

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 11, 2014

New Issue

Rating: Moody's Investors Service "Aa1"

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, interest on the Bonds will be excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 provided; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinion of Bond Counsel will also state that under present laws and rulings, that, for certain holders of the Bonds and subject to applicable limitations, the interest on the Bonds will be exempt from the State of Iowa income taxes imposed by Division II (Personal Net Income Tax) and Division III (Business Tax on Corporations) of Chapter 422 of the Code of Iowa. The City will designate the Bonds as "qualified tax exempt obligations." See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein for more information.*



CITY OF MARION, IOWA

**\$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C**

BIDS RECEIVED: Thursday, September 18, 2014, 11:00 o'clock A.M., Central Time

AWARD: Thursday, September 18, 2014, 5:30 o'clock P.M., Central Time

**Dated:** October 2, 2014

**Principal Due:** June 1 as shown inside front cover

The \$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C (the "Bonds") are being issued pursuant to Division III of Chapter 384 and Chapter 403 of the Code of Iowa, and resolutions to be adopted by the City Council of the City of Marion, Iowa (the "City"). The Bonds are being issued for the purpose of paying the cost, to that extent, of a project within the Collins Road Extension Urban Renewal Area consisting of acquisition of real estate for street right-of-way and a project within the Central Corridor Urban Renewal Area known as the Uptown Alley Improvement Project, and a project within the Central Corridor Urban Renewal Area known as the Uptown Façade Improvement Project. The purchaser of the Bonds agrees to enter into a loan agreement with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds are issued in evidence of the City's obligations under the loan agreement. The Bonds are general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes to the repayment of the Bonds.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Bankers Trust Company, Des Moines, Iowa as the City's designated paying agent (the "Paying Agent"), will pay principal of the Bonds, payable annually on each June 1, and interest on the Bonds, payable initially on June 1, 2015, and thereafter on each December 1 and June 1 to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the 15<sup>th</sup> day of the month preceding such interest payment date (the "Record Date").

---

**THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER**

---

**Series 2014C BONDS**

<b>MINIMUM BID:</b>	\$2,338,760.00
<b>GOOD FAITH DEPOSIT:</b>	1% (Required of Purchaser Only)
<b>TAX MATTERS:</b>	Federal: Tax-Exempt State: Tax-Exempt See "TAX EXEMPTION AND RELATED CONSIDERATIONS" section for details.

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to the unqualified approving legal opinion of Dorsey & Whitney LLP, Bond Counsel, of Des Moines, Iowa, to be furnished upon delivery of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 15, 2014. This Preliminary Official Statement will be further supplemented by offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in Rule 15c2-12.

\*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

## CITY OF MARION, IOWA

### \$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C

#### **MATURITY:**

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2016	\$140,000	2024	\$160,000
2017	140,000	2025	160,000
2018	140,000	2026	165,000
2019	145,000	2027	170,000
2020	145,000	2028	175,000
2021	150,000	2029	180,000
2022	150,000	2030	185,000
2023	155,000		

#### **\* PRINCIPAL**

##### **ADJUSTMENT:**

Preliminary; subject to change. The City reserves the right to increase or decrease the aggregate principal amounts of the Bonds. Such changes will be in increments of \$5,000 and may be made in any of the maturities. The purchase price will be adjusted proportionately to reflect any changes in issue sizes.

##### **INTEREST:**

June 1, 2015 and semiannually thereafter.

##### **REDEMPTION:**

The Bonds due after June 1, 2021 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to prospective bidders. Its primary purpose is to disclose information regarding the Bonds to prospective bidders in the interest of receiving competitive bids in accordance with the TERMS OF OFFERING contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement".

**Review Period:** This Preliminary Official Statement has been distributed to City staff as well as to prospective bidders for an objective review of its disclosure. Comments, omissions or inaccuracies must be submitted to Independent Public Advisors, LLC at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received. If there are any changes, corrections or additions to the Preliminary Official Statement, prospective bidders will be informed by an addendum at least one business day prior to the sale.

**Final Official Statement:** Upon award of sale of the Bonds, the City will authorize the preparation of a Final Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the underwriter (the "Syndicate Manager") and syndicate members. Copies of the Final Official Statement will be delivered to the Syndicate Manager within seven business days following the bid acceptance.

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto were prepared relying on information from the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of Independent Public Advisors, LLC (the "Financial Advisor") payable entirely by the City is contingent upon the sale of the issue.

## TABLE OF CONTENTS

<b>TERMS OF OFFERING .....</b>	<b>i</b>
<b>INTRODUCTION .....</b>	<b>1</b>
AUTHORITY AND PURPOSE .....	1
OPTIONAL REDEMPTION OF THE BONDS .....	1
INTEREST ON THE BONDS .....	2
PAYMENT OF AND SECURITY FOR THE BONDS .....	2
BOOK-ENTRY-ONLY ISSUANCE .....	2
FUTURE FINANCING .....	4
LITIGATION .....	4
DEBT PAYMENT HISTORY .....	4
LEGAL MATTERS .....	4
TAX EXEMPTION AND RELATED CONSIDERATIONS .....	5
RELATED TAX MATTERS .....	6
CHANGES IN FEDERAL AND STATE TAX LAW .....	7
RATING .....	7
INVESTMENT CONSIDERATIONS .....	7
FINANCIAL ADVISOR .....	8
CONTINUING DISCLOSURE .....	8
CERTIFICATION .....	9
<b>PROPERTY VALUATIONS .....</b>	<b>10</b>
IOWA PROPERTY VALUATIONS .....	10
1/1/2013 VALUATIONS (Taxes payable July 1, 2014 through June 30, 2015) .....	10
2013 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY .....	10
TREND OF VALUATIONS .....	11
LARGER TAXPAYERS .....	11
LEGISLATION .....	12
<b>INDEBTEDNESS .....</b>	<b>13</b>
DEBT LIMIT .....	13
DIRECT DEBT .....	13
ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS .....	14
CONDUIT DEBT .....	15
INDIRECT DEBT .....	15
DEBT RATIOS .....	16
LEVIES AND TAX COLLECTIONS .....	16
TAX RATES .....	16
LEVY LIMITS .....	17
FUNDS ON HAND (Cash and Investments as of August 31, 2014) .....	17
<b>THE CITY .....</b>	<b>18</b>
CITY GOVERNMENT .....	18
EMPLOYEES AND PENSIONS .....	18
OTHER POST EMPLOYMENT BENEFITS .....	18
UNION CONTRACTS .....	18
INSURANCE .....	19
<b>GENERAL INFORMATION .....</b>	<b>20</b>
LOCATION AND TRANSPORTATION .....	20
LARGER EMPLOYERS .....	20
BUILDING PERMITS .....	21
U.S. CENSUS DATA .....	21
UNEMPLOYMENT RATES .....	22
EDUCATION .....	22
FINANCIAL STATEMENTS .....	22
 <b>APPENDIX A: FORM OF LEGAL OPINION</b>	
<b>APPENDIX B: JUNE 30, 2013 INDEPENDENT AUDITOR'S REPORTS</b>	
<b>APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE</b>	
<b>APPENDIX D: NOTICE OF SALE</b>	
<b>OFFICIAL BID FORM</b>	

# **CITY OF MARION, IOWA**

## **Mayor and City Council**

Allen "Snooks" Bouska	Mayor
Kim Etzel	Council Member--Ward One
Joe Spinks	Council Member--Ward Two & Mayor Pro-Tem
Cody Crawford	Council Member--Ward Three
Nick Abou Assaly	Council Member--Ward Four
Mary Lou Pazour	Council Member--At Large
Paul Draper	Council Member--At Large

## **Administration**

Lon Pluckhahn	City Manager
Wesley A. Nelson	Finance Director/City Clerk

## **City Counsel**

Donald C. Hoskins  
Marion, Iowa

## **Bond Counsel**

Dorsey & Whitney LLP  
Des Moines, Iowa

## **Financial Advisor**

Independent Public Advisors, LLC  
Johnston, Iowa

## **TERMS OF OFFERING**

### **CITY OF MARION, IOWA**

This section sets forth the description of certain of the terms of the Bonds as well as the Terms of Offering with which all bidders and bid proposals are required to comply, as follows:

#### **DETAILS OF THE BONDS**

General Obligation Urban Renewal Bonds, Series 2014C, in the aggregate principal amount of \$2,360,000\* to be dated October 2, 2014, in the denomination of \$5,000 or any integral multiples thereof designated by the Purchaser within forty-eight hours of acceptance of the bid, and will mature as follows:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2016	\$140,000	2024	\$160,000
2017	140,000	2025	160,000
2018	140,000	2026	165,000
2019	145,000	2027	170,000
2020	145,000	2028	175,000
2021	150,000	2029	180,000
2022	150,000	2030	185,000
2023	155,000		

#### **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds due after June 1, 2021 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

\*Preliminary; subject to change.

## **INTEREST ON THE BONDS**

Interest on the Bonds will be payable on June 1, 2015 and semiannually on the 1<sup>st</sup> day of each December and June thereafter until the principal on the Bonds is paid in full. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the 15<sup>th</sup> day of the month preceding such interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

## **GOOD FAITH DEPOSIT**

A good faith deposit in the amount of \$23,600 for Bonds ("the Deposit") is required from the lowest bidder only. The lowest bidder is required to submit such Deposit payable to the order of the City in the form of either (i) a cashier's check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City's Financial Advisor not later than 1:00 P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of the lowest bidder may be rejected and the City may direct the second lowest bidder to submit a deposit and thereafter may award the sale of the Bonds to the same. No interest on the Deposit will accrue to the successful bidder (the "Purchaser"). The Deposit will be applied to the purchase price of the Bonds. In the event a Purchaser fails to honor its accepted bid proposal, the Deposit will be retained by the City.

## **FORM OF BIDS AND AWARD**

All bids shall be unconditional for the Bonds for a price not less than \$2,338,760, plus accrued interest, if any, and shall specify the rate or rates of interest in conformity to the limitations set forth under the "RATES OF INTEREST" section. Bids must be submitted on or in substantial compliance with the OFFICIAL BID FORM provided by the City.

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (the "TIC") basis assuming compliance with the "GOOD FAITH DEPOSIT" section. The TIC shall be determined by the present value method, i.e., by ascertaining the semiannual rate, compounded semiannually, necessary to discount to present value as of the dated date of the Bonds, the amount payable on each interest payment date and on each stated maturity date or earlier mandatory redemption, so that the aggregate of such amounts will equal the aggregate purchase price offered therefore. The TIC shall be stated in terms of an annual percentage rate and shall be that rate of interest, which is twice the semiannual rate so ascertained (also known as the Canadian Method). The TIC shall be as determined by the Financial Advisor based on the TERMS OF OFFERING and all amendments, and on the bids as submitted. The Financial Advisor's computation of the TIC of each bid shall be controlling. In the event of tie bids for the lowest TIC, the Bonds will be awarded by lot.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

## **RATES OF INTEREST**

The rates of interest specified in the bidder's proposal must conform to the following limitations:

1. Each annual maturity must bear a single rate of interest from the dated date of the Bonds to the date of maturity.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.
3. Each rate of interest specified for any annual maturity shall not be less than a rate of interest specified for any earlier maturity. Rates must be level or in ascending order.

## **RECEIPT OF BIDS**

Form of Bids: Bids must be submitted on or in substantial compliance with the NOTICE OF SALE and OFFICIAL BID FORM provided by the City or through PARITY® competitive bidding system (the “Internet Bid System”). The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of an electronic bid or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be accepted after the time specified in the Official Bid Form as published in this Preliminary Official Statement. The time as maintained by the Internet Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the City Hall, 1225 6<sup>th</sup> Avenue, Marion, Iowa 52302.

Electronic Internet Bidding: Electronic internet bids must be submitted through the Internet Bid System. Information about the Internet Bid System may be obtained by calling (212) 404-8102.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the NOTICE OF SALE and OFFICIAL BID FORM. The City is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the Internet bidding and the Internet Bid System is not an agent of the City. Provisions of the NOTICE OF SALE and OFFICIAL BID FORM shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Electronic facsimile bids will be received at City Hall, Marion, Iowa (facsimile number: (319) 377-7892). Electronic facsimile bids will be sealed and treated as sealed bids.

Facsimile Transmissions received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full responsibility for the transmission of such bid. Neither the City nor its agents shall be responsible for malfunction or mistake made by any person, or as a result of the use of the facsimile facilities or any other means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named facsimile numbers prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator receiving the bids.

## **BOOK-ENTRY-ONLY ISSUANCE**

The Bonds will be issued by means of a book-entry only system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The Purchaser, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC.



## **MUNICIPAL BOND INSURANCE AT PURCHASER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds. The City reserves the right in its sole discretion to accept or deny changes to the financing documents requested by the insurer selected by the Purchaser.

## **DELIVERY**

The Bonds will be delivered to the Purchaser via Fast Automated Securities Transfer ("FAST") delivery with the Registrar holding the Bonds on behalf of DTC, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within forty-five days after the sale. Should delivery be delayed beyond sixty days from the date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw their bid and thereafter their interest in and liability for the Bonds will cease. When the Bonds are ready for delivery, the City will give the Purchaser five working days notice of the delivery date and the City will expect payment in full on that date, otherwise reserving the right at its option to determine that the Purchaser failed to comply with the offer of purchase.

## **INFORMATION FROM PURCHASER**

The Purchaser will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Purchaser will also be required to provide a certificate at closing confirming the information required by this paragraph.

## **OFFICIAL STATEMENT**

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds. The Preliminary Official Statement when further supplemented with maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

By awarding the Bonds to any underwriter or underwriting syndicate submitting an OFFICIAL BID FORM therefore, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter(s) of the syndicate to which each series of the Bonds are awarded up to 20 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to the Participating Underwriter. Any underwriter executing and delivering an OFFICIAL BID FORM with respect to the Bonds agrees thereby that if its bid is accepted by the City, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

## **CONTINUING DISCLOSURE**

In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will undertake, pursuant to the resolution for the Bonds and the Continuing Disclosure Certificate for the Bonds, to provide certain annual financial information and notices of the occurrence of certain material events. A description of these undertakings is set forth in APPENDIX C of this Preliminary Official Statement. The City will deliver the Continuing Disclosure Certificate at closing, and any failure on the part of the City to deliver the same shall relieve the Purchaser of its obligation to purchase the Bonds.

Except as described in the following sentences, the City has complied, in all material respects, with its continuing disclosure undertakings during the previous five years. With respect to the City's \$3,100,000 General Obligation Corporate Purpose Bonds, Series 2003 (the "2003 Bonds") and its \$700,000 General Obligation City Hall/Community Center Bonds, Series 2004 (the "2004 Bonds"), the applicable continuing disclosure undertakings required submission of the audited financial statements within 180 days of each fiscal year end. As the City's audits were often not completed within this time frame, the City filed timely notices in fiscal years 2010 through 2012 that the audit was not available and would be filed when available. However, the City did not include its unaudited financial statements with such notices, as required by the applicable continuing disclosure undertakings. The City did file the required audited financial statements for each such year. The 2003 Bonds and the 2004 Bonds are no longer outstanding.

## **CUSIP NUMBERS**

It is anticipated that Committee on Uniform Security Identification Procedures ("CUSIP") numbers will be printed on the Bonds and the Purchaser must agree in the bid proposal to pay the cost thereof. In no event will the City, Bond Counsel or Financial Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds.

---

BY ORDER OF THE CITY COUNCIL

City of Marion  
1225 6<sup>th</sup> Avenue  
Marion, IA 52302

## OFFICIAL STATEMENT

### CITY OF MARION, IOWA

#### **\$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C**

### INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Marion, Iowa (the “City”) and its issuance of \$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C (the “Bonds”). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of the Bonds authorized therein. Inquiries may be directed to Independent Public Advisors, LLC, 8805 Chambery Blvd, Suite 300, #114, Johnston, Iowa 50131, or by telephoning (515) 259-8193. Information can also be obtained from the City Clerk, City of Marion, 1225 6<sup>th</sup> Avenue, Marion, Iowa 52302, or by telephoning (319) 743-6350.

### AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Division III of Chapter 384 and Chapter 403 of the Code of Iowa, and resolutions to be adopted by the City Council of the City of Marion, Iowa (the “City”). The Bonds are being issued for the purpose of paying the cost, to that extent, of a project within the Collins Road Extension Urban Renewal Area consisting of acquisition of real estate for street right-of-way and a project within the Central Corridor Urban Renewal Area known as the Uptown Alley Improvement Project, and a project within the Central Corridor Urban Renewal Area known as the Uptown Façade Improvement Project. The purchaser of the Bonds agrees to enter into a loan agreement with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds are issued in evidence of the City’s obligations under the loan agreement. The Bonds are general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes to the repayment of the Bonds.

The estimated Sources and Uses of the Bonds are as follows:

Sources of Funds	
Par Amount*	\$2,360,000.00
Uses of Funds	
Project Fund	\$2,270,913.44
Capitalized Interest	33,246.56
Underwriter’s Discount	34,600.00
Cost of Issuance & Rounding	<u>21,240.00</u>
Total	\$2,360,000.00

\*Preliminary; subject to change.

### OPTIONAL REDEMPTION OF THE BONDS

The Bonds due after June 1, 2021 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

## **INTEREST ON THE BONDS**

Interest on the Bonds will be payable on June 1, 2015 and semiannually on the 1<sup>st</sup> day of each December and June thereafter until the principal on the Bonds is paid in full. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the 15<sup>th</sup> day of the month preceding such interest payment date (the “Record Date”). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

## **PAYMENT OF AND SECURITY FOR THE BONDS**

The Bonds constitute valid and binding general obligations of the City, and all taxable property within the corporate boundaries is subject to the levy of debt service property taxes to pay principal of and interest on the Bonds. If the amount credited to the debt service fund for payment of the Bonds is insufficient to pay principal and interest, whether from transfers or from original levies, the City must use funds in its treasury and is required to levy ad valorem taxes upon all taxable property in the City sufficient to pay the debt service deficiency without limit as to rate or amount.

The City’s obligation to pay the principal of and interest on the Bonds is on parity with the City’s obligation to pay the principal of and interest on any other of its general obligation debt secured by a covenant to levy taxes within the City, including any such debt issued or incurred after the issuance of the Bonds. The resolutions authorizing the Bonds do not restrict the City’s ability to issue or incur additional general obligation debt, although issuance of additional general obligation debt is subject to the same constitutional and statutory limitations that apply to the issuance of the Bonds. For a further description of the City’s outstanding general obligation debt upon issuance of the Bonds and the annual debt service on the Bonds, see DIRECT DEBT under INDEBTEDNESS herein. For a description of certain constitutional and statutory limits on the issuance of general obligation debt, see DEBT LIMIT under INDEBTEDNESS herein.

## **BOOK-ENTRY-ONLY ISSUANCE**

*The information contained in the following paragraphs of this subsection “Book-Entry-Only Issuance” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE.” The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 (the “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 (the “Indirect Participants”). DTC has Standard & Poor’s rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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 Issuer 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.

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities

held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant’s interest in the Securities, on DTC’s records, to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent’s DTC account.

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

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

## **FUTURE FINANCING**

The City does not anticipate additional issuance in the next 90 days.

## **LITIGATION**

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

## **DEBT PAYMENT HISTORY**

The City knows of no instance in which it has defaulted in the payment of principal or interest on its debt.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt or taxable status of the interest thereon (see “TAX EXEMPTION AND RELATED TAX CONSIDERATIONS” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX A. 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 Purchaser at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

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

Bond Counsel has not been engaged, nor has it undertaken, to prepare or to independently verify the accuracy of the Preliminary Official Statement, including but not limited to financial or statistical information of the City and risks associated with the purchase of the Bonds, except Bond Counsel has reviewed the information and statements contained in the Preliminary Official Statement in the first paragraph in the section titled “AUTHORITY AND PURPOSE”, “PAYMENT OF AND SECURITY FOR THE BONDS” and “CONTINUING DISCLOSURE” insofar

as such statements contained under such captions purport to summarize certain provisions of the Internal Revenue Code of 1986, the Bonds and any opinions rendered by Bond Counsel. Bond Counsel has prepared the documents contained in APPENDIX A and APPENDIX C.

## **TAX EXEMPTION AND RELATED CONSIDERATIONS**

Federal Income Tax Exemption: The opinion of Bond Counsel will state that under present laws and rulings, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the "Code"); provided, however, that such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The opinions set forth in the preceding sentence will be subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds and 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 resolutions authorizing the issuance of the Bonds, the City will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch 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 such bonds should consult with their tax advisors as to such matters.

Tax Accounting Treatment of Discount and Premium on Certain Bonds: The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount 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.

The initial public offering price of certain of the Bonds (the "Premium Bonds") may be greater than the amounts payable on such Bonds 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 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 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 Bonds acquired at a premium.

**Bank Qualification:** In the resolutions authorizing the issuance of the Bonds, the City will designate such Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations.

**State of Iowa Taxation:** The opinion of Bond Counsel will also state that the interest on the Series 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.

## **RELATED TAX MATTERS**

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

**Opinions:** Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no



obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

## **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 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.

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.

## **RATING**

The Bonds have an uninsured rating of 'Aa1' by Moody's Investors Service ("Moody's"). In addition, Moody's currently rates the City's outstanding uninsured General Obligation Debt as 'Aa1'. Such ratings reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from the respective rating agency. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of the ratings may have an effect on the market price of the Bonds.

## **INVESTMENT CONSIDERATIONS**

**A PROSPECTIVE PURCHASER OF THE BONDS SHOULD BE AWARE THAT THERE ARE CERTAIN INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE BONDS. EACH PROSPECTIVE PURCHASER OF THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, AND TO GIVE PARTICULAR ATTENTION TO THE CONSIDERATIONS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE AND THE MARKET PRICE ON THE BONDS. THE FOLLOWING STATEMENTS REGARDING CERTAIN INVESTMENT CONSIDERATIONS SHOULD NOT BE CONSIDERED A COMPLETE DESCRIPTION OF ALL CONSIDERATIONS IN THE DECISION TO PURCHASE THE BONDS.**

Investment Rating: The rating assigned to the Bonds by Moody's reflects only the Rating Agency's view of the likelihood the Bondholders will receive payments of interest when due and principal on the Bonds on their respective maturity dates. There is no assurance that the rating will remain for any given period of time or that the rating will not be lowered, suspended or withdrawn by the Rating Agency if, in the Rating Agency's judgment, circumstances so warrant based upon factors prevailing at the time. The lowering, suspension or withdrawal of the investment rating initially assigned to the Bonds could adversely affect the market price and the market for the Bonds.

Secondary Market: Although the City anticipates that the Purchaser will make a market for the Bonds, such market making may be discontinued at any time. There can be no assurance that there will be a secondary market for the Bonds, and the absence of such a market could result in investors not being able to resell their Bonds should they need or wish to do so.

Redemption of Bonds: The Bonds maturing on or after June 1, 2022 are subject to redemption prior to maturity on any date on or after June 1, 2021 in whole or in part at a redemption price of par plus accrued interest to the date of redemption. The redemption of the Bonds prior to their stated maturity may subject bondholders to the risk of reinvestment at a time when comparable returns are not available.

## **FINANCIAL ADVISOR**

The City has retained Independent Public Advisors, LLC, Johnston, Iowa as financial advisor (the “Financial Advisor”) in connection with the preparation of the issuance of the Bonds. In preparing the Preliminary Official Statement, the Financial Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Financial 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 Preliminary Official Statement. Independent Public Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **CONTINUING DISCLOSURE**

In order to permit bidders for the Bonds and other Participating Underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution authorizing the issuance of the Bonds and the Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth as APPENDIX C to this Preliminary Official Statement.

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

Except as described in the following sentences, the City has complied, in all material respects, with its continuing disclosure undertakings during the previous five years. With respect to the City’s \$3,100,000 General Obligation Corporate Purpose Bonds, Series 2003 (the “2003 Bonds”) and its \$700,000 General Obligation City Hall/Community Center Bonds, Series 2004 (the “2004 Bonds”), the applicable continuing disclosure undertakings required submission of the audited financial statements within 180 days of each fiscal year end. As the City’s audits were often not completed within this time frame, the City filed timely notices in fiscal years 2010 through 2012 that the audit was not available and would be filed when available. However, the City did not include its unaudited financial statements with such notices, as required by the applicable continuing disclosure undertakings. The City did file the required audited financial statements for each such year. The 2003 Bonds and the 2004 Bonds are no longer outstanding.

## **CERTIFICATION**

The City has authorized the execution and delivery of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. The City has reviewed the information contained within the Preliminary Official Statement prepared on behalf of the City of Marion, Iowa, by Independent Public Advisors, LLC, Johnston, Iowa, and to the best of its knowledge, information and belief, said Preliminary Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C.

CITY OF MARION, IOWA  
/s/ Lon Pluckhahn, City Manager

\*Preliminary; subject to change.

## 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 2013 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 2013, the Taxable Value rollback rate was 54.4002% of Actual Value for residential property; 43.3997% of Actual Value for agricultural property; 95% of Actual Value for commercial, industrial, and railroad 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 4% 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.

### 1/1/2013 VALUATIONS (Taxes payable July 1, 2014 through June 30, 2015)

	100% <u>Actual Value</u>	Taxable Value <u>(With Rollback)</u>
Residential	\$1,926,314,744	\$1,037,321,589
Commercial	308,096,621	291,736,685
Industrial	12,664,735	11,972,490
Utilities w/o Gas & Electric	6,250,379	6,250,379
Gross valuation	\$2,253,326,479	\$1,347,281,143
Less military exemption	<u>(3,407,124)</u>	<u>(3,407,124)</u>
Net valuation	\$2,249,919,355	\$1,343,874,019
TIF increment (used to compute debt service levies and constitutional debt limit)	\$43,521,300	\$43,521,300
Taxed separately		
Ag. Land & Buildings	\$7,442,200	\$3,229,892
Utilities – Gas & Electric	\$44,606,939	\$15,277,687

### 2013 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY<sup>1</sup>

	<u>Taxable Valuation</u>	<u>Percent Total</u>
Residential	\$1,037,321,589	75.95%
Ag. Land & Ag. Buildings	\$3,229,892	0.24%
Commercial, Industrial, Utility	309,959,554	22.69%
Utilities – Gas & Electric	<u>15,277,687</u>	<u>1.12%</u>
Total Gross Taxable Valuation	\$1,365,788,722	100.00%

<sup>1</sup> Before military exemption, and exclusive of taxable TIF increment.

## TREND OF VALUATIONS

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

Assessment <u>Year</u>	Payable <u>Fiscal Year</u>	100% <u>Actual Valuation</u>	Taxable Valuation <u>(With Rollback)</u>	Taxable <u>TIF Increment</u>
2009	2010-11	\$2,098,107,928	\$1,141,690,053	\$19,029,137
2010	2011-12	2,160,215,434	1,193,708,730	22,309,177
2011	2012-13	2,207,750,992	1,227,370,278	50,012,871
2012	2013-14	2,272,526,215	1,314,492,871	44,836,817
2013	2014-15	2,345,489,794	1,359,151,706	43,521,300

## LARGER TAXPAYERS

<u>Taxpayer</u>	<u>Property Type</u>	1/1/2013 <u>Taxable Valuation</u>
Wal-Mart Real Estate	Retail Sales & Grocery	\$13,027,445
Menard Inc	Construction Supply Sales	12,589,020
Collins Square	Shopping Center	11,209,905
Interstate Power Co/Alliant	Electric & Gas Utility	10,102,027
Marion Senior Development LLC	Residential Housing	8,566,815
Azure Co-op	Residential Housing	6,537,924
Rosslare Capital Investments LLC	Residential Housing	6,354,013
Tama Street Properties, LLC	Commercial	6,006,945
Hy-Vee Food Stores Inc	Grocery	5,049,345
Qwest Communications	Communication Utility	4,632,427
M & E Investments LLC	Financial Management	4,485,520
SCV Marion MHP LLC	Mobile Home Park	4,418,260
Chapelridge of CR Partnership	Residential Housing	4,375,081
Tapestry Village Place Ind. Living LLC	Residential Housing	4,196,214
Mid American Energy-Gas	Natural Gas Utility	3,188,730

## LEGISLATION

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

Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation debt: “The governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding the applicable period of time specified in section 76.1. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.” Iowa Code section 76.1 provides that the annual levy shall be sufficient to pay the interest and approximately such portion of the principal of the bonds as will retire them in a period not exceeding twenty years from the date of issue, except for certain bonds issued for disaster purposes and bonds issued to refund or refinance bonds issued for such disaster purposes which may mature and be retired in a period not exceeding thirty years from date of issue.

2013 Property Tax Legislation: During its 2013 session the Iowa Legislature enacted, and the Governor signed, Senate File 295 (“SF 295”). Among other things, SF295 limits annual assessed value growth with respect to residential and agricultural property (from 4% to 3%), reduces the taxable value applicable to commercial, industrial and railroad property to 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, and provides a partial exemption on telecommunications property. SF295 also creates a new classification for multiresidential properties (which were previously taxed as commercial properties), and assigns an incremental rollback percentage over several years for such multiresidential properties, such that the rollback determination will match that for residential properties in the 2022 assessment year. As a result of SF 295, local governments expect to experience reductions in property tax revenues over the next several fiscal years. SF 295 includes state-funded replacement for a portion of the expected reduction in property tax revenues to the local governments, but such replacement funding is limited in both amount and duration of availability. The City does not expect the state replacement funding to fully address the property tax reductions resulting from SF 295.

## 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 2013 Actual Valuation currently applicable to the fiscal year 2014-15, is as follows:

2013 Actual Valuation of Property	\$2,348,896,918
Less: Military Exemption	<u>(3,407,124)</u>
Net Valuation	\$2,345,489,794
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	<u>\$117,274,490</u>
Less: Applicable General Obligation Debt	<u>(43,927,274)</u>
Constitutional Debt Margin	\$73,347,216

### DIRECT DEBT

#### General Obligation Debt Paid by Property Taxes

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/11/14</u>
07/06	60,255	Geothermal System	07/16	\$12,668
12/06	285,577	Geothermal System	01/17	75,520
12/07B	5,000,000	Corporate Purpose	06/18	2,295,000
12/09C	6,285,000	Corporate Purpose	06/25	4,890,000
12/10	250,000	Genesis Wellness Interfund Loan	06/16	104,086
02/12A	3,050,000	Corporate Purpose	06/28	1,880,000
02/12B	4,570,000	Corporate Purpose	06/23	4,240,000
03/13A	2,610,000	Refunding	06/17	1,860,000
11/13A COP	9,950,000	Police Building Lease	06/33	9,950,000
11/13B COP	1,700,000	Taxable Police Building Lease	06/20	1,700,000
01/14A	6,575,000	Corporate Purpose	06/29	<u>6,575,000</u>
Subtotal				\$33,582,274

**General Obligation Debt Paid by Tax Increment (Includes the Bonds)**

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/11/14</u>
12/09B	\$2,120,000	Urban Renewal	06/20	\$1,340,000
02/12A	6,220,000	Urban Renewal	06/28	5,580,000
02/14B	1,065,000	Urban Renewal	06/25	1,065,000
10/14C	2,360,000	Urban Renewal	06/25	<u>2,360,000</u> *
Subtotal				\$10,345,000 *

**Total General Obligation Debt Subject to Debt Limit:**

**\$43,927,274\***

**ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS**

**General Obligation Debt Paid by Property Taxes**

	<b><u>Total Outstanding G.O. Debt Paid by Taxes</u></b>	
<u>Fiscal Year</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2014-15	\$2,385,666	\$3,507,970
FY 2015-16	2,543,895	3,519,186
FY 2016-17	2,640,626	3,535,911
FY 2017-18	2,445,000	3,270,230
FY 2018-19	1,890,000	2,650,450
FY 2019-20	1,995,000	2,709,175
FY 2020-21	2,060,000	2,723,455
FY 2021-22	2,135,000	2,740,530
FY 2022-23	2,220,000	2,763,030
FY 2023-24	1,785,000	2,262,336
FY 2024-25	1,850,000	2,269,036
FY 2025-26	1,390,000	1,747,611
FY 2026-27	1,440,000	1,752,830
FY 2027-28	1,515,000	1,778,530
FY 2028-29	1,430,000	1,639,343
FY 2029-30	875,000	1,030,718
FY 2030-31	925,000	1,047,905
FY 2031-32	980,000	1,065,905
FY 2032-33	<u>1,090,000</u>	1,135,235
Total	\$33,595,187	



## General Obligation Debt Paid by Tax Increment

Fiscal Year	<u>Current Outstanding G.O. Debt Paid by Increment</u>		<u>The Bonds*</u>		<u>Total Outstanding G.O. Debt Paid by Increment*</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2014-15	\$555,000	747,871		\$32,073	\$555,000	\$779,944
FY 2015-16	660,000	831,819	\$140,000	158,050	800,000	1,022,909
FY 2016-17	680,000	837,569	140,000	190,306	820,000	1,027,875
FY 2017-18	685,000	826,769	140,000	189,200	825,000	1,015,969
FY 2018-19	705,000	830,819	145,000	192,646	850,000	1,023,465
FY 2019-20	730,000	839,369	145,000	190,544	875,000	1,029,912
FY 2020-21	490,000	582,013	150,000	193,064	640,000	775,077
FY 2021-22	505,000	587,213	150,000	190,124	655,000	777,337
FY 2022-23	515,000	586,838	155,000	191,929	670,000	778,767
FY 2023-24	530,000	590,988	160,000	193,364	690,000	784,352
FY 2024-25	550,000	599,294	160,000	189,492	710,000	788,786
FY 2025-26	445,000	481,319	165,000	190,444	610,000	671,763
FY 2026-27	460,000	485,750	170,000	191,072	630,000	676,822
FY 2027-28	<u>475,000</u>	489,250	175,000	191,244	650,000	680,494
FY 2028-29			180,000	191,116	180,000	191,116
FY 2029-30			<u>185,000</u>	190,698	<u>185,000</u>	190,698
Total	\$7,985,000		\$2,360,000		\$10,345,000	

## CONDUIT DEBT

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

## INDIRECT DEBT

<u>Taxing District</u>	<u>1/1/2013 Taxable Valuation</u>	<u>Portion of Taxable Value In the City</u>	<u>Percent Applicable</u>	<u>GO Debt<sup>2</sup> Outstanding As of 09/11/14</u>	<u>City's Indirect Portion</u>
Linn County	\$10,399,440,760	\$1,402,673,006	13.49%	\$20,275,000	\$2,734,685
Cedar Rapids CSD	5,327,145,465	27,649,683	0.52%	20,905,000	108,504
Linn Mar CSD	1,862,419,851	958,870,228	51.49%	38,921,188	20,038,644
Marion CSD	446,875,883	419,901,081	93.96%	9,735,000	9,147,365
Kirkwood Comm. College	22,848,558,972	1,402,673,006	6.14%	150,167,728	<u>9,218,797</u>
TOTAL					\$41,247,995

<sup>2</sup> School district figures exclude Sale and Service Tax Revenue Bonds.

## DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value \$2,345,489,794</u>	<u>Debt/34,768 Population</u>
Direct General Obligation Debt	43,927,274	1.873%	1,263.44
Indirect General Obligation Debt	<u>41,353,956</u>	<u>1.763%</u>	<u>1,189.43</u>
Combined Debt	85,281,230	3.636%	2,452.87

## LEVIES AND TAX COLLECTIONS

<u>Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% of Taxes Levied</u>
2010-11	15,618,897	15,673,680	100.35%
2011-12	16,187,735	16,244,186	100.35%
2012-13	16,856,338	16,961,076	100.62%
2013-14	17,394,850	17,432,884	100.22%
2014-15	17,753,316	--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

	<u>Tax Rates (Per \$1,000 of Taxable Value)</u>				
<u>Taxing Jurisdiction:</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Linn County	6.06829	6.11117	6.11191	6.11191	6.14191
City of Marion	13.63603	13.50980	13.62416	13.15637	13.12953
Cedar Rapids CSD	15.17046	15.16034	15.16089	15.47881	15.48446
Linn-Mar CSD	19.73839	18.54161	17.73099	17.26780	17.00411
Marion ISD	16.30509	16.95941	17.06215	17.45846	18.41490
County Assessor	0.51507	0.53595	0.51059	0.20364	0.36758
County Ag Extension	0.05377	0.05247	0.05019	0.05000	0.05027
Kirkwood Community College	0.92566	0.99870	1.07888	1.06473	1.05754
State of Iowa	<u>0.00340</u>	<u>0.00320</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>
<u>Consolidated Rates:</u>					
Cedar Rapids CSD	36.37268	36.37163	36.53992	36.06876	36.23459
Linn-Mar CSD	40.94061	39.75290	39.11002	37.85775	37.75424
Marion ISD	37.50731	38.17070	38.44118	38.04841	39.16503

## 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 2014-15, and the City is not using the emergency levy. The City also levies for employee benefits. Debt service levies are not limited.

## FUNDS ON HAND (Cash and Investments as of August 31, 2014)

General Fund	\$5,339,474
Road Use Tax	2,852,325
Road Use Replacement	831,518
Tax Stabilization	290,653
Sewer Rental	538,516
Solid Waste	467,532
Debt Service	230,823
Sewer Replacement	2,602,790
City Communications	476,277
Solid Waste Replacement	559,657
Trust and Agency	280,729
Tax Increment Financing	547,979
Employee Benefits	1,026,895
Trust & Agency - Health Ins.	1,643,550
Capital Projects - Misc.	29,350,753
Subdivision Development Escrow	12,851
Park Development	169,373
Maintenance Bond Fund	309,826
Stormwater Maintenance	757,550
Equipment Reserve	3,118,143
Urban Forest Utility	265,079
Special Census Reserve	301,674
Cemetery Perp. Care	161,285
Cemetery Memorial	1,373
Pension-Self Ins.	<u>721,117</u>
Total	\$52,857,742

# **THE CITY**

## **CITY GOVERNMENT**

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

## **EMPLOYEES AND PENSIONS**

The City currently has 168 full-time and 160 part-time employees (including seasonal employees), of which 42 are police officers and 28 are fire fighters. In addition, the City has 25 volunteer fire fighters. All full-time and most part-time employees are enrolled in the Iowa Public Employees Retirement System (the "IPERS"); a cost sharing multiple-employer public employee retirement system designed as a supplement to Social Security. The pension plan provides retirement and death benefits, which are established by State statute. The City is current in its obligation to IPERS, which has been as follows for the last three years: \$460,484 in FY 2011/12, \$512,177 in FY 2012/13, and \$570,712 in FY 2013/14. For FY 2014/15 plan members are required to contribute 5.95% of their annual covered salary, and the City is required to contribute 8.93% of annual covered payroll. Full-time firefighters and police officers are enrolled in the Municipal Fire and Police Retirement System of Iowa (the "MFPRSI") administered by the MFPRSI Board under Chapter 411 of the Code of Iowa. The City is current in its obligation to MFPRSI which has been as follows: \$1,091,493 in FY 2011/12, \$1,184,641 in FY 2012/13, and \$1,414,872 in FY 2013/14.

## **OTHER POST EMPLOYMENT BENEFITS**

The City does not pay any portion of premiums for retired persons and therefore only has implicit costs. An actuarial report has been completed which lists the unfunded actuarial liability as of July 1, 2013 of \$1,661,818 for the City of Marion and \$114,717 for the Marion Water Department.

## **UNION CONTRACTS**

City employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Policeman's Protective Association	June 30, 2016
Local 1937 International Association of Firefighters	June 30, 2015
AFSCME	June 30, 2016

## INSURANCE

The City's insurance coverage is as follows:

<u>Type of Coverage</u>	<u>Limits</u>
Legal Defense and Claim Payment Agreement	
Third Party Legal Liability	\$11,000,000
Wrongful Acts (Public Officials)	\$11,000,000
Law Enforcement Liability	\$11,000,000
Workers' Compensation (Statutory)	
Each Accident	\$5,000,000
Memorandum	\$5,000,000
Each Employee	\$5,000,000
Property	
Blanket	\$50,706,014
Real Property	\$42,379,461
Personal Property	\$5,244,000
EDP	\$203,293
Fine Arts	\$164,300
Miscellaneous Scheduled Property	\$2,714,960
Auto	
Liability	\$11,000,000
Uninsured/Underinsured motorists	\$1,000,000

## GENERAL INFORMATION

### LOCATION AND TRANSPORTATION

The City is located in eastern Central Iowa adjacent to the City of Cedar Rapids and approximately 50 miles from Dubuque. The City's population has grown from 18,028 in the 1970 census to a total of 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.

### LARGER EMPLOYERS

The City Marion, part of the larger Cedar Rapids metropolitan area, benefits from a diversity of business and industry. The following table is a representative list of major employers within the City.

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Linn-Mar Community School District <sup>3</sup>	Education	987
Hy-Vee Food & Drug Store	Grocery Store	423
Marion Independent School District	Education	370
City of Marion	Government	168
Limolink	Limousine Services	150
US Cellular	Communications	150
Timberline Manufacturing	Electrical Contact Manufacturing	145
ESCO Group	Automation & Electrical Contracting	125
Farmers State Bank <sup>4</sup>	Financial Institution	108
Freund-Vector Corporation	Food Products Machinery	118
Berthel Fisher	Financial Services	80
Legacy Manufacturing	Automotive & Industrial Manufacturing	50
Linn Cooperative Oil Co.	Agricultural Chemicals	44
Frank N. Magid Associates Research	Consultation for Media	38
Marion Mixers	Custom Mixing Equipment	36

Sources: The City and internet and phone survey conducted August-September 2014 unless otherwise indicated.

---

<sup>3</sup> This number represents employees for the entire school district, of which a portion is located outside of the City.

<sup>4</sup> Total of 152 employees, 108 located in the City of Marion.

Additional leading employers in the Cedar Rapids metropolitan area include, but are not limited to the following:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Rockwell Collins	Communication Instruments	9,748
Hy-Vee Food Stores	Grocery Stores	4,094
Transamerica Life Insurance/AEGON USA, Inc.	Insurance	3,700
St. Luke's Hospital	Health Care	3,312
Cedar Rapids Community School District	Education	2,899
Mercy Medical Center	Health Care	2,819
Whirlpool Corporation	Household Appliances	1,900
Kirkwood Community College	Education	1,567
City of Cedar Rapids	Government	1,311
Quaker Foods & Beverages	Cereals & Chemicals	1,018
Yellowbook	Directory Services	933
Nordstrom Direct	Retail	912
Alliant Energy-Interstate Power & Light	Electric Utility	820
General Mills	Food Manufacturing	687
Gazette Communications	News Media	600

Source: Location One website; accessed August 2014.

## **BUILDING PERMITS**

City officials reported the following construction activity as of August 31, 2014. Permits for the City are reported on a calendar year basis. The figures below include both new construction and remodeling.

<u>Calendar Year</u>	<u>Commercial Construction Number</u>	<u>Commercial Construction Value of Permits</u>	<u>Residential Construction Number</u>	<u>Residential Construction Value of Permits</u>
2009	84	\$12,869,520	1,334	\$26,870,304
2010	74	31,268,114	2,074	31,574,259
2011	70	6,690,068	2,762	28,667,955
2012	76	16,078,239	1,354	30,022,266
2013	83	13,632,910	1,170	32,313,300
2014 <sup>5</sup>	61	10,016,952	707	20,244,100

## **U.S. CENSUS DATA**

1990	20,403
2000	26,294
2010	34,768

Source: U.S. Census Bureau.

---

<sup>5</sup> Through August 31, 2014.

## UNEMPLOYMENT RATES

		City of <u>Marion</u>	Linn <u>County</u>	State of <u>Iowa</u>
Annual Averages:	2009	4.2%	5.3%	5.6%
	2010	4.7%	6.0%	6.1%
	2011	4.6%	6.0%	5.9%
	2012	4.1%	5.3%	5.2%
	2013	3.6%	4.8%	4.6%
	2014 <sup>6</sup>	3.7%	4.7%	4.4%

Source: Iowa Workforce Development Center website.

## EDUCATION

Education for the City of Marion is provided by the Marion Independent School District and Linn-Mar Community School District. The Marion Independent School District, with 370 employees, has a 2013/14 certified enrollment of 1,864 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, with 987 employees, has a 2013/14 certified enrollment of 6,943 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.

## FINANCIAL STATEMENTS

The City's June 30, 2013 Independent Auditor's Reports as prepared by a certified public accountant is reproduced as APPENDIX B. The City's certified public accountant has not consented to distribution of the audited financial statement and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City's prior Independent Auditor's Reports may be obtained from the City's Financial Advisor, Independent Public Advisors, LLC.

---

<sup>6</sup> Average of January-July



## **APPENDIX A: FORM OF LEGAL OPINION**

[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 2014C (the "Bonds") in the amount of \$2,360,000, dated October 2, 2014, in the denomination of \$5,000 each, or any integral multiple thereof. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing June 1, 2015, at the respective rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2016	\$140,000	____%	2024	\$160,000	____%
2017	\$140,000	____%	2025	\$160,000	____%
2018	\$140,000	____%	2026	\$165,000	____%
2019	\$145,000	____%	2027	\$170,000	____%
2020	\$145,000	____%	2028	\$175,000	____%
2021	\$150,000	____%	2029	\$180,000	____%
2022	\$150,000	____%	2030	\$185,000	____%
2023	\$155,000	____%			

but the Bonds maturing in each of the years 2022 to 2030, inclusive, are subject to redemption prior to maturity on June 1, 2021 or any date thereafter, upon terms of par and accrued interest.

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

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply

with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

6. 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; it should be noted, however, that interest on the Bonds is required to be included in adjusted current earnings to be used in computing the “state alternative minimum taxable income” of corporations and financial institutions for purposes of Sections 422.33 and 422.60 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

## **APPENDIX B: JUNE 30, 2013 INDEPENDENT AUDITOR'S REPORTS**

**CITY OF MARION, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2013**

## Table of Contents

---

<b>Officials .....</b>	<b>1</b>
<b>Independent Auditor's Report .....</b>	<b>2-3</b>
<b>Management's Discussion and Analysis (MD&amp;A) .....</b>	<b>4-10</b>
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	11
Statement of Activities.....	12
Governmental Fund Financial Statements	
Balance Sheet.....	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	14
Statement of Revenue, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	16
Proprietary Fund Financial Statements	
Statement of Net Position .....	17
Statement of Revenue, Expenses and Changes in Fund Net Position .....	18
Statement of Cash Flows .....	19
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position - Trust Fund.....	20
Statement of Changes in Fiduciary Net Position - Trust Fund .....	21
Notes to the Financial Statements .....	22-42
<b>Required Supplementary Information</b>	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual (Cash Basis) - Governmental Funds and Proprietary Funds.....	43
Schedule of Budgetary Comparison - Budget to GAAP Reconciliation .....	44
Schedule of Funding Progress for the Retiree Health Plan .....	45
<b>Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet Schedule .....	46
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	47
Nonmajor Enterprise Funds	
Combining Schedule of Net Position .....	48
Combining Schedule of Revenue, Expenses and Changes in Fund Net Position.....	49
Combining Schedule of Cash Flows.....	50
Nonmajor Internal Service Fund	
Schedule of Net Position.....	51
Schedule of Revenue, Expenses and Changes in Fund Net Position.....	52
Schedule of Cash Flows .....	53
Schedule of Revenue by Source and Expenditures by Function - All Governmental Funds.....	54
<b>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 .....</b>	
<b>55-56</b>	
<b>Schedule of Findings .....</b>	<b>57-61</b>

## Officials

---

Name	Title	Term Expires
<b>Elected Officials</b>		
Allen Snooks Bouska	Mayor	December 31, 2015
Kim Etzel	Council Member - First Ward	December 31, 2015
Joe Spinks	Council Member - Second Ward	December 31, 2013
Cody Crawford	Council Member - Third Ward	December 31, 2015
Louis Stark	Council Member - Fourth Ward (resigned June 1, 2013)	December 31, 2013
Nicolas AbouAssaly	Council Member - Fourth Ward (appointed June 20, 2013)	December 31, 2013
Craig Adamson	Council Member - At-Large	December 31, 2013
Paul Draper	Council Member - At-Large	December 31, 2015
<b>Appointed Officials</b>		
Lon Pluckhahn	City Manager	Indefinite
Wesley A. Nelson	Finance Director/City Clerk	Indefinite
Donald C. Hoskins	City Attorney	Indefinite
Tom Treharne	Director of Planning and Development	Indefinite
Harry Daugherty	Chief of Police	Civil Service
Daniel Whitlow	City Engineer	Indefinite
Terry Jackson	Fire Chief	Civil Service
Doug Raber	Library Director	Indefinite
Richard Fox	Director of Parks and Recreation (retired September 28, 2012)	Indefinite
Mike Carolan	Director of Parks and Recreation (February 22, 2013)	Indefinite
Ryan Miller	Public Services Director	Indefinite
Robert A. Anderson	Marion Municipal Water Department - Trustee	December 31, 2014
Gregory O. Hapgood	Marion Municipal Water Department - Trustee 2012 Chairperson	December 31, 2016
Mary Ann McComas	Marion Municipal Water Department - Trustee 2013 Chairperson	December 31, 2018
John D. McIntosh	Marion Municipal Water Department - Trustee	December 31, 2017
John C. Bender	Marion Municipal Water Department - Trustee	December 31, 2015
Todd Steigerwaldt	Marion Municipal Water Department - General Manager	Indefinite

## **Independent Auditor's Report**

---

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Marion, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

### **Opinion**

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 unit, each major fund and the aggregate remaining fund information of the City of Marion as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.



## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 10 and 43 through 45 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 six years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information included on pages 46 through 54, 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 our report dated February 20, 2014 on our consideration of the City of Marion's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

*HOGAN - HANSEN*

HOGAN - HANSEN

Cedar Rapids, Iowa  
February 20, 2014

## **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, 2013. 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 activities of the City.

### **FINANCIAL HIGHLIGHTS**

The assets of the City of Marion's governmental activities exceeded its liabilities at the close of June 30, 2013 by \$196.0 million (net position). Of this amount, \$10.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$8.3 million.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$7.6 million, or 49% of the total general fund expenditures. For the purpose of these financial statements, the General Fund also includes the Equipment Replacement and the Tax Stabilization Funds.

Total general obligation debt decreased by \$2,670,000. There were \$2,610,000 of general obligation bonds issued during the year and repayment of bond principal of \$5,280,000.

### **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 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, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental 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 and liabilities 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 all of the City's assets and liabilities, with the difference between the two 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 unit includes the activities of the Marion Water Department. The City is financially accountable for the Water Department and has included it in the financial statements and notes.

### **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 Tax Increment Financing, Community Development and the Employee Benefit Fund, (3) the Debt Service Fund and (4) the Capital Projects 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 funds. These funds report services for which the City charges customers for the service it provides. 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. The enterprise funds include the Sewer Rental, Sewer Rent Replacement and Health Insurance 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 fund financial statements follow the fund financial statements.

## 3. Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City of Marion's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 20-21 of this report.

## 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.

<b>Net Position at End of Year</b>						
(in thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>(Restated - Note 17)</b>		<b>(Restated - Note 17)</b>		<b>(Restated - Note 17)</b>
Cash and pooled investments	\$ 42,222	\$ 45,376	\$ 6,335	\$ 8,559	\$ 48,557	\$ 53,935
Other assets	18,765	17,991	890	1,374	19,655	19,365
Capital assets	185,486	178,518	19,425	17,693	204,911	196,211
<b>Total Assets</b>	<b>246,473</b>	<b>241,885</b>	<b>26,650</b>	<b>27,626</b>	<b>273,123</b>	<b>269,511</b>
Current liabilities	22,335	23,370	431	329	22,766	23,699
Noncurrent liabilities	28,092	30,802	(354)	—	27,738	30,802
<b>Total Liabilities</b>	<b>50,427</b>	<b>54,172</b>	<b>77</b>	<b>329</b>	<b>50,504</b>	<b>54,501</b>
<b>Net Position</b>						
Net investment in capital assets	159,001	149,403	19,425	17,693	178,426	167,096
Restricted	26,308	28,039	—	—	26,308	28,039
Unrestricted	10,737	10,271	7,148	9,604	17,885	19,875
<b>Total Net Position</b>	<b>\$ 196,046</b>	<b>\$ 187,713</b>	<b>\$ 26,573</b>	<b>\$ 27,297</b>	<b>\$ 222,619</b>	<b>\$ 215,010</b>

Net position of governmental activities increased approximately \$8.3 million for the fiscal year 2013. Net position of business-type activities decreased approximately \$0.7 million for the fiscal year 2013. 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 \$11.0 million as of the end of this year for governmental activities and \$7.1 million for business-type activities.

A summary version of the statement of activities follows:

<b>Changes in Net Position for the Year Ended June 30,</b>						
(in thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>(Restated - Note 17)</b>		<b>(Restated - Note 17)</b>		<b>(Restated - Note 17)</b>
<b>Revenue</b>						
Charges for service	\$ 1,262	\$ 1,459	\$ 6,131	\$ 5,354	\$ 7,393	\$ 6,813
Operating grants and contributions	689	431	59	119	748	550
Capital grants and contributions	5,911	5,164	83	10	5,994	5,174
General Revenue						
Property tax	16,926	16,298	—	—	16,926	16,298
Other tax	6,194	5,073	—	—	6,194	5,073
Franchise fees	328	328	—	—	328	328
Road use tax	3,371	3,271	—	—	3,371	3,271
Investment income	689	709	111	129	800	838
Miscellaneous	8	24	—	—	8	24
Loss on sale of assets	(64)	(426)	—	—	(64)	(426)
<b>Total Revenue</b>	<b>35,314</b>	<b>32,331</b>	<b>6,384</b>	<b>5,612</b>	<b>41,698</b>	<b>37,943</b>
<b>Program Expenses</b>						
Public safety	8,893	9,186	—	—	8,893	9,186
Public works	10,857	6,353	—	—	10,857	6,353
Culture and recreation	3,802	3,173	—	—	3,802	3,173
Community and economic development	1,838	1,908	—	—	1,838	1,908
General government	1,909	2,169	—	—	1,909	2,169
Interest on long-term debt	819	633	—	—	819	633
Sanitary sewer	—	—	4,072	3,058	4,072	3,058
Solid waste management	—	—	1,601	1,439	1,601	1,439
City communication and utility	—	—	238	49	238	49
Urban forest	—	—	60	55	60	55
<b>Total Expenses</b>	<b>28,118</b>	<b>23,422</b>	<b>5,971</b>	<b>4,601</b>	<b>34,089</b>	<b>28,023</b>
<b>Transfers</b>	<b>1,137</b>	<b>880</b>	<b>(1,137)</b>	<b>(880)</b>	<b>—</b>	<b>—</b>
<b>Changes in Net Position</b>	<b>8,333</b>	<b>9,789</b>	<b>(724)</b>	<b>131</b>	<b>7,609</b>	<b>9,920</b>
Beginning net position, as restated (Note 17)	187,713	177,924	27,297	27,166	215,010	205,090
<b>Ending Net Position</b>	<b>\$ 196,046</b>	<b>\$ 187,713</b>	<b>\$ 26,573</b>	<b>\$ 27,297</b>	<b>\$ 222,619</b>	<b>\$ 215,010</b>

## **Governmental Activities**

Charges for services make up 3.6% of governmental revenue. Operating and capital grants, primarily for street projects and building improvement projects, make up another 18.7% of governmental revenue. The remaining revenue comes from taxes, primarily property tax and interest revenue.

## **Business-Type Activities**

As expected, charges for services is the primary revenue source for business-type activities. Sanitary sewer fees, urban forest fees and solid waste fees are the primary charges for services that make up 96.0% of total revenue. Investment income accounts for an additional 1.7% 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 \$38,533,675, which is less than the \$39,804,624 total fund balance as of June 30, 2012. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed a modest increase in fund balance of \$834,603 from the prior year to \$12,225,976. Revenue increased 2.3% over the prior year to \$12,844,492 and expenditures decreased 0.5% to \$15,656,013. Net other financing sources totaled \$3,646,124.

The Road Use Fund is used to account for the maintenance of the City's infrastructure. This fund ended fiscal year 2013 with a balance of \$1,942,145 compared to the prior year ending balance of \$1,113,439. Revenue increased \$100,247 or 3.1% over the prior period.

The 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 an increase of \$148,434 from the prior year to \$455,167.

The Debt Service Fund ended fiscal year 2013 with a \$163,291 balance compared to the prior year ending deficit balance of (\$89,680). Property tax revenue increased \$372,776 while bond principal and interest payments increased \$3,124,163 in fiscal year 2013.

The Capital Projects Fund ended fiscal year 2013 with a \$21,803,623 balance compared to the prior year ending balance of \$25,758,692.

### **Proprietary Fund Highlights**

The Sewer Rental Fund accounts for the operation and maintenance of the City's sanitary sewer system. This fund ended fiscal year 2013 with a net position of \$15,678,375 compared to the prior year ending net position of \$16,412,164.

The Sewer Rent Replacement Fund accounts for the capital needs for the City's sanitary sewer system including repairs and the City's share of sewer extension and/or oversizing projects. This fund ended fiscal year 2013 with a net position of \$4,619,356 compared to the prior year ending net position of \$4,463,694.

## **Budgetary Highlights**

The City had one budget amendment during the fiscal year, which is our common practice. The major increases in disbursements were from projects related to those funded with local option sales tax and bond issue projects. Also, there were additional overtime costs, various grant expenses, extra street repair costs and higher storm sewer costs. There was also offsetting revenue increases from the receipt of additional local option sales tax revenue, various additional grant proceeds, additional charges for services and bond proceeds.

## **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 \$185,485,657 (net of accumulated depreciation) as of June 30, 2013. Capital assets for business-type activities totaled \$19,424,707 (net of accumulated depreciation) as of June 30, 2013. See Note 3 to the financial statements for more information about the City's capital assets.

Construction in progress as of June 30, 2013 for governmental activities consists primarily of street projects, communication system and police station.

### **Long-Term Debt**

As of June 30, 2013, the City had \$25,923,649 of outstanding general obligation bonds and notes for governmental activities. See Note 4 to the financial statements for more information about the City's long-term debt.

The City continues to carry a general obligation bond rating of Aa1 assigned by national rating agencies to the City's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$110 million. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

During the year ended June 30, 2013, the City issued a total of \$2,610,000 of general obligation bonds to pay costs of refunding the outstanding balances of the City's General Obligation Corporate Purpose Bonds, Series 2003, General Obligation City Hall/Community Center Bonds, Series 2004, and General Obligation Corporate Purpose Bonds, Series 2005.

## **ECONOMIC FACTORS**

The unemployment rate for Linn County is currently at 4.9%, which is below where it was the previous year at 5.4% and less than the national unemployment rate of 7.6%.

Retail sales are also reported on a fiscal year, April 1 to March 31, basis. For fiscal year 2012, the most recent available (April 1, 2011 to March 31, 2012), retail sales for Marion were \$341 million and \$3.528 billion for Linn County. For fiscal year 2011, retail sales were \$329 million for Marion and \$3.425 billion for Linn County.

The total value of building permits for fiscal year 2013 was approximately \$30.0 million, which is down slightly from the fiscal year 2012 amount of \$36.7 million. We did not have as many big projects in either fiscal years 2012 and 2013 as we have had in previous fiscal years.

## **NEXT YEAR'S BUDGET AND RATES**

The adopted fiscal year 2013-2014 budget calls for an increase in tax receipts of 3.2% 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.

The City again anticipates an increase in wastewater treatment payments to the City of Cedar Rapids for fiscal year 2013-2014. Increased customer accounts and a rate increase that went into effect July 1, 2013 hopefully will be sufficient to provide the revenue needed to cover that cost increase. Additionally, the projected local option sales tax collections have eliminated the need for a rate increase to cover the first phase of the trunk sewer project. No additional rate increase is proposed at this time.

The City also had an increase in the solid waste fees effective January 1, 2013. This increase was needed to offset the costs to add an additional driver and route to stay on a five-day collection schedule.

The total City tax levy rate for fiscal year 2013-2014 is 13.15637 per taxable valuation compared to 13.62416 for fiscal year 2012-2013. Net taxable valuation for fiscal year 2013-2014 is \$1,314.5 million, which was an increase of \$87.1 million from the fiscal year 2012-2013 level which was \$1,227.4 million.

## **FINANCIAL INFORMATION CONTACT**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances 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, 2013

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Water
<b>Assets</b>				
<b>Current Assets</b>				
Cash .....	\$ 18,534,596	\$ 4,375,913	\$ 22,910,509	\$ 2,669,048
Pooled investments .....	23,687,068	1,959,056	25,646,124	—
Receivables				
Accounts (net of allowance for uncollectible accounts) .....	142,114	344,826	486,940	169,773
Unbilled usage .....	—	585,794	585,794	346,944
Accrued interest .....	38,227	5,940	44,167	—
Property Tax				
Delinquent .....	133,531	—	133,531	—
Succeeding year .....	17,210,034	—	17,210,034	—
Due from other governments .....	658,267	8,550	666,817	—
Internal balances .....	54,802	(54,802)	—	—
Due from others .....	631	—	631	—
Inventories .....	257,420	—	257,420	241,077
<b>Total Current Assets</b> .....	<b>60,716,690</b>	<b>7,225,277</b>	<b>67,941,967</b>	<b>3,426,842</b>
<b>Noncurrent Assets</b>				
Bond issue costs (net of accumulated amortization) .....	270,970	—	270,970	—
Capital assets (net of accumulated depreciation) .....	100,308,402	17,468,498	117,776,900	16,872,120
Capital assets not being depreciated .....	85,177,255	1,956,209	87,133,464	612,254
<b>Total Noncurrent Assets</b> .....	<b>185,756,627</b>	<b>19,424,707</b>	<b>205,181,334</b>	<b>17,484,374</b>
<b>Restricted Assets</b>				
Cash .....	—	—	—	112,603
Bond issuance costs (net of accumulated amortization - \$5,250) .....	—	—	—	29,750
<b>Total Restricted Assets</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>142,353</b>
<b>Total Assets</b> .....	<b>\$ 246,473,317</b>	<b>\$ 26,649,984</b>	<b>\$ 273,123,301</b>	<b>\$ 21,053,569</b>

See accompanying notes to the financial statements.

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Water
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable .....	\$ 1,516,420	\$ 352,436	\$ 1,868,856	\$ 261,314
Salary and benefits payable.....	405,701	58,573	464,274	32,539
Accrued interest payable .....	52,166	—	52,166	4,268
Sales tax payable .....	—	—	—	10,157
Deferred Revenue				
Succeeding year property tax.....	17,210,034	—	17,210,034	—
Self-insured estimated claims .....	202,723	—	202,723	21,094
Reinsurance premiums payable .....	44,783	—	44,783	—
Due to primary government .....	—	—	—	26,500
<b>Long-Term Liabilities</b>				
Portion Due or Payable Within One Year				
General obligation bonds .....	2,840,000	—	2,840,000	—
General obligation notes .....	37,593	—	37,593	—
SRF loan .....	—	—	—	111,000
Compensated absences .....	735	20,222	20,957	49,405
Nonbonded indebtedness .....	24,990	—	24,990	—
<b>Total Current Liabilities .....</b>	<b>22,335,145</b>	<b>431,231</b>	<b>22,766,376</b>	<b>516,277</b>
<b>Noncurrent Liabilities</b>				
<b>Long-Term Liabilities</b>				
Portion Due or Payable After One Year				
General obligation bonds .....	22,945,000	—	22,945,000	—
General obligation notes .....	101,101	—	101,101	—
SRF loan .....	—	—	—	2,552,000
Compensated absences .....	2,819,272	—	2,819,272	—
Nonbonded indebtedness .....	161,800	—	161,800	—
Net OPEB liability .....	1,150,000	—	1,150,000	76,000
Premium on general obligation bonds ....	560,797	—	560,797	—
Internal loans .....	354,049	(354,049)	—	—
<b>Total Noncurrent Liabilities.....</b>	<b>28,092,019</b>	<b>(354,049)</b>	<b>27,737,970</b>	<b>2,628,000</b>
<b>Liabilities Payable From Restricted Assets</b>				
Customer deposits .....	—	—	—	112,603
<b>Total Liabilities .....</b>	<b>50,427,164</b>	<b>77,182</b>	<b>50,504,346</b>	<b>3,256,880</b>
<b>Net Position</b>				
Net investment in capital assets .....	159,001,166	19,424,707	178,425,873	14,821,374
Restricted for				
Streets .....	2,508,073	—	2,508,073	—
Benefits.....	455,167	—	455,167	—
Debt service.....	163,291	—	163,291	—
Capital projects.....	22,276,383	—	22,276,383	—
Cemetery perpetual care .....	152,905	—	152,905	—
Other.....	751,880	—	751,880	—
Unrestricted .....	10,737,288	7,148,095	17,885,383	2,975,315
<b>Total Net Position.....</b>	<b>196,046,153</b>	<b>26,572,802</b>	<b>222,618,955</b>	<b>17,796,689</b>
<b>Total Liabilities and Net Position .....</b>	<b>\$ 246,473,317</b>	<b>\$ 26,649,984</b>	<b>\$ 273,123,301</b>	<b>\$ 21,053,569</b>

# Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Change in Net Position			Component Unit
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
Public safety.....	\$ 8,892,494	\$ 258,426	\$ 136,012	\$ —	\$ (8,498,056)	\$ —	\$ (8,498,056)	\$ —
Public works.....	10,857,162	15,157	3,300	5,017,075	(5,821,630)	—	(5,821,630)	—
Culture and recreation.....	3,801,759	450,354	472,650	43,811	(2,834,944)	—	(2,834,944)	—
Community and economic development.....	1,838,248	516,195	—	849,896	(472,157)	—	(472,157)	—
General government .....	1,908,941	21,733	76,538	—	(1,810,670)	—	(1,810,670)	—
Interest on long-term debt .....	819,066	—	—	—	(819,066)	—	(819,066)	—
Total Governmental Activities .....	<u>28,117,670</u>	<u>1,261,865</u>	<u>688,500</u>	<u>5,910,782</u>	<u>(20,256,523)</u>	<u>—</u>	<u>(20,256,523)</u>	<u>—</u>
Business-Type Activities								
Sewer.....	4,072,185	3,687,885	58,574	82,738	—	(242,988)	(242,988)	—
Solid waste.....	1,600,896	1,549,074	—	1	—	(51,821)	(51,821)	—
City communication and utility .....	237,624	651,382	—	—	—	413,758	413,758	—
Urban forest .....	60,307	243,040	—	—	—	182,733	182,733	—
Total Business-Type Activities.....	<u>5,971,012</u>	<u>6,131,381</u>	<u>58,574</u>	<u>82,739</u>	<u>—</u>	<u>301,682</u>	<u>301,682</u>	<u>—</u>
Total Primary Government.....	<u>\$ 34,088,682</u>	<u>\$ 7,393,246</u>	<u>\$ 747,074</u>	<u>\$ 5,993,521</u>	<u>(20,256,523)</u>	<u>301,682</u>	<u>(19,954,841)</u>	<u>—</u>
Component Unit - Water.....	<u>\$ 2,445,988</u>	<u>\$ 3,383,882</u>	<u>\$ —</u>	<u>\$ 281,548</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,219,442</u>
General Revenue								
Property tax.....					16,925,535	—	16,925,535	—
Tax increment financing .....					1,635,686	—	1,635,686	—
Other Tax								
Cable television franchise .....					327,680	—	327,680	—
Hotel/motel.....					163,986	—	163,986	—
Road use tax.....					3,371,082	—	3,371,082	—
Local option sales tax.....					4,378,840	—	4,378,840	—
Investment income .....					689,499	110,413	799,912	35,016
Special assessments.....					17,085	115	17,200	—
Miscellaneous.....					7,513	—	7,513	35,301
Loss on sale of capital assets.....					(63,728)	—	(63,728)	—
Transfers.....					<u>1,136,813</u>	<u>(1,136,813)</u>	<u>—</u>	<u>—</u>
Total General Revenue and Transfers .....					<u>28,589,991</u>	<u>(1,026,285)</u>	<u>27,563,706</u>	<u>70,317</u>
Change in Net Position .....					8,333,468	(724,603)	7,608,865	1,289,759
Net Position - Beginning of Year, as Restated (Note 17) .....					<u>187,712,685</u>	<u>27,297,405</u>	<u>215,010,090</u>	<u>16,506,930</u>
Net Position - End of Year.....					<u>\$ 196,046,153</u>	<u>\$ 26,572,802</u>	<u>\$ 222,618,955</u>	<u>\$ 17,796,689</u>

See accompanying notes to the financial statements.

## Balance Sheet - Governmental Funds

As of June 30, 2013

	Special Revenue						
	General	Road Use Tax	Trust and Agency (Employee Benefits)	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>							
Cash.....	\$ 8,096,560	\$ 1,681,779	\$ 440,591	\$ 286,059	\$ 4,210,894	\$ 2,008,710	\$ 16,724,593
Pooled investments .....	4,204,502	119,954	—	7,867	18,347,893	122,599	22,802,815
Receivables							
Accounts.....	104,137	20,017	—	—	5,950	3,200	133,304
Accrued interest.....	4,613	—	—	—	29,890	—	34,503
Property Tax							
Delinquent .....	78,403	—	22,750	23,414	—	8,964	133,531
Succeeding year .....	11,180,253	—	3,278,033	2,751,748	—	—	17,210,034
Due from other governments	—	284,726	—	—	373,541	—	658,267
Due from other funds .....	55,433	—	—	—	—	—	55,433
Inventories.....	257,420	—	—	—	—	—	257,420
<b>Total Assets .....</b>	<b>\$ 23,981,321</b>	<b>\$ 2,106,476</b>	<b>\$ 3,741,374</b>	<b>\$ 3,069,088</b>	<b>\$ 22,968,168</b>	<b>\$ 2,143,473</b>	<b>\$ 58,009,900</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable .....	\$ 206,415	\$ 127,307	\$ 8,174	\$ —	\$ 1,164,545	\$ —	\$ 1,506,441
Salaries and benefits payable	368,677	37,024	—	—	—	—	405,701
Deferred Revenue							
Succeeding year property							
tax.....	11,180,253	—	3,278,033	2,751,748	—	—	17,210,034
Interfund loan .....	—	—	—	154,049	—	200,000	354,049
<b>Total Liabilities.....</b>	<b>11,755,345</b>	<b>164,331</b>	<b>3,286,207</b>	<b>2,905,797</b>	<b>1,164,545</b>	<b>200,000</b>	<b>19,476,225</b>
<b>Fund Balances</b>							
Nonspendable							
Inventories .....	257,420	—	—	—	—	—	257,420
Cemetery perpetual care .....	—	—	—	—	—	152,905	152,905
Restricted for							
Streets .....	—	1,942,145	—	—	—	565,928	2,508,073
Benefits .....	—	—	455,167	—	—	—	455,167
Debt service .....	—	—	—	163,291	—	—	163,291
Capital projects.....	—	—	—	—	21,803,623	—	21,803,623
Other purposes.....	—	—	—	—	—	751,880	751,880
Committed to							
Pension .....	737,705	—	—	—	—	—	737,705
Capital projects.....	—	—	—	—	—	291,135	291,135
Assigned for							
Equipment reserve .....	3,112,984	—	—	—	—	—	3,112,984
Tax stabilization.....	290,653	—	—	—	—	—	290,653
Census reserve .....	225,873	—	—	—	—	—	225,873
Capital projects.....	—	—	—	—	—	181,625	181,625
Unassigned .....	7,601,341	—	—	—	—	—	7,601,341
<b>Total Fund Balances.....</b>	<b>12,225,976</b>	<b>1,942,145</b>	<b>455,167</b>	<b>163,291</b>	<b>21,803,623</b>	<b>1,943,473</b>	<b>38,533,675</b>
<b>Total Liabilities and Fund</b>							
<b>Balances.....</b>	<b>\$ 23,981,321</b>	<b>\$ 2,106,476</b>	<b>\$ 3,741,374</b>	<b>\$ 3,069,088</b>	<b>\$ 22,968,168</b>	<b>\$ 2,143,473</b>	<b>\$ 58,009,900</b>

See accompanying notes to the financial statements.

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

As of June 30, 2013

**Total Fund Balances for Governmental Funds (Page 13)....** **\$ 38,533,675**

***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 \$243,698,697 and the accumulated depreciation is \$58,213,040 ..... 185,485,657

The Internal Service Fund is 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 with governmental activities in the statement of net position..... 2,449,305

Unamortized bond issue costs are not financial resources and, therefore, are not reported as assets in the governmental funds..... 270,970

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..... (52,166)

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

Compensated absences.....	\$ (2,820,007)	
General obligation bonds .....	(25,785,000)	
NET OPEB liability .....	(1,150,000)	
Nonbonded indebtedness .....	(186,790)	
General obligation notes .....	(138,694)	
Premium on general obligation bonds .....	(560,797)	(30,641,288)

**Net Position of Governmental Activities (Page 12).....** **\$ 196,046,153**

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

Year Ended June 30, 2013

	Special Revenue						
	Trust and Agency (Employee Benefits)						
	General	Road Use Tax	Trust and Agency (Employee Benefits)	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenue</b>							
Property tax .....	\$ 10,599,005	\$ —	\$ 3,099,068	\$ 3,227,462	\$ —	\$ —	\$ 16,925,535
Tax increment financing .....	—	—	—	—	—	1,635,686	1,635,686
Other tax .....	491,666	—	—	—	4,378,840	—	4,870,506
Licenses and permits .....	512,372	—	—	—	—	—	512,372
Use of money and property ...	208,932	—	410	4,841	421,196	5,645	641,024
Intergovernmental .....	312,097	3,371,082	323,324	—	849,896	49,778	4,906,177
Charges for service .....	712,905	—	29,699	—	381	4,650	747,635
Special assessments .....	—	—	—	17,085	—	—	17,085
Miscellaneous .....	7,515	—	—	—	—	3,300	10,815
<b>Total Revenue .....</b>	<b><u>12,844,492</u></b>	<b><u>3,371,082</u></b>	<b><u>3,452,501</u></b>	<b><u>3,249,388</u></b>	<b><u>5,650,313</u></b>	<b><u>1,699,059</u></b>	<b><u>30,266,835</u></b>
<b>Expenditures</b>							
Operating							
Public safety .....	8,600,002	—	32,335	—	—	—	8,632,337
Public works .....	834,054	1,863,010	—	—	—	—	2,697,064
Culture and recreation .....	3,391,800	—	85,472	—	—	—	3,477,272
Community and economic development .....	1,159,211	—	—	—	—	672,974	1,832,185
General government .....	1,670,946	—	—	—	—	—	1,670,946
Debt Service							
Principal .....	—	—	—	5,340,933	—	—	5,340,933
Interest and other charges ...	—	—	—	916,325	—	—	916,325
Capital projects .....	—	353,167	—	—	9,828,882	545,040	10,727,089
<b>Total Expenditures .....</b>	<b><u>15,656,013</u></b>	<b><u>2,216,177</u></b>	<b><u>117,807</u></b>	<b><u>6,257,258</u></b>	<b><u>9,828,882</u></b>	<b><u>1,218,014</u></b>	<b><u>35,294,151</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>(2,811,521)</u></b>	<b><u>1,154,905</u></b>	<b><u>3,334,694</u></b>	<b><u>(3,007,870)</u></b>	<b><u>(4,178,569)</u></b>	<b><u>481,045</u></b>	<b><u>(5,027,316)</u></b>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in .....	3,676,333	571,222	—	521,021	223,500	468,080	5,460,156
Operating transfers out .....	(35,151)	(897,421)	(3,186,260)	—	—	(329,719)	(4,448,551)
Sale of capital assets .....	4,942	—	—	—	—	—	4,942
General obligation bonds issued .....	—	—	—	2,610,000	—	—	2,610,000
Premium on general obligation bonds issued .....	—	—	—	129,820	—	—	129,820
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>3,646,124</u></b>	<b><u>(326,199)</u></b>	<b><u>(3,186,260)</u></b>	<b><u>3,260,841</u></b>	<b><u>223,500</u></b>	<b><u>138,361</u></b>	<b><u>3,756,367</u></b>
<b>Net Changes in Fund Balances .....</b>	<b><u>834,603</u></b>	<b><u>828,706</u></b>	<b><u>148,434</u></b>	<b><u>252,971</u></b>	<b><u>(3,955,069)</u></b>	<b><u>619,406</u></b>	<b><u>(1,270,949)</u></b>
Fund Balances (Deficit) - Beginning of Year .....	11,391,373	1,113,439	306,733	(89,680)	25,758,692	1,324,067	39,804,624
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 12,225,976</u></b>	<b><u>\$ 1,942,145</u></b>	<b><u>\$ 455,167</u></b>	<b><u>\$ 163,291</u></b>	<b><u>\$ 21,803,623</u></b>	<b><u>\$ 1,943,473</u></b>	<b><u>\$ 38,533,675</u></b>

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, 2013

**Net Changes in Fund Balances - Total Governmental Funds (Page 15)** **\$ (1,270,949)**

***Amounts reported for governmental activities in the statement of activities are different because:***

In the statement of activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets disposed.

(68,670)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Capital outlay .....	\$ 7,105,798	
Contributed capital assets .....	5,060,886	
Depreciation expense.....	<u>(5,129,835)</u>	7,036,849

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 or amortization 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 issues exceeded repayments, bond issue costs and amortization as follows:

Increase in nonbonded indebtedness.....	\$ (25,000)	
Repayment of nonbonded indebtedness .....	25,000	
General obligation bonds issued .....	(2,610,000)	
Repayment of bond principal.....	5,280,000	
Repayment of general obligation note principal .....	35,933	
Premium on general obligation bonds issued .....	(129,820)	
Amortization of premium on general obligation bonds .....	53,829	
General obligation bond issue costs.....	46,482	
Amortization of bond issue costs.....	<u>(24,984)</u>	2,651,440

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.....	\$ (136,774)	
Other post-employment benefits.....	(35,000)	
Interest on long-term debt .....	<u>21,934</u>	(149,840)

The Internal Service Fund is 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 Fund is reported within governmental activities.....

134,638

**Change in Net Position of Governmental Activities (Page 12)** **\$ 8,333,468**



# Statement of Net Position - Proprietary Funds

As of June 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds		
	Sewer Rental	Sewer Rent Replacement	Nonmajor	Total	Health Insurance	Nonmajor	Total
<b>Assets</b>							
<b>Current Assets</b>							
Cash.....	\$ 99,157	\$ 2,640,412	\$ 1,636,344	\$ 4,375,913	\$ 1,564,971	\$ 245,032	\$ 1,810,003
Pooled investments .....	351,142	800,909	807,005	1,959,056	—	884,253	884,253
Receivables							
Accounts.....	173,355	288	171,183	344,826	8,810	—	8,810
Unbilled usage.....	387,615	—	198,179	585,794	—	—	—
Accrued interest.....	—	2,480	3,460	5,940	—	3,724	3,724
Due from other governments	—	—	8,550	8,550	—	—	—
Interfund loan .....	49,963	—	—	49,963	—	—	—
<b>Total Current Assets .....</b>	<b><u>1,061,232</u></b>	<b><u>3,444,089</u></b>	<b><u>2,824,721</u></b>	<b><u>7,330,042</u></b>	<b><u>1,573,781</u></b>	<b><u>1,133,009</u></b>	<b><u>2,706,790</u></b>
<b>Noncurrent Assets</b>							
Interfund loan .....	104,086	—	200,000	304,086	—	—	—
Capital assets (net of accumulated depreciation).....	14,632,627	—	2,835,871	17,468,498	—	—	—
Capital assets not being depreciated.....	116,164	1,175,267	664,778	1,956,209	—	—	—
<b>Total Noncurrent Assets ...</b>	<b><u>14,852,877</u></b>	<b><u>1,175,267</u></b>	<b><u>3,700,649</u></b>	<b><u>19,728,793</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Total Assets .....</b>	<b><u>\$ 15,914,109</u></b>	<b><u>\$ 4,619,356</u></b>	<b><u>\$ 6,525,370</u></b>	<b><u>\$ 27,058,835</u></b>	<b><u>\$ 1,573,781</u></b>	<b><u>\$ 1,133,009</u></b>	<b><u>\$ 2,706,790</u></b>
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Accounts payable .....	\$ 194,443	\$ —	\$ 157,993	\$ 352,436	\$ 7,563	\$ 2,416	\$ 9,979
Salaries and benefits payable	21,069	—	37,504	58,573	—	—	—
Due to other funds .....	—	—	54,802	54,802	—	—	—
Self-insured estimated claims	—	—	—	—	202,723	—	202,723
Reinsurance premiums payable.....	—	—	—	—	44,783	—	44,783
Compensated absences.....	20,222	—	—	20,222	—	—	—
<b>Total Current Liabilities.....</b>	<b><u>235,734</u></b>	<b><u>—</u></b>	<b><u>250,299</u></b>	<b><u>486,033</u></b>	<b><u>255,069</u></b>	<b><u>2,416</u></b>	<b><u>257,485</u></b>
<b>Net Position</b>							
Net investment in capital assets.....	14,748,791	1,175,267	3,500,649	19,424,707	—	—	—
Unrestricted .....	929,584	3,444,089	2,774,422	7,148,095	1,318,712	1,130,593	2,449,305
<b>Total Net Position .....</b>	<b><u>15,678,375</u></b>	<b><u>4,619,356</u></b>	<b><u>6,275,071</u></b>	<b><u>26,572,802</u></b>	<b><u>1,318,712</u></b>	<b><u>1,130,593</u></b>	<b><u>2,449,305</u></b>
<b>Total Liabilities and Net Position .....</b>	<b><u>\$ 15,914,109</u></b>	<b><u>\$ 4,619,356</u></b>	<b><u>\$ 6,525,370</u></b>	<b><u>\$ 27,058,835</u></b>	<b><u>\$ 1,573,781</u></b>	<b><u>\$ 1,133,009</u></b>	<b><u>\$ 2,706,790</u></b>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds		
	Sewer Rental	Sewer Rent Replacement	Nonmajor	Total	Health Insurance	Nonmajor	Total
<b>Operating Revenue</b>							
Charges for service .....	\$ 2,761,102	\$ 402,440	\$ 2,967,839	\$ 6,131,381	\$ —	\$ —	\$ —
Miscellaneous.....	—	—	115	115	2,231,803	—	2,231,803
<b>Total Operating Revenue</b>	<b>2,761,102</b>	<b>402,440</b>	<b>2,967,954</b>	<b>6,131,496</b>	<b>2,231,803</b>	<b>—</b>	<b>2,231,803</b>
<b>Operating Expenses</b>							
Personal services .....	775,074	—	1,605,393	2,380,467	—	—	—
Services and commodities.....	2,243,012	—	652,907	2,895,919	1,922,995	349,709	2,272,704
Depreciation .....	459,412	—	235,214	694,626	—	—	—
<b>Total Operating Expenses</b>	<b>3,477,498</b>	<b>—</b>	<b>2,493,514</b>	<b>5,971,012</b>	<b>1,922,995</b>	<b>349,709</b>	<b>2,272,704</b>
<b>Operating Income (Loss) .....</b>	<b>(716,396)</b>	<b>402,440</b>	<b>474,440</b>	<b>160,484</b>	<b>308,808</b>	<b>(349,709)</b>	<b>(40,901)</b>
<b>Nonoperating Revenue</b>							
Investment income .....	7,482	44,386	58,545	110,413	—	50,331	50,331
Intergovernmental .....	—	—	58,574	58,574	—	—	—
<b>Total Nonoperating Revenue.....</b>	<b>7,482</b>	<b>44,386</b>	<b>117,119</b>	<b>168,987</b>	<b>—</b>	<b>50,331</b>	<b>50,331</b>
<b>Income (Loss) Before Transfers and Capital Assets Received .....</b>	<b>(708,914)</b>	<b>446,826</b>	<b>591,559</b>	<b>329,471</b>	<b>308,808</b>	<b>(299,378)</b>	<b>9,430</b>
<b>Transfers and Capital Assets Received</b>							
Capital assets received.....	82,738	—	1	82,739	—	—	—
Transfers in .....	116,164	—	647,814	763,978	—	125,208	125,208
Transfers out .....	(223,777)	(291,164)	(1,385,850)	(1,900,791)	—	—	—
<b>Total Transfers and Capital Assets Received</b>	<b>(24,875)</b>	<b>(291,164)</b>	<b>(738,035)</b>	<b>(1,054,074)</b>	<b>—</b>	<b>125,208</b>	<b>125,208</b>
<b>Changes in Net Position .....</b>	<b>(733,789)</b>	<b>155,662</b>	<b>(146,476)</b>	<b>(724,603)</b>	<b>308,808</b>	<b>(174,170)</b>	<b>134,638</b>
Net Position - Beginning of Year, as Restated (Note 17) ..	16,412,164	4,463,694	6,421,547	27,297,405	1,009,904	1,304,763	2,314,667
<b>Net Position - End of Year.....</b>	<b>\$ 15,678,375</b>	<b>\$ 4,619,356</b>	<b>\$ 6,275,071</b>	<b>\$ 26,572,802</b>	<b>\$ 1,318,712</b>	<b>\$ 1,130,593</b>	<b>\$ 2,449,305</b>

See accompanying notes to the financial statements.

# Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds		
	Sewer Rental	Sewer Rent Replacement	Nonmajor	Total	Health Insurance	Nonmajor	Total
<b>Cash Flows From Operating Activities</b>							
Cash received from customers	\$ 2,726,685	\$ 402,443	\$ 2,968,983	\$ 6,098,111	\$ 2,256,439	\$ —	\$ 2,256,439
Cash paid to employees for services	(763,954)	—	(1,350,197)	(2,114,151)	—	—	—
Cash paid to suppliers for goods and services	(2,064,497)	—	(986,374)	(3,050,871)	(1,915,673)	(353,369)	(2,269,042)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(101,766)</b>	<b>402,443</b>	<b>632,412</b>	<b>933,089</b>	<b>340,766</b>	<b>(353,369)</b>	<b>(12,603)</b>
<b>Cash Flows From Noncapital Financing Activities</b>							
Net transfers	(107,613)	(291,164)	(738,036)	(1,136,813)	—	125,208	125,208
State and federal grants received	—	—	64,999	64,999	—	—	—
Increase in due to other funds	—	—	54,802	54,802	—	—	—
<b>Net Cash Provided by (Used in) Noncapital Activities</b>	<b>(107,613)</b>	<b>(291,164)</b>	<b>(618,235)</b>	<b>(1,017,012)</b>	<b>—</b>	<b>125,208</b>	<b>125,208</b>
<b>Cash Flows From Capital and Related Financing Activities</b>							
Increase (decrease) in interfund loan	48,626	—	43,295	91,921	—	—	—
Purchase of capital assets	(190,143)	(1,083,161)	(1,070,179)	(2,343,483)	—	—	—
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(141,517)</b>	<b>(1,083,161)</b>	<b>(1,026,884)</b>	<b>(2,251,562)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash Flows From Investing Activities</b>							
Interest received	7,482	45,470	58,688	111,640	—	50,485	50,485
Purchase of investments	(36)	—	—	(36)	—	—	—
Sale of investments	—	219,000	1,555	220,555	—	—	—
<b>Net Cash Provided by Investing Activities</b>	<b>7,446</b>	<b>264,470</b>	<b>60,243</b>	<b>332,159</b>	<b>—</b>	<b>50,485</b>	<b>50,485</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(343,450)</b>	<b>(707,412)</b>	<b>(952,464)</b>	<b>(2,003,326)</b>	<b>340,766</b>	<b>(177,676)</b>	<b>163,090</b>
Cash - Beginning of Year	442,607	3,347,824	2,588,808	6,379,239	1,224,205	422,708	1,646,913
<b>Cash - End of Year</b>	<b>\$ 99,157</b>	<b>\$ 2,640,412</b>	<b>\$ 1,636,344</b>	<b>\$ 4,375,913</b>	<b>\$ 1,564,971</b>	<b>\$ 245,032</b>	<b>\$ 1,810,003</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>							
Operating income (loss)	\$ (716,396)	\$ 402,440	\$ 474,440	\$ 160,484	\$ 308,808	\$ (349,709)	\$ (40,901)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities							
Depreciation	459,412	—	235,214	694,626	—	—	—
Change in Assets and Liabilities							
(Increase) decrease in receivables	(34,417)	3	1,029	(33,385)	24,636	—	24,636
Increase (decrease) in payables	178,515	—	(95,843)	82,672	7,322	(3,660)	3,662
Increase in salaries and benefits payable	8,160	—	17,572	25,732	—	—	—
Increase in compensated absences	2,960	—	—	2,960	—	—	—
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (101,766)</b>	<b>\$ 402,443</b>	<b>\$ 632,412</b>	<b>\$ 933,089</b>	<b>\$ 340,766</b>	<b>\$ (353,369)</b>	<b>\$ (12,603)</b>

See accompanying notes to the financial statements.

## Statement of Fiduciary Net Position - Trust Fund

---

As of June 30, 2013

	Cemetery Memorial
<b>Assets</b>	
Pooled Investments .....	<u>\$ 2,002</u>
<b>Liabilities</b>	
Due to others .....	\$ 631
<b>Net Position</b>	
Held in trust .....	<u>1,371</u>
<b>Total Liabilities and Net Position .....</b>	<u><b>\$ 2,002</b></u>

## Statement of Changes in Fiduciary Net Position - Trust Fund

---

Year Ended June 30, 2013

	Cemetery Memorial
<b>Additions</b>	
Interest income .....	\$ 2
Net Position - Beginning of Year .....	<u>1,369</u>
<b>Net Position - End of Year .....</b>	<b><u>\$ 1,371</u></b>

# 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, account groups, 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 unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit 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 Unit**

The Marion 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.

### **Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility of 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.

## (1) Summary of Significant Accounting Policies

### 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 unit. 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 for business-type activities, which rely to a significant extent on fees and charges for service. Likewise, the City is reported separately from its component unit.

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

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

*Restricted net position* results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants, contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property tax and other items not properly included among program revenue are reported instead as general revenue.

#### ***Fund Financial Statements***

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

The City had the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenue 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.

## Notes to the Financial Statements

---

### (1) Summary of Significant Accounting Policies

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 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 accounts for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City had the following major proprietary fund:

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

The Sewer Rent Replacement Fund accounts for the capital needs for the City's sanitary sewer system including repairs and the City's share of sewer extension and/or oversizing projects.

### 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, as are the fiduciary fund financial statements. 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 they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 associated with the current fiscal period are all 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.



## Notes to the Financial Statements

---

### (1) Summary of Significant Accounting Policies

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.

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 funds' 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, Liabilities 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, the City considers all highly liquid debt instruments (including restricted assets) purchased with original maturities of three months or less to be cash equivalents.

***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.

### (1) Summary of Significant Accounting Policies

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 Council 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, 2013 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City Council 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 Council 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.

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, 2011 assessed property valuations, is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2012.

***Customer Accounts and 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, 2013, 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 (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 equipment and \$5,000 for intangible assets.

## Notes to the Financial Statements

---

### (1) Summary of Significant Accounting Policies

Capital assets of the City are depreciated 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

**Deferred Revenue** - Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Deferred revenue in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Compensated Absences** - City employees accumulate a limited amount of earned but unused vacation and sick leave hours 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Road Use Tax and Sewer Rental Funds.

**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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

**Fund Equity** - 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 imposed by law through constitutional provisions or enabling legislation.

## Notes to the Financial Statements

---

### (1) Summary of Significant Accounting Policies

**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 other spendable 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, 2013, disbursements did not exceed the amounts budgeted.

### (2) Cash and Pooled Investments

The City's deposits as of June 30, 2013 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 that 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

On June 30, 2013, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$4,909,551 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The City's cash and investments as of June 30, 2013 were as follows:

Cash.....	\$ 22,999,069
Pooled cash investments - Iowa Public Agency Investment Trust.....	4,909,551
Money market accounts .....	8,143,220
U.S. Instrumentalities	
Original maturities 5 years or less .....	1,475
Original maturities 6 to 10 years.....	75
Original maturities 10+ years.....	<u>12,593,803</u>
<b>Total .....</b>	<b><u>\$ 48,647,193</u></b>

## Notes to the Financial Statements

### (2) Cash and Pooled Investments

#### 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.

#### Credit Risk

The City's U.S. Instrumentalities investments as of June 30, 2013 are rated Aaa or better by Moody's Investors service. The investment in the Iowa Public Agency Investment Trust is unrated.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year (Restated - Note 17)	Increases	Decreases	Balance - End of Year
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 72,888,012	\$ 1,761,425	\$ —	\$ 74,649,437
Construction in progress .....	<u>21,706,715</u>	<u>8,686,459</u>	<u>19,865,356</u>	<u>10,527,818</u>
Total Capital Assets Not Being Depreciated.....	<u>94,594,727</u>	<u>10,447,884</u>	<u>19,865,356</u>	<u>85,177,255</u>
Capital Assets Being Depreciated				
Buildings .....	18,896,419	—	—	18,896,419
Improvements other than buildings.....	108,269,390	20,117,386	414,782	127,971,994
Equipment.....	<u>10,712,256</u>	<u>1,466,770</u>	<u>525,997</u>	<u>11,653,029</u>
Total Capital Assets Being Depreciated.....	<u>137,878,065</u>	<u>21,584,156</u>	<u>940,779</u>	<u>158,521,442</u>
Less Accumulated Depreciation for				
Buildings .....	4,635,154	458,287	—	5,093,441
Improvements other than buildings.....	42,964,795	3,755,590	391,747	46,328,638
Equipment.....	<u>6,355,365</u>	<u>915,958</u>	<u>480,362</u>	<u>6,790,961</u>
Total Accumulated Depreciation .....	<u>53,955,314</u>	<u>5,129,835</u>	<u>872,109</u>	<u>58,213,040</u>
Net Capital Assets Being Depreciated.....	<u>83,922,751</u>	<u>16,454,321</u>	<u>68,670</u>	<u>100,308,402</u>
<b>Net Governmental Activities</b>				
<b>Capital Assets .....</b>	<b><u>\$ 178,517,478</u></b>	<b><u>\$ 26,902,205</u></b>	<b><u>\$ 19,934,026</u></b>	<b><u>\$ 185,485,657</u></b>

## Notes to the Financial Statements

### (3) Capital Assets

	Beginning of Year (Restated - Note 17)	Increases	Decreases	Balance - End of Year
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land .....	\$ —	\$ 464,658	\$ —	\$ 464,658
Construction in progress .....	886,899	1,326,979	722,327	1,491,551
Total Capital Assets Not Being Depreciated .....	886,899	1,791,637	722,327	1,956,209
Capital Assets Being Depreciated				
Buildings .....	8,300	—	—	8,300
Equipment .....	2,711,534	551,847	173,371	3,090,010
Distribution system .....	28,236,665	82,738	—	28,319,403
Storm sewer system .....	1,288,759	722,327	—	2,011,086
Total Capital Assets Being Depreciated .....	32,245,258	1,356,912	173,371	33,428,799
Less Accumulated Depreciation for				
Buildings .....	1,024	332	—	1,356
Equipment .....	1,563,442	277,664	173,371	1,667,735
Distribution system .....	13,774,988	391,491	—	14,166,479
Storm sewer system .....	99,592	25,139	—	124,731
Total Accumulated Depreciation .....	15,439,046	694,626	173,371	15,960,301
Net Capital Assets Being Depreciated .....	16,806,212	662,286	—	17,468,498
<b>Net Business-Type Activities</b>				
<b>Capital Assets .....</b>	<b>\$ 17,693,111</b>	<b>\$ 2,453,923</b>	<b>\$ 722,327</b>	<b>\$ 19,424,707</b>

Depreciation expense was charged by the City as follows for the year ended June 30, 2013:

<b>Governmental Activities</b>		
Public safety .....		\$ 384,914
Public works .....		3,701,590
Culture and recreation .....		829,714
General government .....		213,617
<b>Total Governmental Activities Depreciation Expense .....</b>		<b>\$ 5,129,835</b>
<b>Business-Type Activities</b>		
Sewer rental .....		\$ 459,412
Solid waste .....		210,075
Storm water management .....		25,139
<b>Total Business-Type Activities Depreciation Expense .....</b>		<b>\$ 694,626</b>

## Notes to the Financial Statements

### (4) Long-Term Debt Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2013:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year	Due Within One Year	Range of Interest Rates
<b>Governmental Activities</b>						
General obligation bonds	\$ 28,455,000	\$ 2,610,000	\$ 5,280,000	\$ 25,785,000	\$ 2,840,000	2.000 - 4.00%
General obligation notes	174,627	—	35,933	138,694	37,593	4.375 - 5.20
Compensated absences	2,683,233	455,378	318,604	2,820,007	735	N/A
Nonbonded indebtedness	186,790	25,000	25,000	186,790	24,990	2.00
Net OPEB liability.....	1,115,000	35,000	—	1,150,000	—	N/A
Premium on general obligation bonds .....	484,806	129,820	53,829	560,797	—	N/A
<b>Totals.....</b>	<b>\$ 33,099,456</b>	<b>\$ 3,255,198</b>	<b>\$ 5,713,366</b>	<b>\$ 30,641,288</b>	<b>\$ 2,903,318</b>	
<b>Business-Type Activities</b>						
Compensated absences	<u>\$ 17,262</u>	<u>\$ 2,960</u>	<u>\$ —</u>	<u>\$ 20,222</u>	<u>\$ 20,222</u>	

#### Bonds Payable

Seven issues of unmatured general obligation bonds totaling \$25,785,000 were outstanding as of June 30, 2013. General obligation bonds bear interest at rates ranging from 2% to 4% and mature in varying annual amounts ranging from \$200,000 to \$775,000, with the final maturities due in the year ending June 30, 2028.

Details of the City's general obligation bonds payable as of June 30, 2013 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-13
<b>Governmental Activities</b>						
Corporate purpose .....	12-15-07	3.55 - 3.80%	6-1-18	\$ 515,000 - \$ 610,000	\$ 5,000,000	\$ 2,810,000
Refunding corporate purpose.....	4-30-09	2.35 - 2.70	6-1-14	275,000	1,310,000	275,000
Corporate purpose .....	12-15-09	2.00 - 3.13	6-1-20	200,000 - 245,000	2,120,000	1,540,000
Corporate purpose .....	12-15-09	3.00 - 4.00	6-1-25	360,000 - 535,000	6,285,000	5,250,000
Corporate purpose .....	2-13-12	2.00 - 3.00	6-1-28	510,000 - 710,000	9,270,000	8,830,000
Corporate purpose .....	2-13-12	2.00 - 2.13	6-1-23	230,000 - 515,000	4,570,000	4,470,000
Refunding corporate purpose.....	3-6-13	2.00 - 3.00	6-1-17	750,000 - 775,000	2,610,000	2,610,000
						<u>\$ 25,785,000</u>

## Notes to the Financial Statements

### (4) Long-Term Liabilities

Year Ending June 30,	Principal	Interest	Total
2014 .....	\$ 2,840,000	\$ 697,681	\$ 3,537,681
2015 .....	2,850,000	612,229	3,462,229
2016 .....	2,830,000	542,106	3,372,106
2017 .....	2,555,000	463,986	3,018,986
2018 .....	2,245,000	392,799	2,637,799
2019-2023 .....	8,095,000	1,237,825	9,332,825
2024-2028 .....	4,370,000	327,756	4,697,756
	<u>\$ 25,785,000</u>	<u>\$ 4,274,382</u>	<u>\$ 30,059,382</u>

### General Obligation Notes

Two issues of unmatured general obligation notes totaling \$138,694 were outstanding as of June 30, 2013. General obligation notes bear interest at rates ranging from 4.375% to 5.2% and mature in monthly and annual amounts ranging from \$369 to \$33,638, with the final maturities due in the year ending June 30, 2017.

Details of the City's general obligation notes payable as of June 30, 2013 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-13
<b>General Obligation Notes</b>						
Geo-Thermal note	7-20-06	5.200%	7-1-16	\$ 369 - \$ 7,508	\$ 60,255	\$ 21,771
Geo-Thermal note	12-28-06	4.375	1-1-17	20,258 - 33,638	285,577	116,923
						<u>\$ 138,694</u>

Year Ending June 30,	Principal	Interest	Total
2014 .....	\$ 37,593	\$ 5,474	\$ 43,067
2015 .....	39,329	3,738	43,067
2016 .....	41,146	1,921	43,067
2017 .....	20,626	297	20,923
	<u>\$ 138,694</u>	<u>\$ 11,430</u>	<u>\$ 150,124</u>

In August, 2010, the City approved an interfund loan from the Enterprise - Sewer Rental Fund at a 2.75% annual interest as follows:

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-13
Enterprise - Sewer Rental	Capital Projects	\$ 250,000	\$ 154,049

This loan was to fund an economic development incentive payment to the Genesis Wellness Ecosystem. The loan is eligible for and the City plans to repay this loan with the use of the debt service levy through the year ending June 30, 2016.



## Notes to the Financial Statements

---

### (4) Long-Term Liabilities

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

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-13
Enterprise - Solid Waste	Tax Increment Financing	\$ 200,000	\$ 200,000

### Capital Lease Obligations

**Police Station** - 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 has subleased the land to V & K Development, LLC to provide for the engineering, design, development, construction, furnishing and equipping of the facility. The City will then lease the facility back from Bankers under a lease purchase agreement being accounted for as a capital lease by the City. The capital lease agreement requires payments in amounts necessary to pay Bankers for the total proceeds of principal payments not to exceed \$12,000,000 that Bankers will obtain 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 Certificates of Participation were issued subsequent to the year ended June 30, 2013. (Note 16)

During the year ended June 30, 2013, no principal or interest payments were made as the project was not completed.

### (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 2%, an estimated liability of \$186,790 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. The City has entered into a three-year agreement to lease 66 acres of cropland at \$150 per acre per year. In October, 2011, a one-year lease agreement increased the lease rate to \$200 per acre. In October, 2012, a one-year lease agreement increased the lease rate to \$250 per acre, subject to proportionate reduction as land is developed.

## Notes to the Financial Statements

### (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue	
	Road Use	\$ 559,931
	Trust and Agency (Employee Benefits)	2,690,038
	Proprietary	
	Sewer Rental	193,987
	Solid Waste	95,876
	Storm Water Management	136,501
		<u>3,676,333</u>
Special Revenue	Special Revenue	
Road Use Tax	Trust and Agency (Employee Benefits)	496,222
	Proprietary	
	Urban Forest	75,000
		<u>571,222</u>
Road Use Replacement	Special Revenue	
	Road Use	288,080
	Proprietary	
	Storm Water Management	180,000
		<u>468,080</u>
Debt Service	General Fund	7,500
	Special Revenue	
	Tax Increment Financing	329,719
	Proprietary	
	Sewer Rental	17,872
	Storm Water Management	165,930
		<u>521,021</u>
Capital Projects	Proprietary	
	Sewer Rent Replacement	175,000
	Storm Water Management	48,500
		<u>223,500</u>
Proprietary	Proprietary	
Sewer Rental	Sewer Rent Replacement	116,164
Proprietary	Proprietary	
Solid Waste	Solid Waste Replacement	647,814
Proprietary	General Fund	27,651
Employee Benefits	Special Revenue	
	Road Use	49,410
	Proprietary	
	Sewer Rental	11,918
	Solid Waste	35,331
	Storm Water Management	898
		<u>125,208</u>
		<u><b>\$ 6,349,342</b></u>

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

## Notes to the Financial Statements

---

### (7) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	
	Nonmajor Proprietary Funds	\$ 54,802
	Fiduciary	
	Cemetery Memorial	631
		<u>\$ 55,433</u>

These balances result from interfund loans to cover expenses in the fund. Repayments will be made from future revenue.

### (8) Pension and Retirement Benefits

The City offers City employees the following retirement plans:

#### **Municipal Fire and Police Retirement System of Iowa**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.4% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, may not be less than 26.12% of earnable compensation. Contribution rates are established by State statute. The City's contributions to the Plan for the years ended June 30, 2013, 2012 and 2011 were \$1,184,641, \$1,091,493 and \$862,844 respectively, which met the required minimum contribution for the year.

#### **Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$511,969, \$460,652 and \$391,774 respectively, equal to the required contributions for each year.

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

#### Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 157 active and 22 retired members in the plan. Participants must be age 55 or older at retirement.

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

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution .....	\$ 286,390
Interest on net OPEB obligation .....	27,877
Adjustment to annual required contribution .....	(132,803)
Annual OPEB Cost .....	181,464
Contributions made .....	(146,464)
Increase in Net OPEB Obligation .....	35,000
Net OPEB Obligation - Beginning of Year .....	1,115,000
Net OPEB Obligation - End of Year .....	<u>\$ 1,150,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the City contributed \$146,464 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 286,535	0.0%	\$ 579,399
2011	243,318	12.9	791,350
2012	337,962	4.2	1,115,000
2013	181,464	80.7	1,150,000

### **(9) Other Postemployment Benefits (OPEB)**

#### **Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,672,700 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,672,700. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,429,000 and the ratio of the UAAL to covered payroll was 16.04%. As of June 30, 2013, there were no trust fund assets.

#### **Actuarial Methods and Assumptions**

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0.0% is assumed for the purpose of this computation.

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

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

### **(10) 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

## Notes to the Financial Statements

### (10) Compensated Absences

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 6-30-13
<b>Primary Government</b>	
Sick leave.....	\$ 861,607
Vacation and personal leave .....	1,311,563
Compensatory time .....	667,059
	<u><b>\$ 2,840,229</b></u>

The above liabilities have been computed based on rates of pay as of June 30, 2013.

### (11) Conduit Debt

The City has issued \$35,412,000 of industrial development revenue and health care facility revenue bonds under provisions of Chapter 419 of the Code of Iowa.

The amounts of these bonds which were still outstanding as of June 30, 2013 are not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

### (12) 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, 2013:

	Primary Government	Discretely Presented Component Unit	Total
Claims paid during the year .....	\$ 1,455,249	\$ 80,850	\$ 1,536,099
Estimated claims incurred but unpaid at June 30, 2013 .....	202,723	17,277	220,000

## Notes to the Financial Statements

---

### **(12) 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 \$425 per month single or \$1,131 per month family which is an actuarially determined amount with a reasonable provision for future unexpected claims. The amount charged will be adjusted over a reasonable period of time so that the internal service fund receipts and disbursements are approximately equal.

### **(13) 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, 2013, the Marion Water Department collected and remitted to the City \$3,578,820 for sewer, \$1,405,691 for garbage service and \$259,085 for urban forest. Fees paid to the Water Department by the City during the year to pay for this service totaled \$100,697 of which \$8,534 was payable as of June 30, 2013.

### **(14) Risk Management**

The City became a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa in the current fiscal year. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 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.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

### **(14) Risk Management**

The City's property and casualty contributions to the risk pool are recorded as expenses at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were approximately \$180,000.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2013, no liability has been recorded in the Department's financial statements. As of June 30, 2013, 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

### **Iowa Municipalities Workers' Compensation Association**

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

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



## Notes to the Financial Statements

---

### **(14) 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, 2013 were \$143,003.

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

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

### **(15) 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. 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.

### **(16) Construction Commitments and Subsequent Events**

As of June 30, 2013, the City had entered into several construction contracts and agreements to purchase equipment totaling approximately \$14.5 million for various street projects and equipment.

As of June 30, 2013, the City had committed approximately \$1.65 million to various development agreements, economic development incentives and financial support agreements.

Subsequent to June 30, 2013, the City entered into the following transactions:

- Approved several agreements to purchase equipment and construct capital improvements. These agreements totaled approximately \$2.1 million.
- Approved \$6.575 million in general obligation corporate purpose bonds and \$1.065 million in general obligation urban renewal street improvement bonds.
- Issued \$11.7 million in Certificates of Participation for the Police Station capital lease described in Note 4.

## Notes to the Financial Statements

### (16) Construction Commitments and Subsequent Events

- Approved several development agreements totaling approximately \$5.6 million as well as a \$100,000 internal loan.
- Committed \$250,000 as a local match on a grant.

Management has evaluated subsequent events through February 20, 2014, the date which the financial statements were available to be issued.

### (17) Prior Period Restatement

During the year ended June 30, 2013, management determined that fund balances were incorrect due to an understatement of capital assets being depreciated. As of June 30, 2012, capital assets being depreciated were understated by \$10,908 in the governmental activities and \$15,643 in the business-type activities. This correction had the following effect on net position as of June 30, 2012.

	Government-Wide Statement of Activities			Business-Type Activities - Enterprise Funds	
	Governmental Activities	Business- Type Activities	Total	Sewer Rental	Solid Waste
Net Position - Beginning of Year, as previously reported .....	\$ 187,701,777	\$ 27,281,762	\$ 214,983,539	\$ 16,405,098	\$ 2,064,503
Restatement for capital asset .....	<u>10,908</u>	<u>15,643</u>	<u>26,551</u>	<u>7,066</u>	<u>8,577</u>
<b>Net Position - Beginning of Year, as Restated..</b>	<b><u>\$ 187,712,685</u></b>	<b><u>\$ 27,297,405</u></b>	<b><u>\$ 215,010,090</u></b>	<b><u>\$ 16,412,164</u></b>	<b><u>\$ 2,073,080</u></b>

	Governmental Activities		Business-Type Activities	
	Capital Assets Being Depreciated - Equipment	Less Accumulated Depreciation for Equipment	Capital Assets Being Depreciated - Equipment	Less Accumulated Depreciation for Equipment
Balances - June 30, 2012, as previously reported.	\$ 10,701,256	\$ (6,355,273)	\$ 2,695,760	\$ (1,563,311)
Restatement for capital asset .....	<u>11,000</u>	<u>(92)</u>	<u>15,774</u>	<u>(131)</u>
<b>Balances - July 1, 2012, as Restated .....</b>	<b><u>\$ 10,712,256</u></b>	<b><u>\$ (6,355,365)</u></b>	<b><u>\$ 2,711,534</u></b>	<b><u>\$ (1,563,442)</u></b>

**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, 2013

	Actual					
	Governmental Funds	Enterprise Funds	Total	Original Budget	Amended Budget	Over (Under) Budget
<b>Receipts</b>						
Property tax .....	\$ 16,959,207	\$ —	\$ 16,959,207	\$ 16,658,459	\$ 16,658,459	\$ 300,748
Tax increment financing ...	1,683,612	—	1,683,612	1,112,898	1,112,898	570,714
Other tax .....	4,810,675	—	4,810,675	5,136,477	5,136,477	(325,802)
Licenses and permits .....	526,336	—	526,336	561,375	561,375	(35,039)
Use of money and property	681,490	103,497	784,987	529,473	529,473	255,514
Intergovernmental .....	4,713,029	64,999	4,778,028	3,536,120	3,536,120	1,241,908
Charges for service .....	637,530	8,986,936	9,624,466	10,334,847	10,334,847	(710,381)
Special assessments .....	17,085	—	17,085	20,525	20,525	(3,440)
Miscellaneous .....	3,068,206	—	3,068,206	2,848,055	2,848,055	220,151
<b>Total Receipts .....</b>	<b>33,097,170</b>	<b>9,155,432</b>	<b>42,252,602</b>	<b>40,738,229</b>	<b>40,738,229</b>	<b>1,514,373</b>
<b>Disbursements</b>						
Public safety .....	8,871,274	—	8,871,274	8,960,797	9,210,797	(339,523)
Public works .....	3,211,527	—	3,211,527	3,329,915	3,529,915	(318,388)
Culture and recreation .....	3,630,003	—	3,630,003	3,887,614	4,112,614	(482,611)
Community and economic development .....	1,879,069	—	1,879,069	2,034,729	2,159,729	(280,660)
General government .....	3,625,463	—	3,625,463	4,160,054	4,290,054	(664,591)
Debt service .....	6,235,039	—	6,235,039	3,578,295	6,278,295	(43,256)
Capital projects .....	12,121,044	—	12,121,044	30,597,750	30,722,750	(18,601,706)
Business-type activities .....	—	10,472,796	10,472,796	10,256,039	11,706,039	(1,233,243)
<b>Total Disbursements ..</b>	<b>39,573,419</b>	<b>10,472,796</b>	<b>50,046,215</b>	<b>66,805,193</b>	<b>72,010,193</b>	<b>(21,963,978)</b>
<b>Receipts Under Disbursements .....</b>	<b>(6,476,249)</b>	<b>(1,317,364)</b>	<b>(7,793,613)</b>	<b>(26,066,964)</b>	<b>(31,271,964)</b>	<b>23,478,351</b>
<b>Other Financing Sources, Net .....</b>	<b>3,760,110</b>	<b>(995,211)</b>	<b>2,764,899</b>	<b>12,020,000</b>	<b>14,630,000</b>	<b>(11,865,101)</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>(2,716,139)</b>	<b>(2,312,575)</b>	<b>(5,028,714)</b>	<b>(14,046,964)</b>	<b>(16,641,964)</b>	<b>11,613,250</b>
Balances - Beginning of Year .....	45,442,308	10,898,722	56,341,030	49,572,452	56,341,030	—
<b>Balances - End of Year ..</b>	<b>\$ 42,726,169</b>	<b>\$ 8,586,147</b>	<b>\$ 51,312,316</b>	<b>\$ 35,525,488</b>	<b>\$ 39,699,066</b>	<b>\$ 11,613,250</b>

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 blended 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 or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$5,205,000. This budget amendment is reflected in the final budgeted amounts.

# Schedule of Budgetary Comparison - Budget to GAAP Reconciliation

Year Ended June 30, 2013

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 33,097,170	\$ (2,830,335)	\$ 30,266,835
Expenditures .....	<u>39,573,419</u>	<u>(4,279,268)</u>	<u>35,294,151</u>
Net .....	(6,476,249)	1,448,933	(5,027,316)
Other financing sources (uses), net .....	3,760,110	(3,743)	3,756,367
Beginning fund balances .....	<u>45,442,308</u>	<u>(5,637,684)</u>	<u>39,804,624</u>
<b>Ending Fund Balances .....</b>	<b><u>\$ 42,726,169</u></b>	<b><u>\$ (4,192,494)</u></b>	<b><u>\$ 38,533,675</u></b>

	Proprietary Fund Types			
	Cash Basis	Adjustment for Component Unit	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 9,155,432	\$ (3,523,888)	\$ 668,939	\$ 6,300,483
Expenses .....	<u>10,472,796</u>	<u>(3,267,554)</u>	<u>(1,234,230)</u>	<u>5,971,012</u>
Net .....	(1,317,364)	(256,334)	1,903,169	329,471
Other financing sources (uses), net.....	(995,211)	(33,920)	(24,943)	(1,054,074)
Beginning net position, as restated .....	<u>10,898,722</u>	<u>(2,112,947)</u>	<u>18,511,630</u>	<u>27,297,405</u>
<b>Ending Net Position .....</b>	<b><u>\$ 8,586,147</u></b>	<b><u>\$ (2,403,201)</u></b>	<b><u>\$ 20,389,856</u></b>	<b><u>\$ 26,572,802</u></b>

## Schedule of Funding Progress for the Retiree Health Plan ---

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

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Supplementary Information**



# Combining Balance Sheet Schedule - Nonmajor Governmental Funds

As of June 30, 2013

	Special Revenue		Capital Projects			Permanent	
	Road Use	Tax		Mainten-	Subdivision	Cemetery	
	Replace-	Increment	Park	ance	Development	Perpetual	Total
	ment	Financing	Development	Bond		Care	
<b>Assets</b>							
Cash.....	\$ 565,928	\$ 939,716	\$ 168,774	\$ 291,135	\$ 12,851	\$ 30,306	\$ 2,008,710
Pooled investments .....	—	—	—	—	—	122,599	122,599
Receivables							
Accounts.....	—	3,200	—	—	—	—	3,200
Property Tax							
Delinquent .....	—	8,964	—	—	—	—	8,964
<b>Total Assets .....</b>	<b>\$ 565,928</b>	<b>\$ 951,880</b>	<b>\$ 168,774</b>	<b>\$ 291,135</b>	<b>\$ 12,851</b>	<b>\$ 152,905</b>	<b>\$ 2,143,473</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Interfund loan .....	\$ —	\$ 200,000	\$ —	\$ —	\$ —	\$ —	\$ 200,000
<b>Fund Balances</b>							
Nonspendable							
Cemetery perpetual care .....	—	—	—	—	—	152,905	152,905
Restricted for							
Streets.....	565,928	—	—	—	—	—	565,928
Other purposes.....	—	751,880	—	—	—	—	751,880
Committed for							
Capital projects.....	—	—	—	291,135	—	—	291,135
Assigned for							
Capital projects.....	—	—	168,774	—	12,851	—	181,625
<b>Total Fund Balances.....</b>	<b>565,928</b>	<b>751,880</b>	<b>168,774</b>	<b>291,135</b>	<b>12,851</b>	<b>152,905</b>	<b>1,943,473</b>
<b>Total Liabilities and Fund</b>							
<b>Balances.....</b>	<b>\$ 565,928</b>	<b>\$ 951,880</b>	<b>\$ 168,774</b>	<b>\$ 291,135</b>	<b>\$ 12,851</b>	<b>\$ 152,905</b>	<b>\$ 2,143,473</b>



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

Year Ended June 30, 2013

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Permanent Cemetery Perpetual Care</u>	
	<u>Road Use Replace-ment</u>	<u>Tax Increment Financing</u>	<u>Park Development</u>	<u>Mainten-ance Bond</u>	<u>Subdivision Development</u>		<u>Total</u>
<b>Revenue</b>							
Tax increment financing .....	\$ —	\$ 1,635,686	\$ —	\$ —	\$ —	\$ —	\$ 1,635,686
Use of money and property .....	1,822	—	723	1,242	1,858	—	5,645
Intergovernmental .....	—	49,778	—	—	—	—	49,778
Charges for service .....	—	—	—	4,650	—	—	4,650
Miscellaneous.....	—	—	—	—	—	3,300	3,300
<b>Total Revenue .....</b>	<b><u>1,822</u></b>	<b><u>1,685,464</u></b>	<b><u>723</u></b>	<b><u>5,892</u></b>	<b><u>1,858</u></b>	<b><u>3,300</u></b>	<b><u>1,699,059</u></b>
<b>Expenditures</b>							
Operating							
Community and economic development.....	—	672,974	—	—	—	—	672,974
Capital projects.....	<u>545,040</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>545,040</u>
<b>Total Expenditures .....</b>	<b><u>545,040</u></b>	<b><u>672,974</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>1,218,014</u></b>
<b>Revenue Over (Under) Expenditures.....</b>	<b><u>(543,218)</u></b>	<b><u>1,012,490</u></b>	<b><u>723</u></b>	<b><u>5,892</u></b>	<b><u>1,858</u></b>	<b><u>3,300</u></b>	<b><u>481,045</u></b>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in .....	468,080	—	—	—	—	—	468,080
Operating transfers out.....	—	(329,719)	—	—	—	—	(329,719)
<b>Total Other Financing Sources (Uses).....</b>	<b><u>468,080</u></b>	<b><u>(329,719)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>138,361</u></b>
<b>Net Changes in Fund Balances.....</b>	<b><u>(75,138)</u></b>	<b><u>682,771</u></b>	<b><u>723</u></b>	<b><u>5,892</u></b>	<b><u>1,858</u></b>	<b><u>3,300</u></b>	<b><u>619,406</u></b>
Fund Balances - Beginning of Year.....	<u>641,066</u>	<u>69,109</u>	<u>168,051</u>	<u>285,243</u>	<u>10,993</u>	<u>149,605</u>	<u>1,324,067</u>
<b>Fund Balances - End of Year</b>	<b><u>\$ 565,928</u></b>	<b><u>\$ 751,880</u></b>	<b><u>\$ 168,774</u></b>	<b><u>\$ 291,135</u></b>	<b><u>\$ 12,851</u></b>	<b><u>\$ 152,905</u></b>	<b><u>\$ 1,943,473</u></b>

# Combining Schedule of Net Position - Nonmajor Enterprise Funds

As of June 30, 2013

	City Communication and Utility	Solid Waste	Solid Waste Replace- ment	Urban Forest Utility	Storm Water Management	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash .....	\$ 471,269	\$ 274,316	\$ —	\$ 115,991	\$ 774,768	\$ 1,636,344
Pooled investments .....	—	405,005	402,000	—	—	807,005
Receivables						
Accounts .....	—	120,408	254	17,486	33,035	171,183
Unbilled usage .....	—	128,972	—	23,507	45,700	198,179
Accrued interest .....	—	1,655	1,805	—	—	3,460
Due from other governments .....	—	—	—	—	8,550	8,550
<b>Total Current Assets</b> .....	<b><u>471,269</u></b>	<b><u>930,356</u></b>	<b><u>404,059</u></b>	<b><u>156,984</u></b>	<b><u>862,053</u></b>	<b><u>2,824,721</u></b>
<b>Noncurrent Assets</b>						
Interfund loan .....	—	200,000	—	—	—	200,000
Capital assets (net of accumulated depreciation) .....	—	949,516	—	—	1,886,355	2,835,871
Capital assets not being depreciated ..	—	348,494	—	—	316,284	664,778
<b>Total Noncurrent Assets</b> .....	<b><u>—</u></b>	<b><u>1,498,010</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>2,202,639</u></b>	<b><u>3,700,649</u></b>
<b>Total Assets</b> .....	<b><u>\$ 471,269</u></b>	<b><u>\$ 2,428,366</u></b>	<b><u>\$ 404,059</u></b>	<b><u>\$ 156,984</u></b>	<b><u>\$ 3,064,692</u></b>	<b><u>\$ 6,525,370</u></b>
<b>Liabilities and Net Position</b>						
<b>Current Liabilities</b>						
Accounts payable .....	\$ 7,233	\$ 51,943	\$ —	\$ 1,530	\$ 97,287	\$ 157,993
Salaries and benefits payable .....	—	25,122	—	—	12,382	37,504
Due to other funds .....	—	—	54,802	—	—	54,802
<b>Total Current Liabilities</b> .....	<b><u>7,233</u></b>	<b><u>77,065</u></b>	<b><u>54,802</u></b>	<b><u>1,530</u></b>	<b><u>109,669</u></b>	<b><u>250,299</u></b>
<b>Net Position</b>						
Net investment in capital assets .....	—	1,298,010	—	—	2,202,639	3,500,649
Unrestricted .....	464,036	1,053,291	349,257	155,454	752,384	2,774,422
<b>Total Net Position</b> .....	<b><u>464,036</u></b>	<b><u>2,351,301</u></b>	<b><u>349,257</u></b>	<b><u>155,454</u></b>	<b><u>2,955,023</u></b>	<b><u>6,275,071</u></b>
<b>Total Liabilities and Net Position</b> .....	<b><u>\$ 471,269</u></b>	<b><u>\$ 2,428,366</u></b>	<b><u>\$ 404,059</u></b>	<b><u>\$ 156,984</u></b>	<b><u>\$ 3,064,692</u></b>	<b><u>\$ 6,525,370</u></b>

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

Year Ended June 30, 2013

	City Communication and Utility	Solid Waste	Solid Waste Replace- ment	Urban Forest Utility	Storm Water Management	Total
<b>Operating Revenue</b>						
Charges for service .....	\$ 651,382	\$ 1,337,626	\$ 211,448	\$ 243,040	\$ 524,343	\$ 2,967,839
Miscellaneous.....	—	115	—	—	—	115
<b>Total Operating Revenue .....</b>	<b><u>651,382</u></b>	<b><u>1,337,741</u></b>	<b><u>211,448</u></b>	<b><u>243,040</u></b>	<b><u>524,343</u></b>	<b><u>2,967,954</u></b>
<b>Operating Expenses</b>						
Personal services .....	237,624	909,719	—	—	458,050	1,605,393
Services and commodities.....	—	480,381	721	60,307	111,498	652,907
Depreciation .....	—	210,075	—	—	25,139	235,214
<b>Total Operating Expenses.....</b>	<b><u>237,624</u></b>	<b><u>1,600,175</u></b>	<b><u>721</u></b>	<b><u>60,307</u></b>	<b><u>594,687</u></b>	<b><u>2,493,514</u></b>
<b>Operating Income (Loss) .....</b>	<b><u>413,758</u></b>	<b><u>(262,434)</u></b>	<b><u>210,727</u></b>	<b><u>182,733</u></b>	<b><u>(70,344)</u></b>	<b><u>474,440</u></b>
<b>Nonoperating Revenue</b>						
Intergovernmental .....	—	—	—	—	58,574	58,574
Investment income .....	1,139	24,047	25,360	328	7,671	58,545
<b>Total Nonoperating Revenue .....</b>	<b><u>1,139</u></b>	<b><u>24,047</u></b>	<b><u>25,360</u></b>	<b><u>328</u></b>	<b><u>66,245</u></b>	<b><u>117,119</u></b>
<b>Income (Loss) Before Transfers and Capital Assets .....</b>	<b><u>414,897</u></b>	<b><u>(238,387)</u></b>	<b><u>236,087</u></b>	<b><u>183,061</u></b>	<b><u>(4,099)</u></b>	<b><u>591,559</u></b>
<b>Transfers and Capital Assets Contributed</b>						
Capital assets contributed .....	—	1	—	—	—	1
Transfers in .....	—	647,814	—	—	—	647,814
Transfers out .....	—	(131,207)	(647,814)	(75,000)	(531,829)	(1,385,850)
<b>Total Transfers and Capital Assets Contributed.....</b>	<b><u>—</u></b>	<b><u>516,608</u></b>	<b><u>(647,814)</u></b>	<b><u>(75,000)</u></b>	<b><u>(531,829)</u></b>	<b><u>(738,035)</u></b>
<b>Changes in Net Position .....</b>	<b><u>414,897</u></b>	<b><u>278,221</u></b>	<b><u>(411,727)</u></b>	<b><u>108,061</u></b>	<b><u>(535,928)</u></b>	<b><u>(146,476)</u></b>
Net Position - Beginning of Year, as Restated (Note 17) .....	49,139	2,073,080	760,984	47,393	3,490,951	6,421,547
<b>Net Position - End of Year .....</b>	<b><u>\$ 464,036</u></b>	<b><u>\$ 2,351,301</u></b>	<b><u>\$ 349,257</u></b>	<b><u>\$ 155,454</u></b>	<b><u>\$ 2,955,023</u></b>	<b><u>\$ 6,275,071</u></b>

# Combining Schedule of Cash Flows - Nonmajor Enterprise Funds

Year Ended June 30, 2013

	City Communication and Utility	Solid Waste	Solid Waste Replace- ment	Urban Forest Utility	Storm Water Management	Total
<b>Cash Flows From Operating Activities</b>						
Cash received from customers .....	\$ 651,382	\$ 1,318,364	\$ 211,379	\$ 259,074	\$ 528,784	\$ 2,968,983
Cash paid to employees for services	—	(904,529)	—	—	(445,668)	(1,350,197)
Cash paid to suppliers for goods and services .....	(259,252)	(461,050)	(1,096)	(59,653)	(205,323)	(986,374)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>392,130</u></b>	<b><u>(47,215)</u></b>	<b><u>210,283</u></b>	<b><u>199,421</u></b>	<b><u>(122,207)</u></b>	<b><u>632,412</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Net transfers .....	—	516,607	(647,814)	(75,000)	(531,829)	(738,036)
State and federal grants received .....	—	—	—	—	64,999	64,999
Increase in due to other funds .....	—	—	54,802	—	—	54,802
<b>Net Cash Provided by (Used in) Noncapital Financing Activities .....</b>	<b><u>—</u></b>	<b><u>516,607</u></b>	<b><u>(593,012)</u></b>	<b><u>(75,000)</u></b>	<b><u>(466,830)</u></b>	<b><u>(618,235)</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Increase (decrease) in interfund loan	—	—	—	(8,758)	52,053	43,295
Purchase of capital assets .....	—	(826,361)	—	—	(243,818)	(1,070,179)
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b><u>—</u></b>	<b><u>(826,361)</u></b>	<b><u>—</u></b>	<b><u>(8,758)</u></b>	<b><u>(191,765)</u></b>	<b><u>(1,026,884)</u></b>
<b>Cash Flows From Investing Activities</b>						
Interest received .....	1,139	24,115	25,435	328	7,671	58,688
Sale of investments .....	—	1,555	—	—	—	1,555
<b>Net Cash Provided by Investing Activities .....</b>	<b><u>1,139</u></b>	<b><u>25,670</u></b>	<b><u>25,435</u></b>	<b><u>328</u></b>	<b><u>7,671</u></b>	<b><u>60,243</u></b>
<b>Net Increase (Decrease) in Cash .....</b>	<b><u>393,269</u></b>	<b><u>(331,299)</u></b>	<b><u>(357,294)</u></b>	<b><u>115,991</u></b>	<b><u>(773,131)</u></b>	<b><u>(952,464)</u></b>
Cash - Beginning of Year .....	78,000	605,615	357,294	—	1,547,899	2,588,808
<b>Cash - End of Year .....</b>	<b><u>\$ 471,269</u></b>	<b><u>\$ 274,316</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 115,991</u></b>	<b><u>\$ 774,768</u></b>	<b><u>\$ 1,636,344</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating income (loss) .....	\$ 413,758	\$ (262,434)	\$ 210,727	\$ 182,733	\$ (70,344)	\$ 474,440
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Depreciation .....	—	210,075	—	—	25,139	235,214
Change in Assets and Liabilities (Increase) decrease in						
receivables .....	—	(19,377)	(69)	16,034	4,441	1,029
Increase (decrease) in payables ..	(21,628)	19,331	(375)	654	(93,825)	(95,843)
Increase (decrease) in salaries and benefits payable .....	—	5,190	—	—	12,382	17,572
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>\$ 392,130</u></b>	<b><u>\$ (47,215)</u></b>	<b><u>\$ 210,283</u></b>	<b><u>\$ 199,421</u></b>	<b><u>\$ (122,207)</u></b>	<b><u>\$ 632,412</u></b>

## Schedule of Net Position - Nonmajor Internal Service Fund

As of June 30, 2013

	Employee Benefit
<b>Assets</b>	
<b>Current Assets</b>	
Cash.....	\$ 245,032
Pooled investments .....	884,253
Receivables	
Accrued interest .....	<u>3,724</u>
<b>Total Assets</b> .....	<b><u>\$ 1,133,009</u></b>
<b>Liabilities and Net Position</b>	
<b>Current Liabilities</b>	
Accounts payable .....	\$ 2,416
<b>Net Position</b>	
Unrestricted .....	<u>1,130,593</u>
<b>Total Liabilities and Net Position</b> .....	<b><u>\$ 1,133,009</u></b>

# Schedule of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Internal Service Fund

---

Year Ended June 30, 2013

	Employee Benefit
<b>Operating Expenses</b>	
Services and commodities.....	\$ 349,709
<b>Nonoperating Revenue</b>	
Investment income .....	<u>50,331</u>
<b>Loss Before Transfers</b> .....	(299,378)
Transfers in .....	<u>125,208</u>
<b>Change in Net Position</b> .....	(174,170)
Net Position - Beginning of Year.....	<u>1,304,763</u>
<b>Net Position - End of Year</b> .....	<u><b>\$ 1,130,593</b></u>

## Schedule of Cash Flows - Nonmajor Internal Service Fund

Year Ended June 30, 2013

	Employee Benefit
<b>Cash Flows From Operating Activities</b>	
Cash paid to suppliers for goods and services.....	<u>\$ (353,369)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers in .....	<u>125,208</u>
<b>Cash Flows From Investing Activities</b>	
Interest received .....	<u>50,485</u>
<b>Net Decrease in Cash</b> .....	<u>(177,676)</u>
Cash - Beginning of Year .....	<u>422,708</u>
<b>Cash - End of Year</b> .....	<u><u>\$ 245,032</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss .....	\$ (349,709)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Changes in Assets and Liabilities	
Decrease in payables .....	<u>(3,660)</u>
<b>Net Cash Used in Operating Activities</b> .....	<u><u>\$ (353,369)</u></u>

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

Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenue</b>										
Property tax.....	\$ 16,925,535	\$ 16,298,027	\$ 15,638,561	\$ 14,857,708	\$ 14,436,527	\$ 12,820,700	\$ 12,512,678	\$ 11,826,079	\$ 10,914,028	\$ 10,241,000
Tax increment financing and other city tax	6,506,192	5,386,752	5,238,300	4,531,109	925,485	856,874	822,768	869,887	694,740	342,128
Licenses and permits.....	512,372	502,751	573,802	541,439	542,547	532,826	528,180	592,713	604,373	545,391
Use of money and property .....	641,024	657,236	658,559	715,090	874,905	1,135,512	1,198,796	1,089,406	916,855	657,703
Intergovernmental .....	4,906,177	5,024,346	7,951,255	5,677,970	3,693,796	3,752,935	2,943,735	3,946,362	3,139,845	3,423,035
Charges for service .....	747,635	842,441	808,083	432,527	408,310	367,322	394,383	388,304	357,767	384,108
Special assessments.....	17,085	13,910	18,069	19,323	21,446	22,848	23,716	24,340	59,444	12,795
Miscellaneous.....	<u>10,815</u>	<u>244,913</u>	<u>53,871</u>	<u>365,070</u>	<u>318,639</u>	<u>377,097</u>	<u>287,072</u>	<u>409,139</u>	<u>375,854</u>	<u>306,974</u>
<b>Total Revenue .....</b>	<b><u>\$ 30,266,835</u></b>	<b><u>\$ 28,970,376</u></b>	<b><u>\$ 30,940,500</u></b>	<b><u>\$ 27,140,236</u></b>	<b><u>\$ 21,221,655</u></b>	<b><u>\$ 19,866,114</u></b>	<b><u>\$ 18,711,328</u></b>	<b><u>\$ 19,146,230</u></b>	<b><u>\$ 17,062,906</u></b>	<b><u>\$ 15,913,134</u></b>
<b>Expenditures</b>										
Operating										
Public safety .....	\$ 8,632,337	\$ 8,199,484	\$ 7,989,669	\$ 7,907,480	\$ 7,225,455	\$ 7,443,939	\$ 6,870,973	\$ 6,766,956	\$ 6,246,486	\$ 5,655,995
Public works.....	2,697,064	3,383,641	3,177,611	3,206,090	2,988,781	2,969,549	2,563,142	2,597,935	2,375,455	2,189,523
Culture and recreation.....	3,477,272	3,349,677	3,375,571	3,304,388	3,025,885	2,854,777	2,612,677	2,541,376	2,277,750	2,235,656
Community and economic development...	1,832,185	1,819,707	1,566,522	1,631,865	1,784,298	1,319,293	1,437,522	1,523,641	1,061,538	1,090,282
General government .....	1,670,946	1,876,773	1,720,425	1,784,151	1,660,215	1,494,061	1,776,781	1,281,742	1,248,325	1,245,788
Debt service .....	6,257,258	3,390,626	3,110,244	2,715,648	3,761,247	4,106,061	1,853,090	1,902,207	1,970,226	1,769,025
Capital projects.....	<u>10,727,089</u>	<u>12,198,330</u>	<u>11,862,997</u>	<u>4,853,756</u>	<u>5,540,965</u>	<u>2,380,396</u>	<u>4,209,427</u>	<u>6,899,597</u>	<u>4,666,646</u>	<u>2,118,065</u>
<b>Total Expenditures .....</b>	<b><u>\$ 35,294,151</u></b>	<b><u>\$ 34,218,238</u></b>	<b><u>\$ 32,803,039</u></b>	<b><u>\$ 25,403,378</u></b>	<b><u>\$ 25,986,846</u></b>	<b><u>\$ 22,568,076</u></b>	<b><u>\$ 21,323,612</u></b>	<b><u>\$ 23,513,454</u></b>	<b><u>\$ 19,846,426</u></b>	<b><u>\$ 16,304,334</u></b>



## **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 unit, each major fund and the aggregate remaining fund information of the City of Marion, Iowa, as of and for the year ended June 30, 2013, 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 February 20, 2014.

### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Marion's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 13-I-R-1, 13-I-R-2, 13-I-R-3 and 13-I-R-4 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying schedule of findings as items 13-I-R-5 and 13-I-R-6 to be significant deficiencies.

### **Compliance and Other Matters**

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

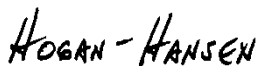
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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. The City of Marion's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

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



HOGAN - HANSEN

Cedar Rapids, Iowa  
February 20, 2014

# Schedule of Findings

---

Year Ended June 30, 2013

## **Part I: Findings Related to the Financial Statements:**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

#### **13-I-R-1 Segregation of Duties**

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

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

**Auditor's Recommendation** - The internal control processes should be reviewed to assure that appropriate controls are in place or implemented.

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

**Auditor's Conclusion** - Response accepted.

#### **13-I-R-2 Financial Statement Preparation**

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

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

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

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

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

---

Year Ended June 30, 2013

### 13-I-R-3 Credit Cards

**Prior Year Finding and Recommendation** - The City has credit cards for use by various employees while on City business. The City has a policy related to credit cards for travel expenses in its personnel policy manual and a credit card use policy which was approved in May, 2013. Before the new policy was implemented, we found that supporting documentation was not always available to support credit card charges. The potential effect of this material weakness is that credit card charges may be used for personal or improper charges as well as lack of documentation to determine the public purpose.

**Current Year Finding** - We found that the same condition still existed prior to the passing of the new credit card use policy in May, 2013.

**Auditor's Recommendation** - The credit card use policy adopted in May, 2013 should be followed going forward.

**City's Response** - The City adopted a credit card use policy in May, 2013 which should address this finding going forward.

**Auditor's Conclusion** - Response accepted.

### 13-I-R-4 Asset Capitalization

**Auditor's Finding** - The City does not have a system of internal controls that can identify assets that should be capitalized in accordance with the City's policy. In addition, the engineering department tracks asset additions on a calendar year basis rather than a fiscal year basis. The potential effect of this material weakness is assets not being capitalized or not being capitalized in the proper period.

**Auditor's Recommendation** - The City should review expenditures to ensure that assets over the capitalization threshold are properly recorded and the City should place assets in service when accepted by the City Council and completed during the fiscal year.

**City's Response** - The City is reviewing its capitalization procedures to better identify when assets can be capitalized. The City is aware that the engineering department is tracking asset additions on a calendar year basis but limited staff time during the heavy summer construction season prevents them from changing to a fiscal year basis.

**Auditor's Conclusion** - Response accepted.

### 13-I-R-5 Finance/Late Charges

**Auditor's Finding** - During testing, we noted that the City paid finance/late charges on the City credit card statement. The payment of late charges does not appear to meet the public purpose doctrine. The potential effect of this significant deficiency is noncompliance with the Code of Iowa.

**Auditor's Recommendation** - The City should consider adopting a policy regarding the payment of public funds for finance/late charges.

## Schedule of Findings

---

Year Ended June 30, 2013

**City's Response** - The City is evaluating the need for a policy at this time and will continue to monitor as we make internal efforts to minimize any finance/late charges.

**Auditor's Conclusion** - Response accepted.

### 13-I-R-6 Cell Phone Policy

**Auditor's Finding** - We noted during our audit that the City pays for City-owned cell phones. In addition, we noted that there is no policy in place governing the City-owned cell phones. The potential effect of this significant deficiency is possible personal use of City-owned cell phones.

**Auditor's Recommendation** - The City should consider adopting a policy regarding the City-owned cell phones. The policy should identify who has City cell phones and include an additional review of usage to ensure that cell phones are not being abused.

**City's Response** - The City is in the process of drafting a policy that addresses not only City-owned cell phones but also other mobile devices including tablets and iPads.

**Auditor's Conclusion** - Response accepted.

## **Part II: Other Findings Related to Statutory Reporting**

**13-II-A Certified Budget** - Disbursements during the year ended June 30, 2013 did not exceed the amounts in the amended budget.

**13-II-B Questionable Disbursements** - Certain disbursements 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 disbursements are detailed as follows:

Paid to	Purpose	Amount
Wal-Mart	Food/supplies for meeting	\$ 76
Hy-Vee	Retirement party supplies	180
Hy-Vee	Alcohol	5
Visa	Finance charges	33
Various restaurants	Meal expenses of the City Manager and department heads	369
Various restaurants	Food expenses	130
UIHC Volunteer Services	Flowers	51
Staples	Coffee for public services	36

According to an Attorney General's opinion, it is possible for such disbursements 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.

## Schedule of Findings

---

Year Ended June 30, 2013

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

**City's Response** - The City has had a flower policy on the books for many years and in April and May of 2013 passed additional policies on years of service awards, sales tax reimbursement, meal reimbursement, open houses and receptions which address most of the items noted here. The alcohol item was a one-time oversight.

**Auditor's Conclusion** - Response accepted.

- 13-II-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 13-II-D Business Transactions** - No business transactions were noted between the City and City officials or employees.
- 13-II-E Bond Coverage** - Surety bond coverage of the City of Marion officials and employees is in accordance with statutory provisions and was reviewed and updated during the year. We recommend that the amount of coverage continue to be reviewed annually to insure that the coverage is adequate for current operations.
- 13-II-F Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not. Council minutes were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.
- 13-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.
- 13-II-H Tax Increment Financing** - The City's tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed November, 2012 certified only debt payments required in fiscal year 2013 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.

## Schedule of Findings

---

Year Ended June 30, 2013

**I3-II-I Urban Renewal Report** - During our testing, we noted that the urban renewal report was filed after the deadline, beginning and ending cash did not reconcile to the audit report and TIF debt outstanding was not reported correctly.

**Auditor's Recommendation** - The City should complete the urban renewal report by its due date and reconcile the data back to the audit report. The urban renewal report should be reviewed to ensure that errors are caught before filing.

**City's Response** - Last year was the first year the report was required. It took longer to accumulate the needed information required and the State was not holding cities to the due date in order to allow them more time to accurately file the report. The report filed in 2013 was timely filed.

**Auditor's Conclusion** - Response accepted.

## **APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE**



## 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 \$2,360,000 General Obligation Urban Renewal Bonds, Series 2014C, dated October 2, 2014 (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer approved on September 18, 2014 (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 the Rule (as defined herein).

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.

“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, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

“National Repository” shall mean, at any point in time, a nationally recognized municipal securities information repository which is then recognized as such by the SEC; as of the date of this Disclosure Certificate, the sole National Repository is the MSRB, which accepts filings via its Electronic Municipal Market Access (EMMA) system at <http://emma.msrb.org>.

“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.

“Repository” shall mean each National Repository and each State Repository.

“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.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) As soon as available but not later than 12 months after the end of the Issuer’s fiscal year (presently June 30), commencing with the report for the 2013-2014 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, provide to each National Repository an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate and which Annual Report is 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 date required above for the filing of the Annual Report 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).

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the filing date in Section 3(a), the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, or shall cause the Dissemination Agent (if any) to, send a notice to each National Repository stating (1) that there has been a failure to provide an Annual Report on or before the date specified in this Disclosure Certificate and (2) the date by which the Issuer will be able to provide the required report.

(d) The Dissemination Agent (if any) shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and confirming that it was filed with each National Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate 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 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 time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Tables, schedules or other information of the type contained in the Official Statement for the Bonds, under the following captions:

- 1/1/2013 Valuations
- 2013 Gross Taxable Valuation by Class of Property
- Trend of Valuations
- Larger Taxpayers
- Debt Limit
- Direct Debt
- Indirect Debt
- Levies and Tax Collections
- Tax Rates

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's web site or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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; and

(b) If a Listed Event described in paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13) or (14) above 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 a notice of such occurrence with each National Repository.

(c) If a Listed Event described in paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11) or (12) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file a notice of such occurrence with each National Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (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. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

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) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be 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;

(b) 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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized Bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

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

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

Dated: October 15, 2014

CITY OF MARION, IOWA

By \_\_\_\_\_  
Mayor

Attest:

By \_\_\_\_\_  
City Clerk

## **APPENDIX D: NOTICE OF SALE**

NOTICE OF SALE  
City of Marion, Iowa  
\$2,360,000\* General Obligation Urban Renewal Bonds,  
Series 2014C

Bids will be received on behalf of the City of Marion, Iowa, until 11:00 o'clock a.m. on September 18, 2014, for the purchase of \$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C (the "Series 2014C Bonds").

\*Principal amount subject to change.

Any of the methods set forth below may be used, but no open bids will be accepted:

**Sealed Bidding:** Sealed bids will be received at City Hall, Marion, Iowa.

**Electronic Facsimile Bidding:** Electronic facsimile bids will be received at City Hall, Marion, Iowa, and will be sealed and treated as sealed bids.

**Electronic Internet Bidding:** Electronic internet bids will be received at City Hall, Marion, Iowa, and must be submitted through PARITY.

After the deadline for receipt of bids has passed, sealed bids will be opened and announced, and electronic internet bids will be accessed and announced. All bids will be presented to the City Council for consideration at its meeting to be held at 5:30 o'clock p.m. on September 18, 2014, at the City Hall, Marion, Iowa, at which time the Series 2014C Bonds will be sold to the best bidder for cash.

The Series 2014C Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, will be dated October 2, 2014, will bear interest payable semiannually on each June 1 and December 1 to maturity, commencing June 1, 2015, and will mature on June 1 in the following years and amounts:

Year	Principal Amount	Year	Principal Amount
2016	\$140,000	2024	\$160,000
2017	\$140,000	2025	\$160,000
2018	\$140,000	2026	\$165,000
2019	\$145,000	2027	\$170,000
2020	\$145,000	2028	\$175,000
2021	\$150,000	2029	\$180,000
2022	\$150,000	2030	\$185,000
2023	\$155,000		

The City reserves the right to increase or decrease the aggregate principal amount of the issue. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase price will be adjusted proportionately to reflect any change in issue size.



The right is reserved to the City to call and redeem the Series 2014C Bonds maturing in the years 2022 to 2030, inclusive, in whole or from time to time in part, in one or more units of \$5,000, on June 1, 2021, or on any date thereafter prior to and in any order of maturity (and within a maturity by lot), upon terms of par and accrued interest.

Bidders must specify a price of not less than \$2,338,760, plus accrued interest. The legal opinion of Dorsey & Whitney LLP, Attorneys, Des Moines, Iowa, will be furnished by the City.

A good faith deposit of \$23,600 is required from the successful bidder and may be forfeited to the City in the event the successful bidder fails or refuses to take and pay for the Series 2014C Bonds.

The City reserves the right to reject any or all bids and to waive irregularities in any bid.

The Series 2014C Bonds are being issued pursuant to the provisions of Chapters 384 and 403 of the Code of Iowa and will constitute general obligations of the City, payable from taxes levied upon all the taxable property in the City without limitation as to rate or amount.

The Securities and Exchange Commission (the "SEC") has promulgated certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (the "Rule") that make it unlawful for an underwriter to participate in the primary offering of municipal securities in a principal amount of \$1,000,000 or more unless, before submitting a bid or entering into a purchase contract for such securities, it has reasonably determined that the issuer or an obligated person has undertaken in writing for the benefit of the holders of such securities to provide certain disclosure information to prescribed information repositories on a continuing basis so long as such securities are outstanding.

On the date of issuance and delivery of the Series 2014C Bonds, the City will execute and deliver a Continuing Disclosure Certificate pursuant to which the City will undertake to comply with the Rule. The City will covenant and agree to comply with and carry out the provisions of the Continuing Disclosure Certificate. All of the officers of the City will be authorized and directed to take any and all actions as may be necessary to comply with the Rule and the Continuing Disclosure Certificate.

Bidders should be aware that the official terms of offering to be published in the Official Statement for the Series 2014C Bonds contain additional bidding terms and information relative to the Series 2014C Bonds. In the event of a variance between statements in this Notice of Sale (except with respect to the time and place of the sale of the Series 2014C Bonds and the principal amount offered for sale) and said official terms of offering, the provisions of the latter shall control.

By order of the City Council of Marion, Iowa.

Wes Nelson  
City Clerk

**OFFICIAL BID FORM**

To: The City Council of  
Marion, Iowa

Sale Date: September 18, 2014  
11:00 A.M. Central Time

RE: \$2,360,000\* General Obligation Urban Renewal Bonds, Series 2014C (the "Bonds"), dated October 2, 2014.

For all or none of the above Bonds, in accordance with the TERMS OF OFFERING, we will pay you  
\$\_\_\_\_\_ (not less than \$2,338,760.00) plus accrued interest to date of delivery for fully registered  
Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2016	_____ % due 2024
_____ % due 2017	_____ % due 2025
_____ % due 2018	_____ % due 2026
_____ % due 2019	_____ % due 2027
_____ % due 2020	_____ % due 2028
_____ % due 2021	_____ % due 2029
_____ % due 2022	_____ % due 2030
_____ % due 2023	

\* The City reserves the right to increase or decrease the aggregate principal amount of the issue. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase price will be adjusted proportionately to reflect any change in issue size.

In making this offer we accept all of the terms and conditions of the TERMS OF OFFERING published in the Preliminary Official Statement dated September 11, 2014. In the event of failure to deliver these Bonds in accordance with the TERMS OF OFFERING as printed in the Preliminary Official Statement and made a part hereof, we reserve the right to withdraw our offer. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$\_\_\_\_\_

TRUE INTEREST COST: \_\_\_\_\_ % (Based on dated date of October 2, 2014)

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

Account Members:

---

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Marion, Iowa this 18<sup>th</sup> day of September, 2014.

Attest: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_