Governmental Funds

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

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

2. Proprietary Funds

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

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

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

Government-Wide Financial Analysis

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

Net Position at End of Year

(in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)
Current and other assets	$ 78,813	$ 68,066	$ 9,570	$ 9,747	$ 88,383	$ 77,813
Capital assets	205,830	204,261	46,990	41,515	252,820	245,776
Total Assets	**284,643**	**272,327**	**56,560**	**51,262**	**341,203**	**323,589**
Deferred Outflows of Resources	**5,874**	**6,212**	**592**	**513**	**6,466**	**6,725**
Total Assets and Deferred Outflows of Resources	**$ 290,517**	**$ 278,539**	**$ 57,152**	**$ 51,775**	**$ 347,669**	**$ 330,314**
Long-term liabilities	$ 74,480	$ 66,659	$ 1,708	$ 1,546	$ 76,188	$ 68,205
Other liabilities	7,008	7,113	231	309	7,239	7,422
Total Liabilities	**81,488**	**73,772**	**1,939**	**1,855**	**83,427**	**75,627**
Deferred Inflows of Resources	**25,901**	**23,876**	**33**	**19**	**25,934**	**23,895**
Net Position						
Net investment in capital assets	149,825	155,206	46,990	41,515	196,815	196,721
Restricted	34,922	27,423	—	—	34,922	27,423
Unrestricted	(1,619)	(1,738)	8,190	8,386	6,571	6,648
Total Net Position	**183,128**	**180,891**	**55,180**	**49,901**	**238,308**	**230,792**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 290,517**	**$ 278,539**	**$ 57,152**	**$ 51,775**	**$ 347,669**	**$ 330,314**

Net position of governmental activities increased approximately $2.2 million for the fiscal year 2018. Net position of business-type activities increased approximately $5.3 million for the fiscal year 2018. The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately ($1.6) million as of the end of this year for governmental activities and $8.2 million for business-type activities. The deficit in unrestricted net position for the governmental activities is due in part to the recording of the net pension liability.

A summary version of the statement of activities follows:

	Changes in Net Position for the Year Ended June 30, (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)
Revenue						
Program Revenue						
Charges for service	$ 1,809	$ 2,183	$ 8,167	$ 7,955	$ 9,976	$ 10,138
Operating grants and contributions	897	1,123	21	96	918	1,219
Capital grants and contributions	1,890	1,814	1,178	647	3,068	2,461
General Revenue						
Property tax and tax increment financing	24,406	23,237	—	—	24,406	23,237
Other city tax and special assessments	5,241	5,223	—	—	5,241	5,223
Local option sales tax	4,889	5,013	—	—	4,889	5,013
Unrestricted investment earnings	1,065	712	206	139	1,271	851
Miscellaneous	90	42	—	—	90	42
Gain on disposal of capital assets	108	606	—	—	108	606
Total Revenue	**40,395**	**39,953**	**9,572**	**8,837**	**49,967**	**48,790**
Program Expenses						
Public safety	13,764	13,476	—	—	13,764	13,476
Public works	9,632	8,612	—	—	9,632	8,612
Culture and recreation	4,749	4,277	—	—	4,749	4,277
Community and economic development	1,994	3,471	—	—	1,994	3,471
General government	2,258	2,720	—	—	2,258	2,720
Interest and fiscal charges on long-term debt	1,462	1,398	—	—	1,462	1,398
Sewer	—	—	6,193	5,829	6,193	5,829
Solid waste	—	—	2,037	2,015	2,037	2,015
City communication and utility	—	—	102	80	102	80
Urban forest	—	—	298	295	298	295
Total Expenses	**33,859**	**33,954**	**8,630**	**8,219**	**42,489**	**42,173**
Transfers	**(4,337)**	**170**	**4,337**	**(169)**	**—**	**1**
Change in Net Position	**2,199**	**6,169**	**5,279**	**449**	**7,478**	**6,618**
Net Position - Beginning of Year, as restated (Note 18)	180,929	174,722	49,901	49,452	230,830	224,174
Net Position - End of Year	**$ 183,128**	**$ 180,891**	**$ 55,180**	**$ 49,901**	**$ 238,308**	**$ 230,792**

Governmental Activities

Charges for service make up 4.5% of governmental revenue. Operating and capital grants and contributions, primarily for street projects and building improvement projects, make up another 6.9% of governmental revenue. The remaining revenue comes from primarily property, road use and local option sales taxes.

Business-Type Activities

As expected, charges for service is the primary revenue source for business-type activities. Sanitary sewer, urban forest and solid waste fees are the primary charges for service that make up 85% of total revenue. Investment income accounts for an additional 2.2% of total revenue.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Marion completed the year, its governmental funds reported a combined fund balance of $46,876,868 which is an increase from the $39,071,552 total fund balance as of June 30, 2017. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund prior year fund balance of $10,678,311 increased to $11,088,905. Revenue increased 7% over the prior year to $16,061,260 and expenditures increased 3% to $21,340,875. Net other financing sources totaled $5,690,209.

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure. This fund ended fiscal year 2018 with a balance of $8,347,697, compared to the prior year ending balance of $6,756,370.

The Special Revenue, Trust and Agency (Employee Benefits) Fund is required by the Code of Iowa to account for property tax levied for employee benefits. This fund showed a decrease in fund balance from $679,889 at June 30, 2017 to $230,058 at June 30, 2018.

The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services. This fund ended fiscal year 2018 with a $8,979,354 balance compared to the prior year ending fund balance of $7,167,704. Local option sales tax revenue decreased $123,755 in fiscal year 2018.

The Special Revenue, Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal year 2018 with a $384,179 balance compared to the prior year ending balance of $335,792.

The Debt Service Fund ended fiscal year 2018 with a $1,010,915 balance compared to the prior year ending balance of $538,584. Property tax revenue increased $360,269 while bond principal and interest payments increased $4,298,352 in fiscal year 2018.

The Capital Projects Fund ended fiscal year 2018 with a $15,855,021 balance compared to the prior year ending balance of $11,822,222.

Proprietary Fund Highlights

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's sanitary sewer system. This fund ended fiscal year 2018 with a net position balance of $21,316,096 compared to the prior year ending net position balance of $17,497,864.

The Enterprise, Storm Water Management Fund, which accounts for the operation and maintenance of the City's storm water management system, ended fiscal year 2018 with a $26,133,352 net position balance compared to the prior year ending net position balance of $24,174,381.

Budgetary Highlights

Over the course of the year, the City amended its budget two times. The budgeted disbursements were increased due to the purchase of equipment and library materials originally budgeted in FY17 but spent in FY18, a Research Partnership contract with the University of Iowa Public Policy Center for the Police Department, Fire Station No. 2 maintenance, asset forfeiture purchases, the purchase of 526 - 13th Street, information technology expenses, increased hotel/motel grant awards, employee retirement payouts, police overtime expenses, increased legal fees, GO bond expenses, Outloud Grant expenses, etc.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled $205,830,073 (net of accumulated depreciation) as of June 30, 2018. Capital assets for business-type activities totaled $46,989,530 (net of accumulated depreciation) as of June 30, 2018. See Note 3 to the financial statements for more information about the City's capital assets.

Construction in progress as of June 30, 2018 consists primarily of street projects, sewer projects and the central corridor project.

Long-Term Debt

As of June 30, 2018, the City had $43,300,000 of outstanding general obligation bonds for governmental activities. See Note 4 to the financial statements for more information about the City's long-term debt.

The City continues to carry a general obligation bond rating of Aa1 assigned by national rating agencies to the City's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $130 million. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The unemployment rate for Linn County is currently at 2.8%, which is 0.7% less than where it was the previous year at 3.5% and less than the national unemployment rate of 4.0%.

Retail sales are also reported on a fiscal year, July 1 to June 30, basis. For fiscal year 2017, retail sales for Marion were $371.2 million and $3.91 billion for Linn County. For fiscal year 2016, retail sales were $364.4 million for Marion and $3.8 billion for Linn County.

The total value of building permits for fiscal year 2018 was approximately $71.8 million, which is up from the fiscal year 2017 amount of $68.8 million. Building activity continues to remain strong in the Marion area.

NEXT YEAR'S BUDGET AND RATES

The adopted fiscal year 2018-2019 budget calls for an increase in tax receipts of 5.8% and accomplishes all of the Council's long-standing objectives including maintaining the current level of services, maintaining adequate levels of cash reserves and complying with all of the City's financial policies.

Unlike many cities, Marion does not own or operate a wastewater treatment plant. Wastewater treatment is handled through a contract with the City of Cedar Rapids. The City of Marion has been negotiating a new agreement with Cedar Rapids to use a flow-based billing system rather than population-based. The draft budget anticipates that happening in the next fiscal year. A 12% overall decrease in collections is budgeted.

Fees are also expected to start the transition from a base fee/usage billing system to a consumption-based system starting in fiscal year 2018-2019. This will equalize residential rates and more accurately bill based on usage. Unlike the current system, it will also reward those that conserve and put less into the system. The new flow-based agreement with Cedar Rapids will ensure that the City sees a reduction in costs as well with lower flows.

The total City tax levy rate for fiscal year 2018-2019 is 14.22338 per taxable valuation compared to 13.98943 for fiscal year 2017-2018. Net taxable valuation for fiscal year 2018-2019 is $1,545.4 million, which was an increase of $58.4 million from the fiscal year 2017-2018 level which was $1,487.0 million.

FINANCIAL INFORMATION CONTACT

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

Basic Financial Statements

Statement of Net Position

As of June 30, 2018

	Primary Government			Component Unit			
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Parks	Fire
Assets and Deferred Outflows of Resources							
Assets							
Cash	$ 36,216,667	$ 5,895,006	$ 42,111,673	$ 4,923,653	$ 159,383	$ 37,257	$ 161,485
Pooled investments	15,992,602	1,761,716	17,754,318	—	1,107,376	—	48,043
Receivables							
Property Tax and Tax Increment Financing, Net of Allowance							
Current year delinquent	84,898	—	84,898	—	—	—	—
Succeeding year	25,659,584	—	25,659,584	—	—	—	—
Unbilled usage	—	730,529	730,529	406,956	—	—	—
Accounts	185,643	416,812	602,455	278,850	—	—	—
Accrued interest	34,990	5,332	40,322	—	—	—	1,383
Other	72,981	—	72,981	—	—	—	—
Due from other governments	1,180,841	3,169	1,184,010	—	—	—	—
Internal loans - portion due within one year	(200,143)	163,444	(36,699)	—	—	—	—
Inventories	142,300	—	142,300	311,570	—	—	20
Internal loans - portion due after one year	(557,855)	594,554	36,699	—	—	—	—
Restricted Assets							
Cash and investments	—	—	—	169,023	526,992	—	930,155
Capital assets, net of accumulated depreciation	205,830,073	46,989,530	252,819,603	24,051,441	—	—	—
Total Assets	284,642,581	56,560,092	341,202,673	30,141,493	1,793,751	37,257	1,141,086
Deferred Outflows of Resources							
Pension-related deferred outflows	5,873,899	591,957	6,465,856	288,902	—	—	—
Total Assets and Deferred Outflows of Resources	$ 290,516,480	$ 57,152,049	$ 347,668,529	$ 30,430,395	$ 1,793,751	$ 37,257	$ 1,141,086

See accompanying notes to the financial statements.

Statement of Net Position

As of June 30, 2018

	Primary Government			Component Unit			
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Parks	Fire
Liabilities, Deferred Inflows of Resources and Net Position							
Liabilities							
Accounts payable	$ 2,311,825	$ 166,891	$ 2,478,716	$ 962,626	$ —	$ —	$ —
Accrued interest payable	128,904	—	128,904	3,318	—	—	—
Salaries and benefits payable	388,928	23,433	412,361	34,621	—	—	—
Self-insured estimated claims	292,091	—	292,091	21,188	—	—	—
Payable from restricted assets	—	—	—	170,878	—	—	—
Long-Term Liabilities							
Portion Due Within One Year							
General obligation bonds	3,420,000	—	3,420,000	—	—	—	—
Capital lease	435,000	—	435,000	—	—	—	—
Compensated absences	5,880	41,049	46,929	77,773	—	—	—
Nonbonded indebtedness	24,989	—	24,989	—	—	—	—
Early separation plan liability	—	—	—	15,530	—	—	—
SRF loan	—	—	—	130,000	—	—	—
Portion Due or Payable After One Year							
General obligation bonds	39,880,000	—	39,880,000	—	—	—	—
Tax increment revenue bonds	854,308	—	854,308	—	—	—	—
Unamortized premium on general obligation notes	961,673	—	961,673	—	—	—	—
Capital lease	10,315,000	—	10,315,000	—	—	—	—
Compensated absences	4,076,238	—	4,076,238	—	—	—	—
Nonbonded indebtedness	114,357	—	114,357	—	—	—	—
Early separation plan liability	—	—	—	9,059	—	—	—
SRF loan	—	—	—	1,940,000	—	—	—
Net pension liability	17,062,332	1,708,136	18,770,468	865,432	—	—	—
Total OPEB liability	1,215,882	—	1,215,882	121,753	—	—	—
Total Liabilities	81,487,407	1,939,509	83,426,916	4,352,178	—	—	—
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax and tax increment financing	25,659,584	—	25,659,584	—	—	—	—
Pension-related deferred inflows	241,843	32,759	274,602	40,504	—	—	—
OPEB-related deferred inflows	—	—	—	57	—	—	—
Total Deferred Inflows of Resources	25,901,427	32,759	25,934,186	40,561	—	—	—
Net Position							
Net investment in capital assets	149,824,746	46,989,530	196,814,276	21,981,441	—	—	—
Restricted for							
Cemetery perpetual care	182,424	—	182,424	—	—	—	—
Benefits	230,058	—	230,058	—	—	—	—
Debt service	882,011	—	882,011	—	—	—	—
Capital projects	15,855,021	—	15,855,021	—	—	—	—
Streets	8,347,697	—	8,347,697	—	—	—	—
Economic development	61,224	—	61,224	—	—	—	—
Other purposes	9,363,533	—	9,363,533	—	—	—	—
Unrestricted	(1,619,068)	8,190,251	6,571,183	4,056,215	1,793,751	37,257	1,141,086
Total Net Position	183,127,646	55,179,781	238,307,427	26,037,656	1,793,751	37,257	1,141,086
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 290,516,480	$ 57,152,049	$ 347,668,529	$ 30,430,395	$ 1,793,751	$ 37,257	$ 1,141,086

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2018

		Program Revenue			Net Revenue (Expense) and Changes in Net Position			Component Unit			
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Water**	**Friends**	**Parks**	**Fire**
Primary Government											
Governmental Activities											
Public safety	$ 13,764,133	$ 170,982	$ 93,126	$ —	$ (13,500,025)	$ —	$ (13,500,025)	$ —	$ —	$ —	$ —
Public works	9,631,959	20,400	1,153	1,824,608	(7,785,798)	—	(7,785,798)	—	—	—	—
Culture and recreation	4,748,520	518,352	773,865	—	(3,456,303)	—	(3,456,303)	—	—	—	—
Community and economic development	1,993,825	1,005,804	481	65,000	(922,540)	—	(922,540)	—	—	—	—
General government	2,258,485	93,948	28,633	—	(2,135,904)	—	(2,135,904)	—	—	—	—
Interest and other charges on long-term debt	1,461,931	—	—	—	(1,461,931)	—	(1,461,931)	—	—	—	—
Total Governmental Activities	33,858,853	1,809,486	897,258	1,889,608	(29,262,501)	—	(29,262,501)	—	—	—	—
Business-Type Activities											
Sewer	6,193,435	5,460,235	2,702	1,178,000	—	447,502	447,502	—	—	—	—
Solid waste	2,036,631	2,318,110	18,374	—	—	299,853	299,853	—	—	—	—
City communication and utility	101,697	5,450	—	—	—	(96,247)	(96,247)	—	—	—	—
Urban forest	297,977	383,131	—	—	—	85,154	85,154	—	—	—	—
Total Business-Type Activities	8,629,740	8,166,926	21,076	1,178,000	—	736,262	736,262	—	—	—	—
Total Primary Government	$ 42,488,593	$ 9,976,412	$ 918,334	$ 3,067,608	(29,262,501)	736,262	(28,526,239)	—	—	—	—
Component Unit - Water	$ 3,022,717	$ 4,442,684	$ —	$ 672,133	—	—	—	2,092,100	—	—	—
Component Unit - Friends	$ 32,034	$ —	$ 24,053	$ —	—	—	—	—	(7,981)	—	—
Component Unit - Parks	$ 3,102	$ —	$ 4,296	$ —	—	—	—	—	—	1,194	—
Component Unit - Fire	$ 37,252	$ —	$ 12,063	$ —	—	—	—	—	—	—	(25,189)
General Revenue (Expense)											
Property Tax Levied for											
General purposes					17,903,244	—	17,903,244	—	—	—	—
Debt service					3,624,782	—	3,624,782	—	—	—	—
Tax increment financing					2,877,782	—	2,877,782	—	—	—	—
Other City Tax											
Cable television franchise					334,207	—	334,207	—	—	—	—
Hotel/motel					176,243	—	176,243	—	—	—	—
Road use tax					4,721,360	—	4,721,360	—	—	—	—
Local option sales tax					4,889,335	—	4,889,335	—	—	—	—
Unrestricted investment earnings					1,065,329	206,017	1,271,346	48,520	196,683	106	93,919
Special assessments					8,736	—	8,736	—	—	—	—
Miscellaneous					88,967	—	88,967	90,366	—	—	—
Gain on disposal of capital assets					107,586	—	107,586	—	—	—	—
Total General Revenue					35,797,571	206,017	36,003,588	138,886	196,683	106	93,919
Transfers					(4,336,740)	4,336,740	—	—	—	—	—
Change in Net Position					2,198,330	5,279,019	7,477,349	2,230,986	188,702	1,300	68,730
Net Position - Beginning of Year, as restated (Note 18)					180,929,316	49,900,762	230,830,078	23,806,670	1,605,049	35,957	1,072,356
Net Position - End of Year					$ 183,127,646	$ 55,179,781	$ 238,307,427	$ 26,037,656	$ 1,793,751	$ 37,257	$ 1,141,086

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2018

	General	Special Revenue: Road Use Tax	Special Revenue: Trust and Agency (Employee Benefits)	Special Revenue: Local Option Sales Tax	Special Revenue: Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Assets									
Cash	$ 8,226,642	$ 8,033,038	$ 180,316	$ 8,099,334	$ 700,038	$ 989,889	$ 5,950,550	$ 980,739	$ 33,160,546
Pooled investments	3,318,681	121,432	100,607	472,905	—	7,964	11,517,789	—	15,539,378
Receivables									
Property Tax									
Current year delinquent	49,106	—	17,185	—	5,589	13,018	—	—	84,898
Succeeding year	13,448,346	—	5,115,844	—	3,677,122	3,418,272	—	—	25,659,584
Accounts	98,783	—	17,500	—	—	44	—	—	116,327
Accrued interest	2,676	—	—	1,736	—	—	29,198	—	33,610
Other	72,981	—	—	—	—	—	—	—	72,981
Due from other governments	53,848	364,770	—	409,233	—	—	352,990	—	1,180,841
Inventories	142,300	—	—	—	—	—	—	—	142,300
Total Assets	$ 25,413,363	$ 8,519,240	$ 5,431,452	$ 8,983,208	$ 4,382,749	$ 4,429,187	$ 17,850,527	$ 980,739	$ 75,990,465
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	$ 386,870	$ 135,711	$ 85,550	$ —	$ 3,450	$ —	$ 1,695,506	$ —	$ 2,307,087
Salaries and benefits payable	349,242	35,832	—	3,854	—	—	—	—	388,928
Interfund loan	140,000	—	—	—	317,998	—	300,000	—	757,998
Total Liabilities	876,112	171,543	85,550	3,854	321,448	—	1,995,506	—	3,454,013
Deferred Inflows of Resources									
Unavailable Revenue									
Succeeding year property tax	13,448,346	—	5,115,844	—	3,677,122	3,418,272	—	—	25,659,584
Fund Balances									
Nonspendable									
Inventories	142,300	—	—	—	—	—	—	—	142,300
Cemetery perpetual care	—	—	—	—	—	—	—	182,424	182,424
Restricted for									
Benefits	—	—	230,058	—	—	—	—	—	230,058
Debt service	—	—	—	—	—	1,010,915	—	—	1,010,915
Capital projects	—	—	—	—	—	—	15,855,021	—	15,855,021
Streets	—	8,347,697	—	—	—	—	—	—	8,347,697
Economic development	—	—	—	—	—	—	—	61,224	61,224
Other purposes	—	—	—	8,979,354	384,179	—	—	—	9,363,533
Committed for									
Pension	654,917	—	—	—	—	—	—	—	654,917
Capital projects	—	—	—	—	—	—	—	392,076	392,076
Assigned for									
Equipment reserve	2,713,571	—	—	—	—	—	—	—	2,713,571
Tax stabilization	230,653	—	—	—	—	—	—	—	230,653
Census reserve	3,119	—	—	—	—	—	—	—	3,119
Capital projects	—	—	—	—	—	—	—	345,015	345,015
Unassigned	7,344,345	—	—	—	—	—	—	—	7,344,345
Total Fund Balances	11,088,905	8,347,697	230,058	8,979,354	384,179	1,010,915	15,855,021	980,739	46,876,868
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 25,413,363	$ 8,519,240	$ 5,431,452	$ 8,983,208	$ 4,382,749	$ 4,429,187	$ 17,850,527	$ 980,739	$ 75,990,465

See accompanying notes to the financial statements.

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

As of June 30, 2018

Total Fund Balances for Governmental Funds (Page 16)....		**$ 46,876,868**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is $264,115,454 and the accumulated depreciation is $58,285,381.		205,830,073
Internal service funds are used by management to charge the costs of employee benefits and the partially self-funded insurance plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statements of net position.		3,283,212
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(128,904)
Pension and OPEB deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Pension-related deferred outflows of resources	$ 5,873,899	
Pension-related deferred inflows of resources.....................	(241,843)	5,632,056
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:		
General obligation bonds	$ (43,300,000)	
Tax increment revenue bonds	(854,308)	
Unamortized premium on general obligation bonds...........	(961,673)	
Capital lease	(10,750,000)	
Compensated absences..	(4,082,118)	
Nonbonded indebtedness	(139,346)	
Net pension liability	(17,062,332)	
Total OPEB liability	(1,215,882)	(78,365,659)
Net Position of Governmental Activities (Page 14)		**$ 183,127,646**

See accompanying notes to the financial statements.

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

Year Ended June 30, 2018

	General	Special Revenue: Road Use Tax	Special Revenue: Trust and Agency (Employee Benefits)	Special Revenue: Local Option Sales Tax	Special Revenue: Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Revenue									
Property tax	$ 13,257,510	$ —	$ 4,645,734	$ —	$ —	$ 3,624,782	$ —	$ —	$ 21,528,026
Tax increment financing	—	—	—	—	2,877,782	—	—	—	2,877,782
Other city tax	510,449	—	—	—	—	—	—	—	510,449
Licenses and permits	709,629	—	—	—	—	—	—	—	709,629
Use of money and property	356,741	30,118	1,044	116,396	—	24,081	504,262	9,321	1,041,963
Intergovernmental	280,877	4,721,360	106,808	4,889,335	—	—	539,812	6,110	10,544,302
Charges for service	858,571	—	6,464	—	—	—	97,545	137,537	1,100,117
Special assessments	—	—	—	—	—	1,857	6,879	—	8,736
Miscellaneous	87,483	5,292	24,584	—	—	—	—	—	117,359
Total Revenue	16,061,260	4,756,770	4,784,634	5,005,731	2,877,782	3,650,720	1,148,498	152,968	38,438,363
Expenditures									
Operating									
Public safety	11,847,233	—	100,134	—	—	—	—	—	11,947,367
Public works	891,643	2,793,913	—	116,303	—	—	—	—	3,801,859
Culture and recreation	4,362,244	—	98,619	—	—	—	—	—	4,460,863
Community and economic development	1,516,305	—	—	—	558,920	—	—	—	2,075,225
General government	2,723,450	100,114	—	—	—	—	—	—	2,823,564
Debt Service									
Principal	—	—	—	—	—	8,560,000	—	—	8,560,000
Interest and other charges	—	—	—	—	38,432	1,504,632	—	—	1,543,064
Capital projects	—	154,403	—	—	—	—	6,236,381	—	6,390,784
Total Expenditures	21,340,875	3,048,430	198,753	116,303	597,352	10,064,632	6,236,381	—	41,602,726
Revenue Over (Under) Expenditures	(5,279,615)	1,708,340	4,585,881	4,889,428	2,280,430	(6,413,912)	(5,087,883)	152,968	(3,164,363)
Other Financing Sources (Uses)									
Operating transfers in	5,555,232	5,000	6,000	—	—	2,555,797	2,907,687	—	11,029,716
Operating transfers out	(43,432)	(122,013)	(5,046,212)	(3,077,778)	(2,232,043)	(119,554)	(4,923,126)	(264,909)	(15,829,067)
Sale of capital assets	178,409	—	4,500	—	—	—	—	—	182,909
General obligation bonds issued	—	—	—	—	—	4,314,456	9,965,544	—	14,280,000
Tax increment revenue bonds issued	—	—	—	—	—	—	854,308	—	854,308
Premium on general obligation bonds issued	—	—	—	—	—	135,544	316,269	—	451,813
Total Other Financing Sources (Uses)	5,690,209	(117,013)	(5,035,712)	(3,077,778)	(2,232,043)	6,886,243	9,120,682	(264,909)	10,969,679
Net Change in Fund Balances	410,594	1,591,327	(449,831)	1,811,650	48,387	472,331	4,032,799	(111,941)	7,805,316
Fund Balances - Beginning of Year	10,678,311	6,756,370	679,889	7,167,704	335,792	538,584	11,822,222	1,092,680	39,071,552
Fund Balances - End of Year	$ 11,088,905	$ 8,347,697	$ 230,058	$ 8,979,354	$ 384,179	$ 1,010,915	$ 15,855,021	$ 980,739	$ 46,876,868

See accompanying notes to the financial statements.

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

Year Ended June 30, 2018

Change in Fund Balances - Total Governmental Funds (Page 18)		**$ 7,805,316**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:		
Capital outlay	$ 5,770,369	
Contributed capital assets	1,824,608	
Depreciation expense	(5,950,083)	1,644,894
The net book value of capital assets disposed of during the year		(75,323)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due		(13,836)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of the long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year issuances exceeded repayments as follows:		
General obligation bonds issued	$ (14,280,000)	
Tax increment revenue bonds issued	(854,308)	
Repayment of general obligation bonds	8,135,000	
Repayment of capital lease	400,000	
Increase in nonbonded indebtedness	(19,822)	
Repayment of nonbonded indebtedness	25,000	(6,594,130)
Amortization of premiums on bonds payable does not provide current financial resources to governmental funds, but it decreases liabilities in the statement of net position.		(356,844)

See accompanying notes to the financial statements.

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

Year Ended June 30, 2018

The current year City employer share of IPERS and MFPRSI contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		$ 2,039,977
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences	$ (347,222)	
Pension expense	(2,809,844)	
Other post-employment benefits	81,455	(3,075,611)
Internal service funds are used by management to charge the costs of employee benefits and the partially self-funded insurance plan to individual funds. The change in net position of the internal service funds is reported in governmental activities in the statement of activities		823,887
Change in Net Position of Governmental Activities (Page 15)		**$ 2,198,330**

See accompanying notes to the financial statements.

Statement of Net Position - Proprietary Funds

As of June 30, 2018

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash	$ 117,177	$ 1,242,297	$ 4,535,532	$ 5,895,006	$ 301,397	$ 2,754,724	$ 3,056,121
Pooled investments	355,467	76,912	1,329,337	1,761,716	306,181	147,043	453,224
Receivables							
Unbilled usage	386,956	90,559	253,014	730,529	—	—	—
Accounts	234,287	57,268	125,257	416,812	—	69,316	69,316
Accrued interest	—	214	5,118	5,332	1,258	122	1,380
Due from other governments	544	—	2,625	3,169	—	—	—
Interfund loan	—	—	163,444	163,444	—	—	—
Total Current Assets	1,094,431	1,467,250	6,414,327	8,976,008	608,836	2,971,205	3,580,041
Noncurrent Assets							
Interfund loan	—	—	594,554	594,554	—	—	—
Capital assets, net of accumulated depreciation	20,692,646	24,948,717	1,348,167	46,989,530	—	—	—
Total Noncurrent Assets	20,692,646	24,948,717	1,942,721	47,584,084	—	—	—
Total Assets	21,787,077	26,415,967	8,357,048	56,560,092	608,836	2,971,205	3,580,041
Deferred Outflows of Resources							
Pension-related deferred outflows	201,079	126,858	264,020	591,957	—	—	—
Total Assets and Deferred Outflows of Resources	$ 21,988,156	$ 26,542,825	$ 8,621,068	$ 57,152,049	$ 608,836	$ 2,971,205	$ 3,580,041
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	$ 29,992	$ 32,097	$ 104,802	$ 166,891	$ —	$ 4,738	$ 4,738
Salaries and benefits payable	8,842	—	14,591	23,433	—	—	—
Self-insured estimated claims	—	—	—	—	—	292,091	292,091
Compensated absences	41,049	—	—	41,049	—	—	—
Total Current Liabilities	79,883	32,097	119,393	231,373	—	296,829	296,829
Noncurrent Liabilities							
Net pension liability	581,506	370,227	756,403	1,708,136	—	—	—
Total Liabilities	661,389	402,324	875,796	1,939,509	—	296,829	296,829
Deferred Inflows of Resources							
Pension-related deferred inflows	10,671	7,149	14,939	32,759	—	—	—
Net Position							
Net investment in capital assets	20,692,646	24,948,717	1,348,167	46,989,530	—	—	—
Unrestricted	623,450	1,184,635	6,382,166	8,190,251	608,836	2,674,376	3,283,212
Total Net Position	21,316,096	26,133,352	7,730,333	55,179,781	608,836	2,674,376	3,283,212
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 21,988,156	$ 26,542,825	$ 8,621,068	$ 57,152,049	$ 608,836	$ 2,971,205	$ 3,580,041

See accompanying notes to the financial statements.

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

Year Ended June 30, 2018

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Operating Revenue							
Licenses and permits	$ —	$ —	$ 2,365	$ 2,365	$ —	$ —	$ —
Charges for service	3,936,612	1,096,270	3,126,874	8,159,756	—	—	—
Miscellaneous	—	—	4,805	4,805	—	2,957,342	2,957,342
Total Operating Revenue	3,936,612	1,096,270	3,134,044	8,166,926	—	2,957,342	2,957,342
Operating Expenses							
Personal services	1,031,054	607,616	1,323,708	2,962,378	—	—	—
Services and commodities	3,288,710	190,810	914,397	4,393,917	223,044	2,396,388	2,619,432
Depreciation	540,630	525,753	207,062	1,273,445	—	—	—
Total Operating Expenses	4,860,394	1,324,179	2,445,167	8,629,740	223,044	2,396,388	2,619,432
Operating Income (Loss)	(923,782)	(227,909)	688,877	(462,814)	(223,044)	560,954	337,910
Nonoperating Revenue							
Investment income	9,289	24,219	172,509	206,017	22,878	488	23,366
Intergovernmental	2,702	—	18,374	21,076	—	—	—
Capital contributions	365,062	812,938	—	1,178,000	—	—	—
Total Nonoperating Revenue	377,053	837,157	190,883	1,405,093	22,878	488	23,366
Income (Loss) Before Transfers	(546,729)	609,248	879,760	942,279	(200,166)	561,442	361,276
Transfers							
Transfers in	4,572,478	1,620,028	362,521	6,555,027	462,611	—	462,611
Transfers out	(207,517)	(270,305)	(1,740,465)	(2,218,287)	—	—	—
Total Transfers	4,364,961	1,349,723	(1,377,944)	4,336,740	462,611	—	462,611
Change in Net Position	3,818,232	1,958,971	(498,184)	5,279,019	262,445	561,442	823,887
Net Position - Beginning of Year	17,497,864	24,174,381	8,228,517	49,900,762	346,391	2,112,934	2,459,325
Net Position - End of Year	$ 21,316,096	$ 26,133,352	$ 7,730,333	$ 55,179,781	$ 608,836	$ 2,674,376	$ 3,283,212

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2018

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Cash Flows From Operating Activities							
Cash received from customers and users	$ 4,015,025	$ 1,096,905	$ 3,153,913	$ 8,265,843	$ —	$ 2,902,499	$ 2,902,499
Cash paid to employees for services	(995,682)	(587,914)	(1,279,321)	(2,862,917)	—	—	—
Cash paid to suppliers for goods and services	(3,345,801)	(161,092)	(873,912)	(4,380,805)	(227,392)	(2,844,593)	(3,071,985)
Net Cash Provided by (Used in) Operating Activities	**(326,458)**	**347,899**	**1,000,680**	**1,022,121**	**(227,392)**	**57,906**	**(169,486)**
Cash Flows From Noncapital Financing Activities							
Net transfers	4,364,961	1,349,723	(1,377,944)	4,336,740	462,611	—	462,611
State and federal grants received	2,580	—	18,088	20,668	—	—	—
Increase in due to other funds	—	—	(93,512)	(93,512)	—	—	—
Net Cash Provided by (Used in) Noncapital Activities	**4,367,541**	**1,349,723**	**(1,453,368)**	**4,263,896**	**462,611**	**—**	**462,611**
Cash Flows From Capital and Related Financing Activities							
Decrease in interfund loan	—	—	(30,313)	(30,313)	(77,242)	—	(77,242)
Acquisition of capital assets	(4,519,565)	(1,811,026)	(837,901)	(7,168,492)	—	—	—
Disposal of capital assets	—	—	1,598,335	1,598,335	—	—	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	**(4,519,565)**	**(1,811,026)**	**730,121**	**(5,600,470)**	**(77,242)**	**—**	**(77,242)**
Cash Flows From Investing Activities							
Interest on investments	9,289	24,005	172,579	205,873	23,455	366	23,821
Purchase of investments	(3,433)	(76,912)	(137,002)	(217,347)	—	(147,043)	(147,043)
Proceeds from sale of investments	—	—	112,069	112,069	119,965	—	119,965
Net Cash Provided by (Used in) Investing Activities	**5,856**	**(52,907)**	**147,646**	**100,595**	**143,420**	**(146,677)**	**(3,257)**
Net Increase (Decrease) in Cash	**(472,626)**	**(166,311)**	**425,079**	**(213,858)**	**301,397**	**(88,771)**	**212,626**
Cash - Beginning of Year	589,803	1,408,608	4,110,453	6,108,864	—	2,843,495	2,843,495
Cash - End of Year	**$ 117,177**	**$ 1,242,297**	**$ 4,535,532**	**$ 5,895,006**	**$ 301,397**	**$ 2,754,724**	**$ 3,056,121**
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Income (loss) from operations	$ (923,782)	$ (227,909)	$ 688,877	$ (462,814)	$ (223,044)	$ 560,954	$ 337,910
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Depreciation	540,630	525,753	207,062	1,273,445	—	—	—
Change in Assets and Liabilities							
(Increase) decrease in receivables	78,413	635	19,869	98,917	—	(54,843)	(54,843)
Increase in deferred outflows of resources	(26,730)	(16,146)	(36,364)	(79,240)	—	—	—
Increase (decrease) in payables	(57,091)	29,718	40,485	13,112	(4,348)	(448,205)	(452,553)
Decrease in salaries and benefits payable	1,817	—	529	2,346	—	—	—
Increase in compensated absences	320	—	—	320	—	—	—
Increase in net pension liability	55,697	33,015	73,490	162,202	—	—	—
Decrease in deferred inflows of resources	4,268	2,833	6,732	13,833	—	—	—
Net Cash Provided by (Used in) Operating Activities	**$ (326,458)**	**$ 347,899**	**$ 1,000,680**	**$ 1,022,121**	**$ (227,392)**	**$ 57,906**	**$ (169,486)**

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

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

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

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Discretely Presented Component Units

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

The Friends of Marion Carnegie Library (Friends) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Friends is a nonprofit organization founded to promote the use of the Library and provide financial assistance for various programs. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2017.

(1) Summary of Significant Accounting Policies

The Marion Parks and Recreation Foundation, Inc. (Parks) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Parks Foundation is a nonprofit organization founded to develop parks and recreation facilities within the City and provide financial assistance for various programs. The Parks Foundation has a year end of December 31. Accordingly, the Parks Foundation's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2017.

The Marion Firefighter's Association (Fire) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Fire association is a nonprofit organization founded to provide a structural way for volunteers and full-time firefighters to coordinate, encourage, promote and participate and to develop and implement programs aimed at meeting the needs of the City. The Fire association has a year end of December 31. Accordingly, the Fire association's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2017.

Jointly Governed Organizations

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

(1) Summary of Significant Accounting Policies

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies

The City reports the following major proprietary funds:

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

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

The City also reports the following additional proprietary funds:

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City as of June 30, 2018 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

(1) Summary of Significant Accounting Policies

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1-1/2% per month penalty for delinquent payments, is based on January 1, 2016 assessed property valuations, is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2017.

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

Due From and Due to Other Funds
During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets
Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of $3,000 for all items except for intangible assets which are $5,000. The City had no intangible assets as of June 30, 2018.

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

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

(1) Summary of Significant Accounting Policies

Deferred Outflows of Resources

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

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours and personal leave and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Road Use Tax and Sewer Rental Funds. Also see Note 9.

Long-Term Liabilities

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and the Municipal Fire and Police Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and tax increment financing receivable not collected within 60 days after year end.

(1) Summary of Significant Accounting Policies

Deferred inflows of resources in the statement of net position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied and the unrecognized items not yet charged to pension expense.

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

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

Budgets and Budgetary Accounting
The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

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

(2) Cash and Pooled Investments

Primary Government

The City's deposits as of June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's cash and investments as of June 30, 2018 were as follows:

Cash	$ 42,111,673
Pooled cash investments - Iowa Public Agency Investment Trust	4,970,026
Money market accounts	314,630
U.S. Instrumentalities	
Original maturities 5 years or less	—
Original maturities 6 to 10 years	22,061
Original maturities 10+ years	12,447,601
Total	**$ 59,865,991**

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

The recurring fair value measurement for the U.S. instrumentalities of $12,469,662 is valued using the last reported sales price at current exchange rates. (Level 1 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $4,970,026 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in IPAIT is unrated.

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

Interest Rate Risk

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

(2) Cash and Pooled Investments

Credit Risk
The City's U.S. Instrumentalities investments as of June 30, 2018 are rated Aaa or better by Moody's Investors service. The investment in the Iowa Public Agency Investment Trust is unrated.

Discretely Presented Component Units
The Friends of Marion Carnegie Library's investments as of December 31, 2017 consist of mutual funds and other investments with a fair value of $1,634,368.

The Marion Firefighter's Association's investments as of December 31, 2017 consist of mutual funds and other investments with a fair value of $932,727.

(3) Capital Assets

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

Primary Government	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 79,380,900	$ 1,646,596	$ —	$ 81,027,496
Construction in progress	20,788,183	8,170,221	15,579,591	13,378,813
Total Capital Assets Not Being Depreciated	100,169,083	9,816,817	15,579,591	94,406,309
Capital Assets Being Depreciated				
Buildings	30,508,450	167,532	5,200	30,670,782
Improvements other than buildings	110,285,689	10,783,349	661,629	120,407,409
Equipment	16,897,352	2,406,870	673,268	18,630,954
Total Capital Assets Being Depreciated	157,691,491	13,357,751	1,340,097	169,709,145
Less Accumulated Depreciation for				
Buildings	6,716,781	770,981	5,200	7,482,562
Improvements other than buildings	36,826,849	3,663,103	656,337	39,833,615
Equipment	10,056,442	1,515,999	603,237	10,969,204
Total Accumulated Depreciation	53,600,072	5,950,083	1,264,774	58,285,381
Net Capital Assets Being Depreciated	104,091,419	7,407,668	75,323	111,423,764
Net Governmental Activities Capital Assets	**$ 204,260,502**	**$ 17,224,485**	**$ 15,654,914**	**$ 205,830,073**

(3) Capital Assets

Primary Government	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	$ 467,658	$ 16,513	$ —	$ 484,171
Construction in progress	1,584,465	873,586	1,902,642	555,409
Total Capital Assets Not Being Depreciated	2,052,123	890,099	1,902,642	1,039,580
Capital Assets Being Depreciated				
Buildings	20,300	—	—	20,300
Equipment	3,217,641	358,705	—	3,576,346
Distribution system	29,077,655	4,734,519	—	33,812,174
Storm sewer system	31,157,806	2,667,476	35,357	33,789,925
Communication system	533,558	—	—	533,558
Total Capital Assets Being Depreciated	64,006,960	7,760,700	35,357	71,732,303
Less Accumulated Depreciation for				
Buildings	4,584	1,532	—	6,116
Equipment	2,492,174	207,732	—	2,699,906
Distribution system	13,175,787	488,633	—	13,664,420
Storm sewer system	8,440,427	522,192	35,357	8,927,262
Communication system	431,293	53,356	—	484,649
Total Accumulated Depreciation	24,544,265	1,273,445	35,357	25,782,353
Net Capital Assets Being Depreciated	39,462,695	6,487,255	—	45,949,950
Net Business-Type Activities Capital Assets	**$ 41,514,818**	**$ 7,377,354**	**$ 1,902,642**	**$ 46,989,530**

Depreciation expense was charged to functions of the primary government as follows for the year ended June 30, 2018:

Governmental Activities	
Public safety	$ 1,107,976
Public works	3,639,869
Culture and recreation	951,171
Community and economic development	24,790
General government	226,277
Total Depreciation Expense - Governmental Activities	**$ 5,950,083**
Business-Type Activities	
City communication and utility	$ 53,356
Sewer rental	540,630
Solid waste	140,582
Storm water management	525,753
Urban forest utility	13,124
Total Depreciation Expense - Business-Type Activities	**$ 1,273,445**

(4) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2018:

	Balance - Beginning of Year (As Restated)	Increases	Decreases	Balance - End of Year	Due Within One Year	Range of Interest Rates
Governmental Activities						
General obligation bonds	$ 37,155,000	$ 14,280,000	$ 8,135,000	$ 43,300,000	$ 3,420,000	2.00 - 4.00%
Unamortized premium on general obligation bonds	604,829	451,813	94,969	961,673	—	N/A
Tax increment revenue bonds	—	854,308	—	854,308	—	3.18
Capital lease	11,150,000	—	400,000	10,750,000	435,000	2.20 - 4.15
Compensated absences	3,734,896	589,604	242,382	4,082,118	5,880	N/A
Nonbonded indebtedness	144,524	—	5,178	139,346	24,989	3.00
Net pension liability	16,642,366	419,966	—	17,062,332	—	N/A
Total OPEB liability	1,297,337	89,627	171,082	1,215,882	—	N/A
Total	$ 70,728,952	$ 16,685,318	$ 9,048,611	$ 78,365,659	$ 3,885,869	
Business-Type Activities						
Compensated absences	$ 40,729	$ 10,984	$ 10,664	$ 41,049	$ 1,668	N/A
Net pension liability	1,545,934	162,202	—	1,708,136	—	N/A
Total	$ 1,586,663	$ 173,186	$ 10,664	$ 1,749,185	$ 1,668	

General Obligation Bonds

Ten issues of unmatured general obligation bonds totaling $43,300,000 were outstanding as of June 30, 2018. General obligation bonds bear interest at rates ranging from 2% to 4% per annum and mature in varying annual amounts ranging from $100,000 to $800,000, with the final maturities due in the year ending June 30, 2037.

Details of the City's general obligation bonds payable as of June 30, 2018 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-18
Governmental Activities						
Corporate purpose	2-13-12	2.00 - 3.00%	6-1-28	$ 550,000 - $ 710,000	$ 9,270,000	$ 6,205,000
Corporate purpose	2-13-12	2.00 - 2.13	6-1-23	465,000 - 515,000	4,570,000	2,445,000
Corporate purpose	1-7-14	2.00 - 3.75	6-1-29	450,000 - 605,000	6,575,000	5,690,000
Corporate purpose	1-7-14	2.00 - 2.75	6-1-25	100,000 - 120,000	1,065,000	765,000
Corporate purpose	10-2-14	2.00 - 3.25	6-1-30	145,000 - 185,000	2,360,000	1,940,000
Corporate purpose	2-3-15	2.00 - 3.00	6-1-34	560,000 - 800,000	12,180,000	10,620,000
Corporate purpose	2-3-15	2.00 - 2.90	6-1-27	200,000 - 245,000	2,565,000	1,995,000
Corporate purpose	9-6-17	2.00 - 3.00	6-1-37	295,000 - 450,000	6,840,000	6,840,000
Refunding corporate purpose	10-10-17	3.00 - 4.00	6-1-25	415,000 - 680,000	4,205,000	3,565,000
Corporate purpose	4-30-18	3.00	6-1-31	235,000 - 310,000	3,235,000	3,235,000
						$ 43,300,000

(4) Long-Term Liabilities

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 3,420,000	$ 1,165,165	$ 4,585,165
2020	3,740,000	1,081,858	4,821,858
2021	3,540,000	997,908	4,537,908
2022	3,620,000	915,858	4,535,858
2023	3,715,000	830,720	4,545,720
2024-2028	15,280,000	2,779,799	18,059,799
2029-2033	7,455,000	972,038	8,427,038
2034-2037	2,530,000	155,550	2,685,550
	$ 43,300,000	$ 8,898,896	$ 52,198,896

Tax Increment Revenue Bonds

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

During the year ended June 30, 2018, the City entered into a development agreement and issued a draw down Tax Increment Revenue Bond in a principal amount not to exceed $4,500,000 to fund the agreement. Interest only on the unpaid outstanding principal balance shall be payable on December 1, 2018 and June 1, 2019. As of June 30, 2018, there was an outstanding balance of $854,308 with an interest rate of 3.18%. The City expects to draw down the remaining balance during the year ending June 30, 2019. Annual principal and interest payments will start December 1, 2019 and continue through June, 2033.

In August, 2011, the City approved an interfund loan from the Enterprise - Solid Waste Fund to the Special Revenue - Tax Increment Financing Fund for an undefined period at 2.75% annual interest. This loan was used to fund an economic development incentive payment to the ESCO Group. The City will use TIF funds to repay this loan once the TIF district has the funds. The City has begun making repayments.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-18
Enterprise - Solid Waste	Special Revenue - Tax Increment Financing	$200,000	$113,186

(4) Long-Term Liabilities

In March, 2014, the City approved an interfund loan from the Enterprise - Sewer Rent Replacement Fund to the Special Revenue - Tax Increment Financing (TIF) Fund for a period not to exceed ten years at 2.5% annual interest. This loan was used to fund an economic development incentive payment to PDS Investments, LLC. The City has begun making repayments.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-18
Enterprise - Sewer Rental Replacement	Special Revenue - Tax Increment Financing	$250,000	$204,812

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

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-18
Enterprise - Sewer Rent Replacement	Capital Projects	$300,000	$300,000

In June, 2017, the City approved an interfund loan of $213,000 from the Sewer Rent Replacement Fund to the General Fund for a period not to exceed two years at 1.5% annual interest. The loan was used for economic development activities. The City will use TIF funds to repay this loan once the TIF district has the funds. The City will repay this loan in the fiscal year ending June 30, 2019.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-18
Enterprise - Sewer Rental Replacement	General	$140,000	$140,000

Capital Lease

During the year ended June 30, 2013, the City entered into various agreements to construct a police station containing approximately 45,000 square feet on two floors plus a basement and related facilities and improvements. To finance the construction, the City entered into an agreement to lease land it owns to Bankers Trust Company, NA (Bankers) as trustee, and in turn lease that land back from Bankers for 50 years for the total lease payment of $1. Bankers subleased the land to V & K Development, LLC to provide for the engineering, design, development, construction, furnishing and equipping of the facility. In November, 2013, the City leased the building from Bankers under a lease purchase agreement being accounted for as a capital lease by the City. The capital lease agreement included interest at 2.20% - 4.15% per annum and requires payments in amounts necessary to repay Bankers for the total proceeds of $11,650,000 that Bankers obtained by selling certificates of participation in the lease to investors. Once the certificates of participation are repaid, ownership of the building transfers to the City.

The City paid $390,481 of interest under the capital lease agreement during the year ended June 30, 2018.

(4) Long-Term Liabilities

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

Year Ending June 30,	
2019	$ 816,681
2020	865,806
2021	876,686
2022	891,086
2023	904,586
2024-2028	4,794,994
2029-2033	5,291,418
Total Minimum Lease Payments	14,441,257
Less amount representing interest	(3,691,257)
Present Value of Net Minimum Lease Payments	**$ 10,750,000**

(5) Summary of Nonbonded Indebtedness

During the year ended June 30, 2001, the City entered into an agreement with a donor to pay an annuity of $25,000 each year for as long as the donor lives in exchange for a gift of 180 acres of land to be used for park purposes. Using an estimated life span based on annuity tables and discounted at the City's estimated incremental borrowing rate of 3%, an estimated liability of $139,346 was calculated. This annuity liability is revalued annually based upon changes in life expectancy and discount rates.

Since the development of this land for park purposes is not expected to be fully completed for many years, the agreement with the donors allows the City to lease this land or any part of it for farming purposes pending full development. In October, 2012, the City entered into a one-year agreement to lease 66 acres of cropland at $250 per acre per year subject to proportionate reduction as land is developed. In September, 2013, October, 2014, September, 2015, November, 2016 and November, 2017, a one-year extension of the lease was approved.

(6) Interfund Transfers

Transfer to	Transfer From	Amount
General	Special Revenue	
	Trust and Agency (Employee Benefits)	$ 4,711,998
	Local Option Sales Tax	435,000
	Road Use Tax	75,000
	Capital Projects	100,000
	Enterprise	
	Sewer Rental	75,000
	Solid Waste	75,000
	Urban Forest Utility	8,234
	Storm Water Management	75,000
		5,555,232
Special Revenue		
Road Use Tax	Enterprise	
	Urban Forest Utility	5,000

(6) Interfund Transfers

Transfer to	Transfer From	Amount
Special Revenue	General	$ 6,000
Trust and Agency		
(Employee Benefits)		
Capital Projects	Special Revenue	
	Local Option Sales Tax	2,642,778
	Capital Projects	
	Subdivision Development	264,909
		2,907,687
Debt Service	General	7,500
	Special Revenue	
	Tax Increment Financing	2,232,043
	Enterprise	
	Sewer Rental	115,000
	Urban Forest Utility	10,673
	Storm Water Management	190,581
		2,555,797
Enterprise		
Sewer Rental	Debt Service	119,554
	Capital Projects	2,854,589
	Enterprise	
	Sewer Rental Replacement	1,598,335
		4,572,478
Enterprise		
Sewer Rental Replacement	Capital Projects	126,689
Enterprise		
Solid Waste	Capital Projects	83,467
Enterprise		
Urban Forest Utility	Capital Projects	138,353
Enterprise		
Urban Forest Replacement	Urban Forest Utility	14,012
Enterprise		
Storm Water Management	Capital Projects	1,620,028
Internal Service	General	29,932
Employee Benefits	Special Revenue	
	Road Use Tax	47,013
	Trust and Agency (Employee Benefits)	334,214
	Enterprise	
	Sewer Rental	17,517
	Solid Waste	26,866
	Urban Forest Utility	2,345
	Storm Water Management	4,724
		462,611
		$ 18,047,354

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

(7) Pension and Retirement Benefits

The City offers City employees the following retirement plans:

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

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

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

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.

(7) Pension and Retirement Benefits

Disability and Death Benefits

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

Contributions

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

In fiscal year 2018, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 were $707,409.

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

As of June 30, 2018, the City reported a liability of $6,981,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2017, the City's proportion was 0.104809% which was an increase of 0.004528% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of $1,107,554. As of June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,107	$ 60,532
Changes of assumptions	1,213,525	1
Net difference between projected and actual earnings on IPERS' investments	—	72,959
Changes in proportion and differences between City contributions and proportionate share of contributions	396,857	39
City contributions subsequent to the measurement date	707,409	—
Total	$ 2,381,898	$ 133,531

(7) Pension and Retirement Benefits

$707,409 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	$ 316,130
2020	643,098
2021	395,036
2022	90,450
2023	96,244
Total	**$ 1,540,958**

There were no nonemployer contributing entities to IPERS.

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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

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

(7) Pension and Retirement Benefits

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	$11,504,824	$6,981,586	$3,181,200

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at *www.ipers.org.*

Payables to IPERS

All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to IPERS by June 30, 2018.

(7) Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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

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

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

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

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

(7) Pension and Retirement Benefits

Disability and Death Benefits
Disability coverage may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with five or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than five years of service.

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

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

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

Contributions
Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2018.

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

The City's contributions to MFPRSI for the year ended June 30, 2018 were $1,503,683.

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

There were no state appropriations to MFPRSI during the year ended June 30, 2018.

(7) Pension and Retirement Benefits

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

As of June 30, 2018, the City reported a liability of $11,788,882 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. As of June 30, 2017, the City's proportion was 2.010125% which was an increase of 0.110555% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of $1,970,200. As of June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 452,400	$ 7,173
Changes of assumptions	1,001,801	133,898
Net difference between projected and actual earnings on MFPRSI's investments	483,036	—
Changes in proportion and differences between City contributions and proportionate share of contributions	643,038	—
City contributions subsequent to the measurement date	1,503,683	—
Total	$ 4,083,958	$ 141,071

$1,503,683 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	$ 442,214
2020	1,243,166
2021	706,955
2022	(70,930)
2023	117,799
Total	$ 2,439,204

Actuarial Assumptions

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

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

(7) Pension and Retirement Benefits

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

(7) Pension and Retirement Benefits

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$19,374,318	$11,788,882	$5,479,737

MFPRSI's Fiduciary Net Position
Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Payables to MFPRSI
All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2018.

(8) Other Postemployment Benefits (OPEB)

Plan Description
The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits
Individuals who are employed by the City of Marion and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement, been a full-time employee for at least 12 years and completed 15 years of continuous service to the City. As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	177
Total	194

Total OPEB Liability
The City's total OPEB liability of $1,215,882 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

(8) Other Postemployment Benefits (OPEB)

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

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

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

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

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

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning of Year, as Restated	$ 1,297,337
Changes for the Year	
Service cost	42,440
Interest	47,187
Differences between expected and actual experience	(12,596)
Changes of assumptions	—
Benefit payments	(158,486)
Net Changes	(81,455)
Total OPEB Liability - End of Year	**$ 1,215,882**

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

	1% Decrease (2.72%)	**Discount Rate (3.72%)**	**1% Increase (4.72%)**
Total OPEB Liability	$1,433,749	$1,215,882	$1,126,182

(8) Other Postemployment Benefits (OPEB)

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

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	$1,095,893	$1,215,882	$1,357,126

OPEB Expense and Deferred Outflows of Resources Related to OPEB
For the year ended June 30, 2018, the City recognized OPEB expense of $88,699. As of June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 11,668
Changes of assumptions	—
Total	**$ 11,668**

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

Year Ending June 30,	Amount
2019	$ 928
2020	928
2021	928
2022	928
2023	928
Thereafter	7,028
Total	**$ 11,668**

(9) Compensated Absences

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

Type of Benefit	Amount 6-30-18
Primary Government	
Sick leave	$ 1,164,326
Vacation and personal leave	1,669,496
Compensatory time	1,289,345
	$ 4,123,167

The above liabilities have been computed based on rates of pay as of June 30, 2018.

(10) Conduit Debt

The City has issued a total of $18,153,515 of industrial development revenue and health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $8,391,110 is outstanding as of June 30, 2018. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

(11) Employee Health Care Plan

The City self-funds for health insurance claims to a stop-loss insured amount of $30,000 per participant and a 125% aggregate stop-loss amount based on the "pure premiums" amount multiplied by the number of single and family contracts covered during the contract year. The following is a summary of claims paid during the year and an estimate of the claims incurred, but not reported as of June 30, 2018:

	Primary Government	Discretely Presented Component Unit - Marion Water Department	Total
Claims paid during the year	$ 2,012,775	$ 90,089	$ 2,102,864
Estimated claims incurred but unpaid at June 30, 2018	292,091	21,188	313,279

(11) Employee Health Care Plan

The City has chosen to establish a risk financing fund for risks associated with the employees' health insurance plan. The risk financing is accounted for as an internal service fund where assets are set aside for claim settlements. The cost of these benefits is charged to each department and fund based upon the number of employees whose salary is charged to the department and fund and the type of plan (single or family) chosen by the employee. Amounts charged are $538 per month single or $1,348 per month family which is an actuarially determined amount with a reasonable provision for future unexpected claims. Employees pay a set amount per month based on coverage and other factors. The amount charged will be adjusted over a reasonable period of time so that the internal service fund receipts and disbursements are approximately equal.

(12) Related Party Transactions

The Marion Water Department bills and collects for sewer, garbage and urban forestry services provided for the City of Marion to its residents. During the year ended June 30, 2018, the Marion Water Department collected and remitted to the City $5,395,844 for sewer, $2,059,404 for garbage service and $382,368 for urban forest. Fees paid to the Water Department by the City during the year to pay for this service totaled $115,720.

(13) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2018 were $230,638.

(13) Risk Management

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2018, no liability has been recorded in the City's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

Iowa Municipalities Workers' Compensation Association

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

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

(13) Risk Management

The City's premium contributions to the Association are recorded as expenditures from its operating funds at the time of payment to the risk pool. Premiums paid to the Association for the year ended June 30, 2018 were $113,986.

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

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

(14) Development Agreements

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

The total amount rebated during the year ended June 30, 2018 was $537,810. The estimated outstanding balance of the agreements as of June 30, 2018 was approximately $6,035,000.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City, except for approximately $6,035,000 which requires an annual appropriation by the City Council.

(15) Tax Abatements

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

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

For the year ended June 30, 2018, the City abated $1,409,777 of property tax under the urban renewal and economic development projects.

(15) Tax Abatements

Tax Abatements of Other Entities

Property tax revenue of the City were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Hiawatha	Economic Development	$533,315

(16) Commitments and Contingencies

Risk Management

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

Component Unit

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

(17) Construction Commitments and Subsequent Events

As of June 30, 2018, the City had entered into several construction contracts and agreements to purchase equipment and supplies totaling approximately $8.3 million for various street projects.

As of June 30, 2018, the City had committed up to $7.3 million including $2 million in local option sales tax funding, in partnership with the Cedar Rapids Metro Area YMCA to building a community fitness center in Marion. The City has also pledged a total of $1.25 million in financial support for a proposed baseball and softball complex, of which $800,000 was contributed in the current year.

Management has evaluated subsequent events through January 8, 2019, the date which the financial statements were available to be issued.

Subsequent to June 30, 2018, the City entered into the following transactions:

> Approved several agreements to purchase property. These agreements totaled approximately $260,000.
>
> Approved several development agreements totaling approximately $1.36 million.

(18) Accounting Change/Restatement

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

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 180,890,653
Net OPEB obligation measured under previous standards	1,336,000
Total OPEB liability as of June 30, 2017	(1,297,337)
Net Position July 1, 2017, as Restated	**$ 180,929,316**

Required Supplementary Information

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

Year Ended June 30, 2018

	Actual			Budgeted Amounts		Over
	Governmental Funds	Enterprise Funds	Total	Original	Final	(Under) Budget
Receipts						
Property tax	$ 21,522,635	$ —	$ 21,522,635	$ 20,770,148	$ 20,770,148	$ 752,487
Tax increment financing	2,879,061	—	2,879,061	2,876,066	2,876,066	2,995
Other city tax	5,408,050	—	5,408,050	6,520,220	6,520,220	(1,112,170)
Licenses and permits	735,519	6,815	742,334	650,300	650,300	92,034
Use of money and property	1,110,347	177,640	1,287,987	567,259	567,259	720,728
Intergovernmental	5,453,242	—	5,453,242	5,366,839	5,366,839	86,403
Charges for service	628,958	13,005,439	13,634,397	14,429,245	14,429,245	(794,848)
Special assessments	8,692	—	8,692	12,000	12,000	(3,308)
Miscellaneous	524,021	2,990,947	3,514,968	3,316,843	3,316,843	198,125
Total Receipts	**38,270,525**	**16,180,841**	**54,451,366**	**54,508,920**	**54,508,920**	**(57,554)**
Disbursements						
Public safety	11,862,719	—	11,862,719	13,749,551	14,421,276	(2,558,557)
Public works	3,924,553	—	3,924,553	8,724,745	8,820,103	(4,895,550)
Culture and recreation	4,598,775	—	4,598,775	4,870,129	5,267,716	(668,941)
Community and economic development	2,068,712	—	2,068,712	2,112,315	2,212,295	(143,583)
General government	2,504,548	—	2,504,548	2,522,122	2,877,596	(373,048)
Debt service	10,064,632	—	10,064,632	5,834,508	10,163,824	(99,192)
Capital projects	10,741,311	—	10,741,311	26,095,276	27,476,271	(16,734,960)
Business-type activities	—	15,427,920	15,427,920	23,414,547	23,788,307	(8,360,387)
Total Disbursements	**45,765,250**	**15,427,920**	**61,193,170**	**87,323,193**	**95,027,388**	**(33,834,218)**
Receipts Over (Under) Disbursements	**(7,494,725)**	**752,921**	**(6,741,804)**	**(32,814,273)**	**(40,518,468)**	**33,776,664**
Other Financing Sources (Uses), Net	**15,909,788**	**(15,655)**	**15,894,133**	**20,404,000**	**20,404,000**	**(4,509,867)**
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	**8,415,063**	**737,266**	**9,152,329**	**(12,410,273)**	**(20,114,468)**	**29,266,797**
Balances - Beginning of Year	40,666,241	10,372,484	51,038,725	48,875,197	51,038,725	—
Balances - End of Year	**$ 49,081,304**	**$ 11,109,750**	**$ 60,191,054**	**$ 36,464,924**	**$ 30,924,257**	**$ 29,266,797**

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation

Year Ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	$ 38,270,525	$ 167,838	$ 38,438,363
Expenditures	45,765,250	(4,162,524)	41,602,726
Net	(7,494,725)	4,330,362	(3,164,363)
Other financing sources (uses), net	15,909,788	(4,940,109)	10,969,679
Beginning fund balances	40,666,241	(1,594,689)	39,071,552
Ending Fund Balances	**$ 49,081,304**	**$ (2,204,436)**	**$ 46,876,868**

	Proprietary Funds			
	Cash Basis	Adjustment for Component Unit	Accrual Adjustments	GAAP Basis
Revenue	$ 16,180,841	$ (4,820,555)	$ (1,788,268)	$ 9,572,018
Expenditures	15,427,920	(4,716,087)	(2,082,094)	8,629,739
Net	752,921	(104,468)	293,826	942,279
Other financing sources (uses), net	(15,655)	—	4,352,395	4,336,740
Beginning fund balances	10,372,484	(3,474,777)	43,003,055	49,900,762
Ending Fund Balances	**$ 11,109,750**	**$ (3,579,245)**	**$ 47,649,276**	**$ 55,179,781**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for the internal service, trust fund and component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by $7,704,195. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

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

Last Four Years*

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

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	$ 707,409	$ 698,972	$ 642,963	$ 605,312	$ 576,709	$ 511,969	$ 460,652	$ 391,774	$ 358,230	$ 319,179
Contributions in relation to the statutorily required contributions	(707,409)	(698,972)	(642,963)	(605,312)	(576,709)	(511,969)	(460,652)	(391,774)	(358,230)	(319,179)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City's covered-employee payroll	$ 7,921,000	$ 7,827,000	$ 7,200,000	$ 6,778,000	$ 6,458,000	$ 5,905,000	$ 5,715,000	$ 5,637,000	$ 5,387,000	$ 5,026,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

Year Ended June 30, 2018

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

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

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

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

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

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

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

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

Last Four Years*

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

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

Schedule of Contributions
Municipal Fire and Police Retirement System of Iowa

Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	$ 1,503,683	$ 1,475,656	$ 1,429,516	$ 1,481,801	$ 1,414,872	$ 1,184,641	$ 1,091,493	$ 862,844	$ 702,481	$ 742,377
Contributions in relation to the statutorily required contributions	(1,503,683)	(1,475,656)	(1,429,516)	(1,481,801)	(1,414,872)	(1,184,641)	(1,091,493)	(862,844)	(702,481)	(742,377)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City's covered-employee payroll	$ 5,855,000	$ 5,693,000	$ 5,148,000	$ 4,873,000	$ 4,697,000	$ 4,535,000	$ 4,408,000	$ 4,336,000	$ 4,132,000	$ 3,959,000
Contributions as a percentage of covered-employee payroll	25.68%	25.92%	27.78%	30.41%	30.12%	26.12%	24.76%	19.90%	17.00%	18.75%

Year Ended June 30, 2018

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

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

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

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

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

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

For the Current Year

	2018
Service cost	$ 42,440
Interest	47,187
Differences between expected and actual experience	(12,596)
Changes of assumptions	—
Benefit payments	(158,486)
Net Change in Total OPEB Liability	(81,455)
Total OPEB Liability - Beginning of Year, as Restated	1,297,337
Total OPEB Liability - End of Year	**$ 1,215,882**
Covered-Employee Payroll	**$ 13,425,000**
Total OPEB Liability as a Percentage of Covered-Employee Payroll	**9.0%**

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

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

Changes of Assumptions
There were no significant changes in assumptions.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2018

	Special Revenue	Capital Projects			Permanent	
	Community Development Block Grant	Park Develop-ment	Main-tenance Bond	Subdivision Develop-ment	Cemetery Perpetual Care	Total
Assets						
Current Assets						
Cash	$ 61,224	$ 175,324	$ 392,076	$ 169,691	$ 182,424	$ 980,739
Fund Balances						
Nonspendable						
Cemetery perpetual care	$ —	$ —	$ —	$ —	$ 182,424	$ 182,424
Restricted for						
Economic development	61,224	—	—	—	—	61,224
Committed for						
Capital projects	—	—	392,076	—	—	392,076
Assigned for						
Capital projects	—	175,324	—	169,691	—	345,015
Total Fund Balances	$ 61,224	$ 175,324	$ 392,076	$ 169,691	$ 182,424	$ 980,739

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

Year Ended June 30, 2018

	Special Revenue	Capital Projects			Permanent	
	Community Development Block Grant	Park Develop-ment	Main-tenance Bond	Subdivision Develop-ment	Cemetery Perpetual Care	Total
Revenue						
Use of money and property	$ 913	$ 2,639	$ 5,769	$ —	$ —	$ 9,321
Intergovernmental	—	—	—	—	6,110	6,110
Charges for service	—	—	38,134	99,403	—	137,537
Total Revenue	**913**	**2,639**	**43,903**	**99,403**	**6,110**	**152,968**
Transfers Out	—	—	—	**(264,909)**	—	**(264,909)**
Net Changes in Fund Balances	**913**	**2,639**	**43,903**	**(165,506)**	**6,110**	**(111,941)**
Fund Balances - Beginning of Year	60,311	172,685	348,173	335,197	176,314	1,092,680
Fund Balances - End of Year	**$ 61,224**	**$ 175,324**	**$ 392,076**	**$ 169,691**	**$ 182,424**	**$ 980,739**

Combining Schedule of Net Position - Nonmajor Enterprise Funds

As of June 30, 2018

	Sewer Rental Replace-ment	City Communi-cation and Utility	Solid Waste	Solid Waste Replace-ment	Urban Forest Utility	Urban Forest Replace-ment	Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash	$ 2,222,960	$ 425,092	$ 140,515	$ 1,152,276	$ 580,677	$ 14,012	$ 4,535,532
Pooled investments	613,844	—	359,992	307,238	48,263	—	1,329,337
Receivables							
Unbilled usage	3,192	—	212,448	—	37,374	—	253,014
Accounts	—	200	104,872	—	20,185	—	125,257
Accrued interest	1,677	—	1,617	1,519	305	—	5,118
Due from other governments	—	—	2,267	358	—	—	2,625
Interfund loan	163,444	—	—	—	—	—	163,444
Total Current Assets	**3,005,117**	**425,292**	**821,711**	**1,461,391**	**686,804**	**14,012**	**6,414,327**
Noncurrent Assets							
Interfund loan	481,368	—	113,186	—	—	—	594,554
Capital assets, net of accumulated depreciation	126,391	48,909	1,007,111	—	165,756	—	1,348,167
Total Noncurrent Assets	**607,759**	**48,909**	**1,120,297**	**—**	**165,756**	**—**	**1,942,721**
Total Assets	**3,612,876**	**474,201**	**1,942,008**	**1,461,391**	**852,560**	**14,012**	**8,357,048**
Deferred Outflows of Resources							
Pension-related deferred outflows	—	—	230,916	—	33,104	—	264,020
Total Assets and Deferred Outflows of Resources	**$ 3,612,876**	**$ 474,201**	**$ 2,172,924**	**$ 1,461,391**	**$ 885,664**	**$ 14,012**	**$ 8,621,068**
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	$ 6,651	$ 804	$ 86,599	$ —	$ 10,748	$ —	$ 104,802
Salaries and benefits payable	—	—	11,594	—	2,997	—	14,591
Total Current Liabilities	**6,651**	**804**	**98,193**	**—**	**13,745**	**—**	**119,393**
Net Pension Liability	**—**	**—**	**685,259**	**—**	**71,144**	**—**	**756,403**
Total Liabilities	**6,651**	**804**	**783,452**	**—**	**84,889**	**—**	**875,796**
Deferred Inflows of Resources							
Pension-related deferred inflows	—	—	13,348	—	1,591	—	14,939
Net Position							
Net investment in capital assets	126,391	48,909	1,007,111	—	165,756	—	1,348,167
Unrestricted	3,479,834	424,488	369,013	1,461,391	633,428	14,012	6,382,166
Total Net Position	**3,606,225**	**473,397**	**1,376,124**	**1,461,391**	**799,184**	**14,012**	**7,730,333**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 3,612,876**	**$ 474,201**	**$ 2,172,924**	**$ 1,461,391**	**$ 885,664**	**$ 14,012**	**$ 8,621,068**

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

Year Ended June 30, 2018

	Sewer Rental Replace-ment	City Communi-cation and Utility	Solid Waste	Solid Waste Replace-ment	Urban Forest Utility	Urban Forest Replace-ment	Total
Operating Revenue							
Licenses and permits	$ —	$ —	$ 2,365	$ —	$ —	$ —	$ 2,365
Charges for service	427,353	5,450	2,003,420	309,196	381,455	—	3,126,874
Miscellaneous	—	—	3,129	—	1,676	—	4,805
Total Operating Revenue	**427,353**	**5,450**	**2,008,914**	**309,196**	**383,131**	**—**	**3,134,044**
Operating Expenses							
Personal services	—	—	1,129,261	—	194,447	—	1,323,708
Services and commodities	8,862	48,341	766,788	—	90,406	—	914,397
Depreciation	—	53,356	140,582	—	13,124	—	207,062
Total Operating Expenses	**8,862**	**101,697**	**2,036,631**	**—**	**297,977**	**—**	**2,445,167**
Operating Income (Loss)	**418,491**	**(96,247)**	**(27,717)**	**309,196**	**85,154**	**—**	**688,877**
Nonoperating Revenue							
Investment income	62,302	6,759	56,470	36,629	10,349	—	172,509
Intergovernmental	—	—	18,374	—	—	—	18,374
Total Nonoperating Revenue	**62,302**	**6,759**	**74,844**	**36,629**	**10,349**	**—**	**190,883**
Income (Loss) Before Transfers	**480,793**	**(89,488)**	**47,127**	**345,825**	**95,503**	**—**	**879,760**
Transfers							
Transfers in	126,689	—	83,467	—	138,353	14,012	362,521
Transfers out	(1,598,335)	—	(101,866)	—	(40,264)	—	(1,740,465)
Total Transfers	**(1,471,646)**	**—**	**(18,399)**	**—**	**98,089**	**14,012**	**(1,377,944)**
Change in Net Position	**(990,853)**	**(89,488)**	**28,728**	**345,825**	**193,592**	**14,012**	**(498,184)**
Net Position - Beginning of Year	4,597,078	562,885	1,347,396	1,115,566	605,592	—	8,228,517
Net Position - End of Year	**$ 3,606,225**	**$ 473,397**	**$ 1,376,124**	**$ 1,461,391**	**$ 799,184**	**$ 14,012**	**$ 7,730,333**

Combining Schedule of Cash Flows - Nonmajor Enterprise Funds

Year Ended June 30, 2018

	Sewer Rental Replacement	City Communication and Utility	Solid Waste	Solid Waste Replacement	Urban Forest Utility	Urban Forest Replacement	Total
Cash Flows From Operating Activities							
Cash received from customers and users	$ 426,224	$ 5,250	$ 2,026,231	$ 309,623	$ 386,585	$ —	$ 3,153,913
Cash paid to employees for services	—	—	(1,091,529)	—	(187,792)	—	(1,279,321)
Cash paid to suppliers for goods and services	(2,211)	(47,567)	(739,190)	—	(84,944)	—	(873,912)
Net Cash Provided by (Used in) Operating Activities	**424,013**	**(42,317)**	**195,512**	**309,623**	**113,849**	**—**	**1,000,680**
Cash Flows From Noncapital Financing Activities							
Net transfers	(1,471,646)	—	(18,399)	—	98,089	14,012	(1,377,944)
State and federal grants received	—	—	18,446	(358)	—	—	18,088
Decrease in due to other funds	—	—	(93,512)	—	—	—	(93,512)
Net Cash Provided by (Used in) Noncapital Financing Activities	**(1,471,646)**	**—**	**(93,465)**	**(358)**	**98,089**	**14,012**	**(1,453,368)**
Cash Flows From Capital and Related Financing Activities							
(Increase) decrease in interfund loan	(117,127)	—	86,814	—	—	—	(30,313)
Acquisition of capital assets	(549,438)	—	(150,111)	—	(138,352)	—	(837,901)
Disposal of capital assets	1,598,335	—	—	—	—	—	1,598,335
Net Cash Provided by (Used in) Capital and Related Financing Activities	**931,770**	**—**	**(63,297)**	**—**	**(138,352)**	**—**	**730,121**
Cash Flows From Investing Activities							
Interest on investments	62,170	6,759	56,652	36,954	10,044	—	172,579
Purchase of investments	(88,739)	—	—	—	(48,263)	—	(137,002)
Sale of investments	—	—	45,013	67,056	—	—	112,069
Net Cash Provided by (Used in) Investing Activities	**(26,569)**	**6,759**	**101,665**	**104,010**	**(38,219)**	**—**	**147,646**
Net Increase (Decrease) in Cash	**(142,432)**	**(35,558)**	**140,415**	**413,275**	**35,367**	**14,012**	**425,079**
Cash - Beginning of Year	2,365,392	460,650	100	739,001	545,310	—	4,110,453
Cash - End of Year	**$ 2,222,960**	**$ 425,092**	**$ 140,515**	**$ 1,152,276**	**$ 580,677**	**$ 14,012**	**$ 4,535,532**
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Income (loss) from operations	$ 418,491	$ (96,247)	$ (27,717)	$ 309,196	$ 85,154	$ —	$ 688,877
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Depreciation	—	53,356	140,582	—	13,124	—	207,062
Change in Assets and Liabilities							
(Increase) decrease in receivables	(1,129)	(200)	17,317	427	3,454	—	19,869
Increase in deferred outflows of resources	—	—	(31,162)	—	(5,202)	—	(36,364)
Increase in payables	6,651	774	27,598	—	5,462	—	40,485
Decrease in salaries and benefits payable	—	—	354	—	175	—	529
Increase in net pension liability	—	—	62,633	—	10,857	—	73,490
Decrease in deferred inflows of resources	—	—	5,907	—	825	—	6,732
Net Cash Provided by (Used in) Operating Activities	**$ 424,013**	**$ (42,317)**	**$ 195,512**	**$ 309,623**	**$ 113,849**	**$ —**	**$ 1,000,680**

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

Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue										
Property tax	$ 21,528,026	$ 19,965,855	$ 19,390,867	$ 18,279,551	$ 17,400,856	$ 16,925,535	$ 16,298,027	$ 15,638,561	$ 14,857,708	$ 14,436,527
Tax increment financing and other city tax	3,388,231	3,792,850	3,131,594	2,374,264	6,411,541	6,506,192	5,386,752	5,238,300	4,531,109	925,485
Licenses and permits	709,629	706,589	732,894	680,770	546,547	512,372	502,751	573,802	541,439	542,547
Use of money and property	1,041,963	684,358	578,032	546,900	524,526	641,024	657,236	658,559	715,090	874,905
Intergovernmental	10,544,302	11,558,481	10,065,390	8,389,101	5,209,702	4,906,177	5,024,346	7,951,255	5,677,970	3,693,796
Charges for service	1,100,117	1,475,946	1,180,883	1,131,847	1,014,752	747,635	842,441	808,083	432,527	408,310
Special assessments	8,736	4,197	556	11,754	12,159	17,085	13,910	18,069	19,323	21,446
Miscellaneous	117,359	441,346	161,179	486,160	14,973	10,815	244,913	53,871	365,070	318,639
Total Revenue	**$ 38,438,363**	**$ 38,629,622**	**$ 35,241,395**	**$ 31,900,347**	**$ 31,135,056**	**$ 30,266,835**	**$ 28,970,376**	**$ 30,940,500**	**$ 27,140,236**	**$ 21,221,655**
Expenditures										
Operating										
Public safety	$ 11,947,367	$ 12,250,645	$ 9,480,056	$ 9,628,508	$ 9,241,883	$ 8,632,337	$ 8,199,484	$ 7,989,669	$ 7,907,480	$ 7,225,455
Public works	3,801,859	3,867,715	3,321,888	3,591,277	3,168,323	2,697,064	3,383,641	3,177,611	3,206,090	2,988,781
Culture and recreation	4,460,863	4,259,120	3,822,840	3,861,382	3,879,457	3,477,272	3,349,677	3,375,571	3,304,388	3,025,885
Community and economic development	2,075,225	2,089,286	1,962,244	2,242,743	2,515,424	1,832,185	1,819,707	1,566,522	1,631,865	1,784,298
General government	2,823,564	2,458,668	2,263,973	2,310,282	1,976,493	1,670,946	1,876,773	1,720,425	1,784,151	1,660,215
Debt service	10,103,064	5,772,530	5,764,400	6,261,762	3,965,993	6,257,258	3,390,626	3,110,244	2,715,648	3,761,247
Capital projects	6,390,784	15,724,032	14,575,014	16,847,966	18,176,800	10,727,089	12,198,330	11,862,997	4,853,756	5,540,965
Total Expenditures	**$ 41,602,726**	**$ 46,421,996**	**$ 41,190,415**	**$ 44,743,920**	**$ 42,924,373**	**$ 35,294,151**	**$ 34,218,238**	**$ 32,803,039**	**$ 25,403,378**	**$ 25,986,846**

HOGAN • HANSEN
A Professional Corporation
Certified Public Accountants and Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion, Iowa, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 8, 2019.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Marion's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings and questioned costs as items 18-I-R-1 and 18-I-R-2 to be material weaknesses and item 18-I-R-3 to be a significant deficiency.

2750 First Avenue, NE, Suite 150, Cedar Rapids, IA 52402-4800 • (319) 366-8267 • Fax (319) 366-8301 • E-Mail cr@hoganhansen.com
Member of American Institute of CPAs - Iowa Society of CPAs

Algona • Ames • Belmond • Cedar Rapids • Forest City • Mason City • Waterloo

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City of Marion's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings and questioned costs as items 18-II-B, 18-II-H and 18-II-J.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Cedar Rapids, Iowa
January 8, 2019

Part I: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

18-I-R-1 Segregation of Duties

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

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

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

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

Identification of Repeat Finding - 17-I-R-1

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

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

Auditor's Conclusion - Response accepted.

18-I-R-2 Financial Statement Preparation

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

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

Cause - As is inherent in many governments of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

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

Identification of Repeat Finding - 17-I-R-2

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

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

Auditor's Conclusion - Response accepted.

18-I-R-3 Credit Cards

Criteria - The City's credit card policy requires employees to submit receipts to support purchases and the department heads to approve the expenditures.

Condition - Credit card statements are not being approved by department heads consistently causing transactions to be reimbursed without proper supporting documentation.

Cause - Inconsistent approval processes between departments and employee error.

Effect or Potential Effect - Improper or unapproved charges could be paid.

Identification of Repeat Finding - 17-I-R-3

Auditor's Recommendation - All receipts should be accounted for, detail what was purchased and be attached to the credit card statement for review by department head to ensure that costs are proper before being given to the accounting department for payment approval. Indication of approval should be applied consistently using a signature or using the approval system in the New World software.

View of Responsible Officials and Planned Correction Action - The City will review its process requiring the department heads to approve the credit card statement electronically in the New World software.

Auditor's Conclusion - Response accepted.

Part II: Findings Related to Statutory Reporting

18-II-A **Certified Budget** - Disbursements during the year ended June 30, 2018 did not exceed the amounts in the amended budget.

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

Paid to	Purpose	Amount
Hy-Vee	Retirement reception	$ 164
VISA	Coffee supplies	17
VISA	Flower arrangements	66
Various restaurants	Meal expenses of the City Manager and department heads	186

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

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

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

Auditor's Conclusion - Response accepted.

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

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

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

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

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

18-II-H **Tax Increment Financing** - The City's tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed in November, 2017 certified only debt payments required in fiscal year 2018 rather than the actual debt incurred. Certifications should certify actual indebtedness.

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

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

Auditor's Conclusion - Response accepted.

18-II-I **Annual Urban Renewal Report** - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

18-II-J **Annual Financial Report (AFR)** - The City completed and filed its June 30, 2017 AFR by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the beginning Proprietary Fund balances did not agree to the ending fund balances reported on the prior year AFR.

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

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

Auditor's Conclusion - Response accepted.

[PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY SYSTEM

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

Book-Entry System

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

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

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

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

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

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

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

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

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

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

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