

City of Johnston, Iowa

Financial Report
June 30, 2017

Contents

Introductory Section

Table of contents	i
Elected officials	ii

Financial Section

Independent auditor's report	1-2
Management's discussion and analysis	3-12
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	13-14
Statement of activities	15-16
Governmental fund financial statements:	
Balance sheet	17-18
Reconciliation of total governmental fund balances to net position of governmental activities	19
Statement of revenues, expenditures and changes in fund balances	20-21
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	22
Proprietary fund financial statements:	
Statement of net position	23-26
Statement of revenues, expenditures and changes in net position	27-28
Statement of cash flows	29-32
Notes to financial statements	33-58
Required Supplementary Information:	
Budgetary comparison schedule - budget and actual (cash basis) – governmental funds and proprietary funds	59-60
Note to required supplementary information – budgetary reporting	61
Schedule of funding progress for the retiree health plan	62
Iowa Public Employees' Retirement System:	
Schedule of the City's proportionate share of the net pension liability	63
Schedule of City contributions	64
Notes to required supplementary information – pension liability	65
Supplementary information:	
Nonmajor governmental funds:	
Combining balance sheet	66-68
Combining schedule of revenues, expenditures and changes in fund balance	69-71
Internal service funds:	
Combining schedule of net position	72
Combining schedule of revenues, expenses and changes in fund position	73
Combining schedule of cash flows	74
Other information:	
Insurance coverage information	75
Sewer fund statistical information	76
Schedule of revenues by source and expenditures by function – all governmental funds	77-78

City of Johnston, Iowa

Elected Officials

As of January 2016

Mayor

Paula Dierenfeld

Mayor Pro tem

Gerd Clabaugh

City Council Members

Matt Brown

Tom Cope

David Lindeman

John Temple

Administrator

James P. Sanders

Finance Director

Teresa M. Rotschafer

Clerk

Cyndee Rhames

Attorney

Timothy Pearson

As of January 2017

Mayor

Paula Dierenfeld

City Council Members

Matt Brown

Tom Cope

Jim Evans

John Temple

Rhonda Martin

Administrator

James P. Sanders

Finance Director

Teresa M. Rotschafer

Clerk

Cyndee Rhames

Attorney

Timothy Pearson



Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Johnston, Iowa (the City), as of and for the year ended June 30, 2017, 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, 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. 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

Des Moines, Iowa
February 23, 2018

City of Johnston, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

It is an honor to present to you the financial picture of the City of Johnston, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Johnston, Iowa for the year ended June 30, 2017.

Financial Highlights: Primary Government

- The assets of the City of Johnston, Iowa exceeded its liabilities at the close of the most recent fiscal year by \$140,876,975 (net position). Of this amount, \$16,581,530 is unrestricted. The assets exceeded liabilities by \$132,157,292 as of June 30, 2016.
- For fiscal year 2017, the government's total net position increased \$8,719,683. Governmental activities increased by \$6,767,869 and business-type activities increased by \$1,951,814.
- As of the close of fiscal year June 30, 2017, the City of Johnston, Iowa's governmental funds reported combined ending fund balances of \$19,810,797, a decrease of \$15,375 in comparison with the prior year. Approximately 25.9 percent of this amount, \$5,140,467, is unassigned fund balance which is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,140,467 or 39.6 percent of total General Fund expenditures compared to \$5,194,168 and 42.7 percent as of June 30, 2016.

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

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Johnston, Iowa's finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements separate functions of the City of Johnston, Iowa that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Johnston, Iowa include general government, public safety, public works, culture and recreation, community development, and health and social services. The business-type activities of the City of Johnston, Iowa include water, sewer, and storm water.

City of Johnston, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

Fund Financial Statements: The City has two kinds of funds:

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

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

The City of Johnston, Iowa maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Urban Renewal Tax Increment Financing Fund, Debt Service Fund, and Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds: The City of Johnston, Iowa maintains two different types of proprietary funds. The City maintains enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements and maintains internal service funds which are used to accumulate and allocate costs internally among the City's various functions.

Enterprise funds serve external customers and are primarily funded through user charges. The City of Johnston, Iowa maintains three enterprise funds. The enterprise fund financial statements provide separate information for the Water Fund, Sewer Fund, and Storm Water Fund which are major funds.

The City uses two internal service funds to account for its employee health insurance costs. Because this activity predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's programs. The City does not have fiduciary funds.

City of Johnston, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

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

Required Supplementary Information: The required supplementary information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability and related contributions for the City's retirement plans, as well as presenting the Schedule of Funding Progress for the retiree health plan.

Supplementary and other information: The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to basic financial statements and the required supplementary information.

Government-Wide Financial Analysis: As noted earlier, net position may serve over time as a useful indicator of financial position. The City's total net position has increased from a year ago. Table 1 reflects total net position of \$140,876,975, which represents an increase of \$8,719,683 from 2016.

Table 1 - Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 44,654,990	\$ 46,656,083	\$ 9,961,727	\$ 9,543,695	\$ 54,616,717	\$ 56,199,778
Capital assets	141,289,795	130,477,587	57,503,143	56,621,427	198,792,938	187,099,014
Total assets	185,944,785	177,133,670	67,464,870	66,165,122	253,409,655	243,298,792
Deferred outflows of resources	2,156,962	1,268,804	331,636	223,918	2,488,598	1,492,722
Noncurrent liabilities	69,354,610	64,090,659	13,349,672	14,016,979	82,704,282	78,107,638
Other liabilities	7,500,067	10,844,325	2,390,646	2,233,271	9,890,713	13,077,596
Total liabilities	76,854,677	74,934,984	15,740,318	16,250,250	92,594,995	91,185,234
Deferred inflows of resources	22,338,858	21,327,147	87,425	121,841	22,426,283	21,448,988
Net position:						
Net investment in capital assets	72,030,581	75,626,034	43,540,472	42,345,946	115,571,053	117,971,980
Restricted	8,724,392	6,321,341	-	-	8,724,392	6,321,341
Unrestricted	8,153,239	192,968	8,428,291	7,671,003	16,581,530	7,863,971
Total net position	\$ 88,908,212	\$ 82,140,343	\$ 51,968,763	\$ 50,016,949	\$ 140,876,975	\$ 132,157,292

Of the City of Johnston's net position, 82.0 percent reflects its net investment in capital assets less depreciation and any related debt used to acquire those assets that are still outstanding. The City of Johnston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. A restricted portion of the City's net position, \$8,724,392 (6.2 percent as of June 30, 2017), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16,581,530 (11.8 percent as of June 30, 2017), may be used to meet the government's ongoing obligations to citizens and creditors.

City of Johnston, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2017. These two main components are subtracted to yield the change in net position. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,466,888	\$ 2,705,132	\$ 8,841,383	\$ 7,623,245	\$ 11,308,271	\$ 10,328,377
Operating grants and contributions	2,486,508	2,123,412	-	-	2,486,508	2,123,412
Capital grants and contributions	3,330,808	1,119,525	-	851,756	3,330,808	1,971,281
General revenues:						
Property tax	14,632,106	13,961,422	-	-	14,632,106	13,961,422
Hotel/motel tax	305,243	308,742	-	-	305,243	308,742
Tax increment financing	5,836,933	4,314,235	-	-	5,836,933	4,314,235
Unrestricted investment earnings	164,691	78,410	31,119	8,608	195,810	87,018
Other	360,113	1,786,910	390,638	733,823	750,751	2,520,733
Total revenues	29,583,290	26,397,788	9,263,140	9,217,432	38,846,430	35,615,220
Expenses:						
Public safety	6,583,181	6,237,781	-	-	6,583,181	6,237,781
Public works	5,778,945	4,507,222	-	-	5,778,945	4,507,222
Health and social services	28,421	31,250	-	-	28,421	31,250
Culture and recreation	3,381,267	3,301,292	-	-	3,381,267	3,301,292
Community development	3,545,155	3,908,868	-	-	3,545,155	3,908,868
General government	1,238,584	1,211,390	-	-	1,238,584	1,211,390
Interest	2,031,930	2,042,028	-	-	2,031,930	2,042,028
Water	-	-	4,738,664	4,342,416	4,738,664	4,342,416
Sewer	-	-	2,624,462	2,958,257	2,624,462	2,958,257
Storm water	-	-	176,138	139,664	176,138	139,664
Total expenses	22,587,483	21,239,831	7,539,264	7,440,337	30,126,747	28,680,168
Excess of revenues over expenses	6,995,807	5,157,957	1,723,876	1,777,095	8,719,683	6,935,052
Transfers	(227,938)	(5,567,059)	227,938	5,567,059	-	-
Change in net position	6,767,869	(409,102)	1,951,814	7,344,154	8,719,683	6,935,052
Net position, beginning of year	82,140,343	82,549,445	50,016,949	42,672,795	132,157,292	125,222,240
Net position, end of year	\$ 88,908,212	\$ 82,140,343	\$ 51,968,763	\$ 50,016,949	\$ 140,876,975	\$ 132,157,292

City of Johnston, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

The City's total net position increased by \$8,719,683 during the year ended June 30, 2017. The governmental activities' net position increased by \$6,767,869. The governmental activities' net position increased due to increases in property taxes and tax increment financing taxes from increased assessed valuations and an increase in capital grants and contributions due to reimbursements from other entities for capital improvements. The total business-type activities' net position increased by \$1,951,814 due to increases in charges for services from the City's increased focus on billing and meter reading backlog.

Table 3 below discloses cost of services for governmental activities.

The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 3 - Governmental Activities

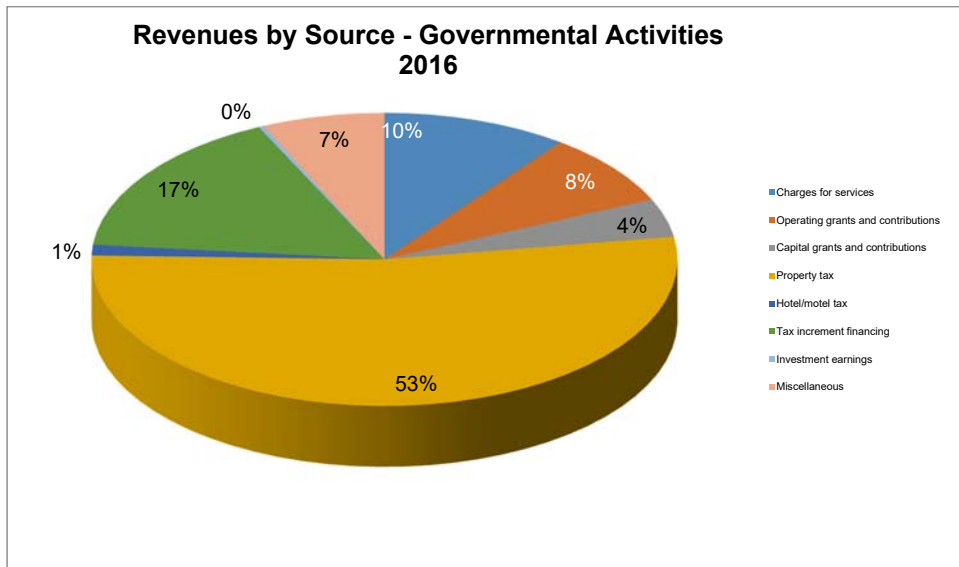
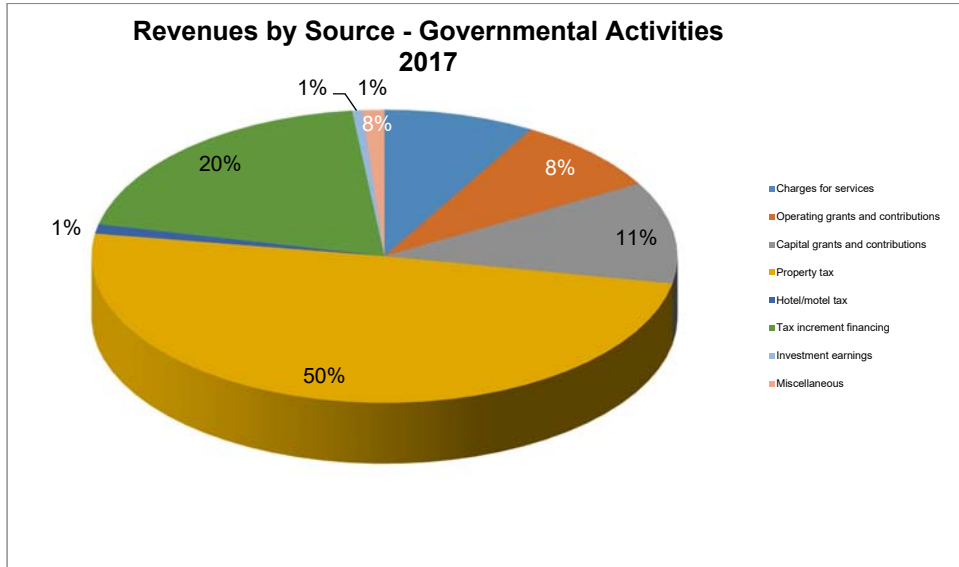
Programs	Total Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2017	Net Cost of Services 2016
Public safety	\$ 6,583,181	\$ 6,237,781	\$ 1,985,697	\$ 3,998,494
Public works	5,778,945	4,507,222	3,345,410	2,388,879
Health and social services	28,421	31,250	28,421	31,250
Culture and recreation	3,381,267	3,301,292	2,729,840	2,627,254
Community development	3,545,155	3,908,868	3,501,677	3,908,868
General government	1,238,584	1,211,390	680,304	294,989
Interest on debt	2,031,930	2,042,028	2,031,930	2,042,028
Total	\$ 22,587,483	\$ 21,239,831	\$ 14,303,279	\$ 15,291,762

Net cost of services is 63.3 percent of total cost of services for the year ended June 30, 2017 and 72.0 percent for the year ended June 30, 2016. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

City of Johnston, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017

Governmental Activities: The graphs below show the percentage of the total governmental activities' revenues allocated by each revenue type for 2017 and 2016.



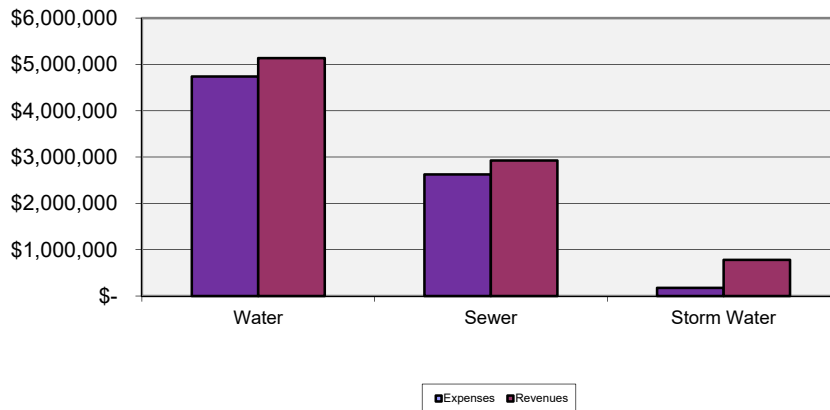
City of Johnston, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017

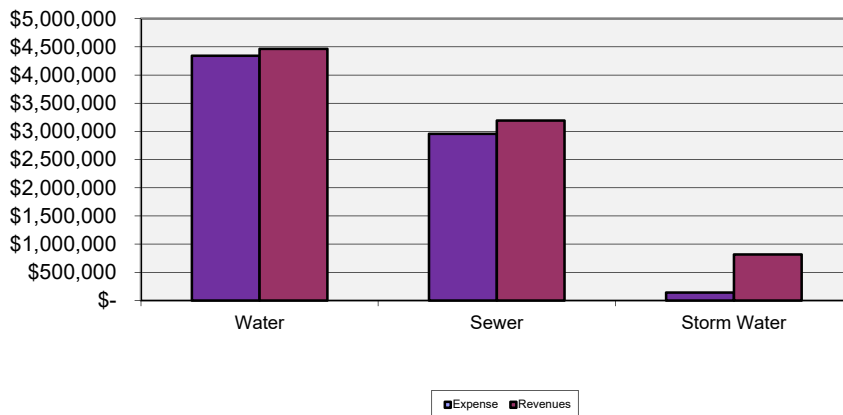
Business-type activities: For the year ended June 30, 2017, business-type activities increased the City of Johnston's net position by \$1,951,814.

Total business-type activities' revenue for the fiscal year was \$9,263,140. All but \$421,757 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenditures and program revenues for 2017 and 2016.

Expenses and Program Revenues - Business-Type Activities
2017



Expenses and Program Revenues - Business-Type Activities
2016



City of Johnston, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

Financial Analysis of the Government's Funds: As noted earlier, the City of Johnston, Iowa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City of Johnston, Iowa's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Johnston itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Johnston's City Council.

As of June 30, 2017, the City of Johnston, Iowa's governmental funds reported combined ending fund balances of \$19,810,797, a decrease of \$15,375 from June 30, 2016. The City's unassigned balance was \$5,140,467 as of June 30, 2017. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form - \$522,549, 2) legally required to be maintained intact or restricted for particular purposes or by third parties - \$14,147,781 or 3) committed for particular purposes - \$0.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,140,467, while total fund balance decreased by (\$23,667). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 39.6 percent while total fund balance represents approximately 43.5 percent of General Fund expenditures.

The General Fund's largest revenue source is taxes which consists of property taxes and other taxes. These sources contribute 78.9 percent of revenue used to fund the general purposes of the City including police, streets and parks. These revenue sources have a direct correlation with the health of the economy. Another 10.2 percent of the City's General Fund revenues were derived from charges for services. The fund balance of the City's General Fund decreased by (\$23,667) during the current fiscal year.

The Urban Renewal Tax Increment Financing Fund accounts for tax increment financing revenues and uses. Fund balance increased \$1,387,003 from \$4,698,763 in 2016 to \$6,085,766 in 2017 due to an increase in tax increment financing taxes collected and the taxes collected exceeded community development expenditures and transfers out for debt service.

The Debt Service Fund fund balance increased \$256,918 from \$316,364 in 2016 to \$573,282 in 2017. The Debt Service Fund continues to service debt as it becomes due.

The Capital Projects Fund fund balance decreased (\$2,390,892) from \$7,644,395 in 2016 to \$5,253,503 in 2017. This decrease was due to expending the proceeds from the current year issuance of long-term debt on capital projects.

Proprietary funds: The City of Johnston's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The Water Fund net position increased \$665,321 from \$18,640,167 in 2016 to \$19,305,488 in 2017. The Sewer Fund net position decreased (\$65,458) from \$24,838,185 in 2016 to \$24,772,727 in 2017. The Storm Water Fund net position increased \$1,329,702 from \$6,437,901 in 2016 to \$7,767,603 in 2017.

City of Johnston, Iowa

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Budgetary Highlights: Formal and legal budgetary control is based on classes of disbursements known as functions, not by fund or fund type. During the year, one budget amendment increased budgeted expenditures by a total of \$7,828,221. The budget amendment was made to adjust revenues and expenditures for capital projects and the related financing of the capital projects. During the year, expenditures for all functions were less than budgeted.

Capital Asset and Debt Administration

Capital assets: The City of Johnston’s investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$198,792,938 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, equipment, and infrastructure. Major capital projects were the NW 70th Avenue Improvement, NW 100th Reconstruction and NW 57th Avenue Improvement.

Table 4 - Capital Assets Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,833,182	\$ 4,833,182	\$ 269,171	\$ 269,171	\$ 5,102,353	\$ 5,102,353
Construction-in-progress	28,724,610	25,661,991	5,981,516	10,031,771	34,706,126	35,693,762
Buildings	17,724,048	18,154,861	749,080	766,483	18,473,128	18,921,344
Improvements other than buildings	1,969,458	1,730,123	-	-	1,969,458	1,730,123
Equipment and vehicles	4,159,286	4,214,956	353,536	422,071	4,512,822	4,637,027
Infrastructure	83,879,211	75,882,474	50,149,840	45,131,931	134,029,051	121,014,405
Total	\$ 141,289,795	\$ 130,477,587	\$ 57,503,143	\$ 56,621,427	\$ 198,792,938	\$ 187,099,014

Additional information on the City of Johnston’s capital assets can be found in Note 3 of this report.

City of Johnston, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

Debt: As of June 30, 2017, the City of Johnston, Iowa had general obligation bonds and revenue bonds payable totaling \$83,258,305 compared to \$79,962,009 as of June 30, 2016. For the year ended June 30, 2017, the City paid \$6,481,513 in principal and amortized \$152,235 of bond premiums on the bonds.

Table 5-Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 69,259,214	\$ 65,405,235	\$ 8,286,207	\$ 9,229,774	\$ 77,545,421	\$ 74,635,009
Revenue bonds	-	-	5,712,884	5,327,000	5,712,884	5,327,000
Compensated absences	772,736	685,584	56,920	70,436	829,656	756,020
Net OPEB liability	1,935,991	1,593,938	302,009	252,062	2,238,000	1,846,000
Net pension liability	2,748,891	1,667,701	690,927	539,307	3,439,818	2,207,008
Total	\$ 74,716,832	\$ 69,352,458	\$ 15,048,947	\$ 15,418,579	\$ 89,765,779	\$ 84,771,037

Additional information about the City's long-term debt can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Polk County for June 2017 was 3.2% compared to 3.2% for the State of Iowa and 4.3% nationally.
- The General Fund is significantly funded by property taxes. Therefore, the City continues to encourage new development that supports these revenue sources.
- The City hired a City Economic Development Manager in September 2016 to aggressively work on economic development activities in the Merle Hay Redevelopment Area and the Merle Hay Gateway, along with the entire City.
- Total budgeted expenditures for the fiscal year 2018 is \$66,775,569.

Requests for Information

This financial report is designed to provide a general overview of the City of Johnston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Teresa Rotschafer, Finance Director, 6221 Merle Hay Road, P.O. Box 410, Johnston, Iowa, 50131-0410.

City of Johnston, Iowa

Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 21,320,039	\$ 7,473,470	\$ 28,793,509
Receivables:			
Property tax:			
Delinquent	37,639	-	37,639
Succeeding year	15,203,879	-	15,203,879
Tax increment financing:			
Delinquent	3,808	-	3,808
Succeeding year	6,371,370	-	6,371,370
Customer accounts and unbilled usage	48,712	1,443,444	1,492,156
Accounts, net allowance of \$36,399	372,124	-	372,124
Special assessments	422,079	235,134	657,213
Accrued interest	890	-	890
Internal balances	(236,401)	236,401	-
Due from other governments	588,302	260,004	848,306
Inventories	-	273,597	273,597
Prepaid expenses	522,549	39,677	562,226
Total current assets	44,654,990	9,961,727	54,616,717
Noncurrent assets:			
Capital assets:			
Land and construction in progress	33,557,792	6,250,687	39,808,479
Capital assets being depreciated, net	107,732,003	51,252,456	158,984,459
Total noncurrent assets	141,289,795	57,503,143	198,792,938
Total assets	185,944,785	67,464,870	253,409,655
Deferred outflows of resources			
Deferred charge on refunding	-	36,420	36,420
Pension related amounts	2,156,962	295,216	2,452,178
Total deferred outflows of resources	2,156,962	331,636	2,488,598

See notes to financial statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts, claims and contracts payable	\$ 1,791,448	\$ 638,733	\$ 2,430,181
Accrued interest payable	169,886	33,483	203,369
Salaries and benefits payable	176,511	10,675	187,186
Customer deposits	-	8,480	8,480
Revenue bonds/notes	-	701,211	701,211
General obligation bonds/notes	4,672,222	942,778	5,615,000
Compensated absences	690,000	55,286	745,286
Total current liabilities	7,500,067	2,390,646	9,890,713
Long-term liabilities:			
General obligation bonds/notes (net of unamortized premium/discount)	64,586,992	7,343,429	71,930,421
Revenue bonds/notes (net of unamortized premium/discount)	-	5,011,673	5,011,673
Compensated absences	82,736	1,634	84,370
Net OPEB liability	1,935,991	302,009	2,238,000
Net pension liability	2,748,891	690,927	3,439,818
Total long-term liabilities	69,354,610	13,349,672	82,704,282
Total liabilities	76,854,677	15,740,318	92,594,995
Deferred inflows of resources			
Property taxes	15,203,879	-	15,203,879
Tax increment financing	6,371,370	-	6,371,370
Pension related amounts	763,609	87,425	851,034
Total deferred inflows of resources	22,338,858	87,425	22,426,283
Net Position			
Net investment in capital assets	72,030,581	43,540,472	115,571,053
Restricted:			
Debt service	6,489,162	-	6,489,162
Roads	1,902,212	-	1,902,212
Police	49,552	-	49,552
Culture and recreation	219,352	-	219,352
Community development	64,114	-	64,114
Unrestricted	8,153,239	8,428,291	16,581,530
Total net position	\$ 88,908,212	\$ 51,968,763	\$ 140,876,975

City of Johnston, Iowa

**Statement of Activities
Year Ended June 30, 2017**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions and Restricted Interest	Capital Grants and Contributions and Restricted Interest
Governmental Activities:				
Public safety	\$ 6,583,181	\$ 1,257,181	\$ 9,495	\$ 3,330,808
Public works	5,778,945	-	2,433,535	-
Health and social services	28,421	-	-	-
Culture and recreation	3,381,267	651,427	-	-
Community development	3,545,155	-	43,478	-
General government	1,238,584	558,280	-	-
Interest on debt	2,031,930	-	-	-
Total governmental activities	22,587,483	2,466,888	2,486,508	3,330,808
Business-Type Activities:				
Water	4,738,664	5,136,537	-	-
Sewer	2,624,462	2,925,368	-	-
Storm water	176,138	779,478	-	-
Total business-type activities	7,539,264	8,841,383	-	-
Total	\$ 30,126,747	\$ 11,308,271	\$ 2,486,508	\$ 3,330,808

General revenues and transfers:

- Property taxes and other city taxes levied for:
 - General purposes
 - Debt Service
- Hotel/motel tax
- Tax increment financing
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous
- Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,985,697)	\$ -	\$ (1,985,697)
(3,345,410)	-	(3,345,410)
(28,421)	-	(28,421)
(2,729,840)	-	(2,729,840)
(3,501,677)	-	(3,501,677)
(680,304)	-	(680,304)
(2,031,930)	-	(2,031,930)
(14,303,279)	-	(14,303,279)
-	397,873	397,873
-	300,906	300,906
-	603,340	603,340
-	1,302,119	1,302,119
(14,303,279)	1,302,119	(13,001,160)
9,371,091	-	9,371,091
5,257,516	-	5,257,516
308,742	-	308,742
5,836,933	-	5,836,933
164,691	31,119	195,810
15,053	-	15,053
345,060	390,638	735,698
(227,938)	227,938	-
21,071,148	649,695	21,720,843
6,767,869	1,951,814	8,719,683
82,140,343	50,016,949	132,157,292
\$ 88,908,212	\$ 51,968,763	\$ 140,876,975

City of Johnston, Iowa

Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Urban Renewal Tax Increment Financing	Debt Service
Assets			
Pooled cash and investments	\$ 5,163,425	\$ 6,099,007	\$ 624,748
Receivables:			
Property tax:			
Delinquent	25,251	-	12,388
Succeeding year	9,833,550	-	5,370,329
Tax increment financing:			
Delinquent	-	3,808	-
Succeeding year	-	6,371,370	-
Accounts	321,361	-	-
Special assessments	-	-	422,079
Accrued interest	-	-	-
Due from other governments	108,262	-	29
Prepaid expenditures	504,889	-	-
Total assets	\$ 15,956,738	\$ 12,474,185	\$ 6,429,573
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts and contracts payable	\$ 300,508	\$ 17,049	\$ -
Salaries and benefits payable	161,624	-	-
Due to other funds	-	-	63,882
Total liabilities	462,132	17,049	63,882
Deferred inflows of resources:			
Unavailable revenue - property taxes	9,833,550	-	5,370,329
Unavailable revenue - tax increment financing	-	6,371,370	-
Unavailable revenue - other	15,700	-	422,080
Total deferred inflows of resources	9,849,250	6,371,370	5,792,409
Fund balances:			
Nonspendable	504,889	-	-
Restricted	-	6,085,766	573,282
Unassigned	5,140,467	-	-
Total fund balances	5,645,356	6,085,766	573,282
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,956,738	\$ 12,474,185	\$ 6,429,573

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,373,434	\$ 2,065,119	\$ 20,325,733
-	-	37,639
-	-	15,203,879
-	-	3,808
-	-	6,371,370
44,378	6,385	372,124
-	-	422,079
890	-	890
211,936	268,075	588,302
-	17,660	522,549
<u>\$ 6,630,638</u>	<u>\$ 2,357,239</u>	<u>\$ 43,848,373</u>

\$ 1,308,921	\$ 89,462	\$ 1,715,940
-	14,887	176,511
49,574	-	113,456
<u>1,358,495</u>	<u>104,349</u>	<u>2,005,907</u>

-	-	15,203,879
-	-	6,371,370
18,640	-	456,420
<u>18,640</u>	<u>-</u>	<u>22,031,669</u>

-	17,660	522,549
5,253,503	2,235,230	14,147,781
-	-	5,140,467
<u>5,253,503</u>	<u>2,252,890</u>	<u>19,810,797</u>

<u>\$ 6,630,638</u>	<u>\$ 2,357,239</u>	<u>\$ 43,848,373</u>
---------------------	---------------------	----------------------

City of Johnston, Iowa

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities
June 30, 2017**

Total governmental fund balances		\$ 19,810,797
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 governmental funds.		141,289,795
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		456,420
The Internal Service Funds are used by management to charge the costs of certain activities, including the self funding of the City's health insurance benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position:		
Internal service funds net position	\$ 967,510	
Internal service funds allocated to business-type activities	<u>(122,945)</u>	844,565
Pension related deferred outflows of resources and deferred inflows of resources represent a consumption or acquisition of net position in a future period and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	2,156,962	
Deferred inflows of resources	<u>(763,609)</u>	1,393,353
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bonds and notes payable, net of premiums and discounts	(69,259,214)	
Accrued interest payable	(169,886)	
Compensated absences	(772,736)	
Net pension liability	(2,748,891)	
Other postemployment benefits	<u>(1,935,991)</u>	<u>(74,886,718)</u>
Net position of governmental activities		<u><u>\$ 88,908,212</u></u>

See notes to financial statements.

City of Johnston, Iowa

Statement of Revenues, Expenditures and Changes In Fund Balances -
 Governmental Funds
 Year Ended June 30, 2017

	General Fund	Urban Renewal Tax Increment Financing	Debt Service
Revenues:			
Property tax	\$ 9,071,877	\$ -	\$ 4,952,394
Tax increment financing	-	5,836,933	-
Other city tax	607,956	-	143,157
Licenses and permits	468,432	-	-
Use of money and property	111,922	22,928	71,093
Intergovernmental	626,809	43,478	161,965
Charges for services	1,257,181	-	-
Special assessments	-	-	121,506
Miscellaneous	110,734	-	29
Total revenues	12,254,911	5,903,339	5,450,144
Expenditures:			
Current:			
Public safety	5,972,928	-	-
Public works	1,745,315	-	-
Health and social services	25,000	-	-
Culture and recreation	2,977,535	-	-
Community development	1,027,481	2,449,313	-
General government	1,207,070	-	-
Debt service	-	-	7,297,960
Capital outlay	-	-	-
Total expenditures	12,955,329	2,449,313	7,297,960
Excess (deficiency) of revenues over expenditures	(700,418)	3,454,026	(1,847,816)
Other financing sources (uses):			
Transfers in	342,250	-	2,104,734
Transfers out	(162,000)	(2,067,023)	-
Proceeds from sale of capital assets	56,585	-	-
Issuance of long-term debt	439,916	-	-
Premium on bond issuance	-	-	-
Total other financing sources (uses)	676,751	(2,067,023)	2,104,734
Net change in fund balances	(23,667)	1,387,003	256,918
Fund balances, beginning of year	5,669,023	4,698,763	316,364
Fund balances, end of year	\$ 5,645,356	\$ 6,085,766	\$ 573,282

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 14,024,271
-	-	5,836,933
-	-	751,113
-	24,618	493,050
40,235	1,606	247,784
3,411,301	2,443,030	6,686,583
-	-	1,257,181
-	-	121,506
79,870	9,205	199,838
<u>3,531,406</u>	<u>2,478,459</u>	<u>29,618,259</u>
-	6,770	5,979,698
-	1,495,782	3,241,097
-	-	25,000
-	7,119	2,984,654
-	48,278	3,525,072
-	-	1,207,070
-	-	7,297,960
15,550,937	-	15,550,937
<u>15,550,937</u>	<u>1,557,949</u>	<u>39,811,488</u>
<u>(12,019,531)</u>	<u>920,510</u>	<u>(10,193,229)</u>
1,637,778	37,000	4,121,762
(692,383)	(202,247)	(3,123,653)
-	-	56,585
8,439,661	-	8,879,577
243,583	-	243,583
<u>9,628,639</u>	<u>(165,247)</u>	<u>10,177,854</u>
(2,390,892)	755,263	(15,375)
<u>7,644,395</u>	<u>1,497,627</u>	<u>19,826,172</u>
<u>\$ 5,253,503</u>	<u>\$ 2,252,890</u>	<u>\$ 19,810,797</u>

City of Johnston, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017**

Net change in fund balances, governmental funds \$ (15,375)

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

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

Capital outlays	\$ 15,395,165	
Depreciation expense	<u>(3,315,378)</u>	12,079,787

The net effect of various miscellaneous transactions involving capital assets (i.e.) sales, trade-ins, donations, and disposals) to (decrease) net position:

Proceeds from the sale of capital assets	(56,585)	
Gain on sale of capital assets	15,053	
Transfer of capital assets to enterprise funds	<u>(1,226,047)</u>	(1,267,579)

Change in revenue amounts in the statement of activities that do not provide current financial resources is not reported as revenue in the governmental funds. (50,012)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 5,134,686

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 134,495

Some change in expense amounts 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:

Issuance of long-term debt	(8,879,577)	
Premiums on issuance of bonds	(243,583)	
Compensated absences	(87,152)	
Accrued interest on long-term debt	(3,152)	
Other postemployment benefits	(342,053)	
Pension expense	<u>70,817</u>	(9,484,700)

The Internal Service Funds are used by management to charge the costs of certain activities, including the self funding of the City's health insurance benefits to individual funds. A portion of the change in net position of the Internal Service Funds is reported with governmental activities. 236,567

Change in net position of governmental activities **\$ 6,767,869**

See notes to financial statements.

City of Johnston, Iowa

Statement of Net Position - Proprietary Funds
June 30, 2017

	Business-Type	
	Activities	
	Enterprise	
	Water	Sewer
Assets		
Current assets:		
Pooled cash and investments	\$ 2,278,361	\$ 3,998,094
Receivables, customer accounts and unbilled usage	989,441	362,944
Due from other funds	-	63,882
Due from other governments	154,542	21,572
Inventories	160,370	113,227
Prepaid expenses	21,253	18,424
Receivables, special assessments	19,354	215,780
Total current assets	3,623,321	4,793,923
Noncurrent assets:		
Capital assets:		
Land and construction in progress	1,698,053	311,347
Buildings and equipment, net	20,296,307	25,851,325
Total capital assets	21,994,360	26,162,672
Total assets	25,617,681	30,956,595
Deferred outflows of resources		
Deferred charge on refunding	-	36,420
Pension related amounts	147,611	147,605
Total deferred outflows of resources	147,611	184,025

(Continued)

Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 1,197,015	\$ 7,473,470	\$ 994,306
91,059	1,443,444	48,712
49,574	113,456	-
83,890	260,004	-
-	273,597	-
-	39,677	-
-	235,134	-
<u>1,421,538</u>	<u>9,838,782</u>	<u>1,043,018</u>
4,241,287	6,250,687	-
5,104,824	51,252,456	-
<u>9,346,111</u>	<u>57,503,143</u>	<u>-</u>
<u>10,767,649</u>	<u>67,341,925</u>	<u>1,043,018</u>
-	36,420	-
-	295,216	-
<u>-</u>	<u>331,636</u>	<u>-</u>

City of Johnston, Iowa

Statement of Net Position - Proprietary Funds (Continued)
June 30, 2017

	Business-Type	
	Activities	
	Enterprise	
	Water	Sewer
Liabilities		
Current liabilities:		
Accounts, claims and contracts payable	\$ 576,601	\$ 31,114
Accrued interest payable	12,492	12,040
Salaries and benefits payable	5,374	5,301
Compensated absences	27,643	27,643
General obligations bonds payable	495,000	242,778
Customer deposits	8,480	-
Revenue bonds and notes	102,000	331,000
Total current liabilities	1,227,590	649,876
Noncurrent liabilities:		
General obligation bonds, net of current portion	2,525,514	2,331,049
Revenue bonds and notes, net of current portion	2,165,691	2,845,982
Compensated absences	817	817
Other postemployment benefits	151,012	150,997
Net pension liability	345,466	345,461
Total noncurrent liabilities	5,188,500	5,674,306
Total liabilities	6,416,090	6,324,182
Deferred inflows of resources , pension related amounts	43,714	43,711
Net position		
Net investment in capital assets	16,706,155	20,448,283
Unrestricted	2,599,333	4,324,444
Total net position	\$ 19,305,488	\$ 24,772,727

Amounts reported for business-type activities in the Statement of Net Position are different because:
Certain internal service fund assets and liabilities are included with business-type activities.

Net position of business-type activities

See notes to financial statements.

Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 31,018	\$ 638,733	\$ 75,508
8,951	33,483	-
-	10,675	-
-	55,286	-
205,000	942,778	-
-	8,480	-
268,211	701,211	-
<u>513,180</u>	<u>2,390,646</u>	<u>75,508</u>
2,486,866	7,343,429	-
-	5,011,673	-
-	1,634	-
-	302,009	-
-	690,927	-
<u>2,486,866</u>	<u>13,349,672</u>	<u>-</u>
3,000,046	15,740,318	75,508
-	87,425	-
6,386,034	43,540,472	-
1,381,569	8,305,346	967,510
<u>\$ 7,767,603</u>	<u>51,845,818</u>	<u>\$ 967,510</u>

122,945
\$ 51,968,763

City of Johnston, Iowa

Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Funds
Year Ended June 30, 2017

	Business-Type Activities	
	Water	Sewer
Operating revenues:		
Charges for services	\$ 5,135,906	\$ 2,698,965
Miscellaneous	82,550	18,159
Service connection fees	50,238	208,666
Total operating revenues	5,268,694	2,925,790
Operating expenses:		
Health insurance claims and expenses	-	-
Salaries and benefits	672,760	656,394
Cost of sales and services	3,565,257	1,143,625
Depreciation	423,959	690,971
Total operating expenses	4,661,976	2,490,990
Operating income	606,718	434,800
Nonoperating revenues (expenses):		
Special assessments	631	226,403
Interest income	9,912	18,161
Interest expense	(87,818)	(144,591)
Gain on the sale of assets	-	31,025
Net nonoperating revenues (expenses)	(77,275)	130,998
Income before contributions and transfers	529,443	565,798
Contributions and transfers:		
Transfers out	(30,942)	(675,398)
Capital contributions	166,820	44,142
Total contributions and transfers	135,878	(631,256)
Increase (decrease) in net position	665,321	(65,458)
Net position, beginning of year	18,640,167	24,838,185
Net position, end of year	\$ 19,305,488	\$ 24,772,727

Amounts reported for business-type activities on the Statement of Activities are different because:
The portion of the net income of internal service funds are reported with the business-type activities which these funds service.

Change in net position of business-type activities

See notes to financial statements.

Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 779,478	\$ 8,614,349	\$ 1,308,547
-	100,709	-
-	258,904	-
<u>779,478</u>	<u>8,973,962</u>	<u>1,308,547</u>
-	-	986,245
-	1,329,154	-
98,896	4,807,778	64,935
77,242	1,192,172	-
<u>176,138</u>	<u>7,329,104</u>	<u>1,051,180</u>
<u>603,340</u>	<u>1,644,858</u>	<u>257,367</u>
-	227,034	-
3,046	31,119	1,449
-	(232,409)	-
-	31,025	-
<u>3,046</u>	<u>56,769</u>	<u>1,449</u>
<u>606,386</u>	<u>1,701,627</u>	<u>258,816</u>
(291,769)	(998,109)	-
1,015,085	1,226,047	-
<u>723,316</u>	<u>227,938</u>	<u>-</u>
1,329,702	1,929,565	258,816
6,437,901	49,916,253	708,694
<u>\$ 7,767,603</u>	<u>51,845,818</u>	<u>\$ 967,510</u>

22,249
\$ 1,951,814

City of Johnston, Iowa

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2017

	Business-Type Activities	
	Water	Sewer
Cash flows from operating activities:		
Cash received from customers, users, and employees	\$ 5,111,138	\$ 2,933,853
Cash received from other revenues	82,550	18,159
Cash paid for personal services	(661,075)	(644,718)
Cash paid to suppliers	(3,828,261)	(1,127,623)
Net cash provided by operating activities	704,352	1,179,671
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(543,437)	(9,662)
Proceeds from the sale of capital assets	-	31,025
Special assessments received	15,054	97,622
Bond and note proceeds	494,691	43,982
Principal paid on revenue bonds and notes	(99,000)	(322,000)
Principal paid on general obligation bonds	(480,000)	(240,314)
Interest paid on revenue bonds and notes	(56,160)	(60,411)
Interest paid on general obligation bonds	(105,338)	(100,800)
Net cash used in capital and related financing activities	(774,190)	(560,558)
Cash flows from noncapital financing activities, transfers to other funds	(30,942)	(675,398)
Cash flows from investing activities, interest on investments	10,050	18,232
Net increase (decrease) in cash and cash equivalents	(90,730)	(38,053)
Cash and cash equivalents, beginning of year	2,369,091	4,036,147
Cash and cash equivalents, end of year	\$ 2,278,361	\$ 3,998,094

(Continued)

Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 772,804	\$ 8,817,795	\$ 1,272,784
-	100,709	-
(3,258)	(1,309,051)	-
(148,660)	(5,104,544)	(993,813)
620,886	2,504,909	278,971
(135,051)	(688,150)	-
-	31,025	-
-	112,676	-
268,211	806,884	-
-	(421,000)	-
(205,000)	(925,314)	-
-	(116,571)	-
(92,493)	(298,631)	-
(164,333)	(1,499,081)	-
(291,769)	(998,109)	-
3,108	31,390	1,449
167,892	39,109	280,420
1,029,123	7,434,361	713,886
\$ 1,197,015	\$ 7,473,470	\$ 994,306

City of Johnston, Iowa

Statement of Cash Flows (Continued)
 Proprietary Funds
 Year Ended June 30, 2017

	Business-Type Activities	
	Water	Sewer
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 606,718	\$ 434,800
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	423,959	690,971
Customer accounts and unbilled usage and other accounts receivable	(75,006)	26,222
Due from other governments	(154,542)	(21,572)
Inventories	51,175	25,993
Prepaid expenses	(2,141)	(2,151)
Accounts, claims and contracts payable	(157,496)	13,732
Salaries and benefits payable	(9,610)	(9,610)
Compensated absences	(6,758)	(6,758)
Other postemployment benefits	24,981	24,966
Net pension liability	75,810	75,810
Deferred outflows of resources	(55,530)	(55,524)
Deferred inflows of resources	(17,208)	(17,208)
Net cash provided by operating activities	\$ 704,352	\$ 1,179,671
Schedule of noncash items:		
Capital and related financing activities, capital contributions of capital assets	\$ 166,820	\$ 44,142
Capitalized interest	\$ 70,001	\$ -

See notes to financial statements.

Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 603,340	\$ 1,644,858	\$ 257,367
77,242	1,192,172	-
(6,674)	(55,458)	(35,763)
(83,890)	(260,004)	-
-	77,168	-
-	(4,292)	62,400
30,868	(112,896)	(5,033)
-	(19,220)	-
-	(13,516)	-
-	49,947	-
-	151,620	-
-	(111,054)	-
-	(34,416)	-
<u>\$ 620,886</u>	<u>\$ 2,504,909</u>	<u>\$ 278,971</u>
<u>\$ 1,015,085</u>	<u>\$ 1,226,047</u>	<u>\$ -</u>
<u>\$ 89,690</u>	<u>\$ 159,691</u>	<u>\$ -</u>

City of Johnston, Iowa

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies

The City of Johnston (the City) is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1969 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Johnston provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community development and general government services. It also provides water, sewer and stormwater utilities.

The financial statements of the City of Johnston have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

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

Jointly governed organizations: The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Polk County Assessor's Conference Board, the Metro Waste Authority, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Central Iowa Drinking Water Commission, Des Moines Area Metropolitan Planning Organization and Walnut Creek Watershed Management Authority.

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (a joint venture). See Note 5 for additional information about this joint venture.

Government-wide financial statements: The statement of net position and the statement of activities report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Johnston, Iowa

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

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

Fund financial statements: Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

The Special Revenue, Urban Renewal Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal districts and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

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

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

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

Additionally, the City reports the following proprietary funds:

Internal Service Funds are used to account for goods or services provided by one department to other departments of the City.

City of Johnston, Iowa

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences, pension and OPEB 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 revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

City of Johnston, Iowa

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

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

Cash and cash equivalents and pooled investments nonnegotiable: The cash balances of most City funds are pooled in interest-bearing cash accounts and invested in certificates of deposit or in the Iowa Public Agency Investment Trust. Interest on the pooled cash accounts and investments is recognized as revenue when earned and recorded in the General Fund and other funds as provided by law. The City's investments in the Iowa Public Agency Investment Trust and certificates of deposit are reported at amortized cost.

For purposes of the statement of cash flows, the pooled cash and investments are highly liquid and are considered to be a cash equivalent.

Property tax receivable, including tax increment financing: Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2017 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City 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 reported as a deferred inflow of resources 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 revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.50 percent per month penalty for delinquent payments; are based on January 1, 2015 assessed property valuations; are for the tax accrual period July 1, 2016 through June 30, 2017 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2016.

Special assessments receivable: Special assessments receivable represents the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten or more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax.

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. Accounts receivable are presented net of an allowance for uncollectibles, if applicable. As of June 30, 2017 management determined that no allowance was necessary.

City of Johnston, Iowa

Notes to Financial Statements

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies
(Continued)**

Interfund receivables/payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent that certain transfers between funds had not been received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Due from other governments: Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories: Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies and are recorded as expenses when consumed rather than when purchased.

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method. The fund balance in the governmental funds relating to prepaid items is reported as nonspendable.

Capital assets: Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

Asset Class	Amount
Land, buildings, and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure	50,000

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

Asset Class	Estimated Useful Lives
Buildings	10-50 years
Improvements other than buildings	10-50 years
Vehicles	5-15 years
Equipment	3-20 years
Infrastructure	20-50 years

Notes to Financial Statements

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies
(Continued)**

Compensated absences: City employees accumulate a limited amount of earned but unused paid time off 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Pensions: For government-wide and proprietary funds the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources: In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from four sources: property taxes, tax increment financing, special assessments and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the City's government-wide statements, the property tax and tax increment financing revenues remain under the modified accrual basis of accounting and will become an inflow in the year for which the taxes are levied and budgeted for. The City's government-wide and proprietary fund statements of net position also include pension related deferred inflows, which are the unamortized portion of the difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension plan investments and the change in proportion and differences between the City's contributions and proportionate share of contributions all related to net pension liability.

Notes to Financial Statements

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies
(Continued)**

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualified for reporting in this category. The first is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second deferred outflow item is pension related deferred outflows, which consist of unrecognized items not yet charged to pension expense related to the unamortized portion of the difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension plan investments and the change in proportion and differences between the City's contributions and proportionate share of contributions all related to net pension liability and contributions paid by the employer after the measurement date but before the end of the employer's reporting period. Both of these deferred outflow items are reported in the government-wide and proprietary fund statements of net position.

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

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

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

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classifications: committed, assigned then unassigned fund balances.

Net position: Represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets including any related unamortized discount, premium or deferred charge on refunding. Net investment in capital assets excludes unspent debt proceeds. Unspent proceeds were \$4,197,650 for the governmental activities. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws through constitutional provision or enabling legislation.

Net position restricted through enabling legislation consists of \$6,489,162 for debt service and \$1,902,212 for roads.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgets and budgetary accounting: The budgetary comparison and related disclosures are reported as required supplementary information.

City of Johnston, Iowa

Notes to Financial Statements

Note 2. Pooled Cash and Investments

Authorized deposits and investments: The City is authorized by state statute to invest public funds in interest bearing savings accounts, interest bearing money market accounts, interest bearing checking accounts, obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by the City Council and the Treasurer of the State of Iowa; Iowa Public Agency Investment Trust, prime bankers acceptances that mature within 270 days of purchase; commercial paper or other short-term corporate debt that matures within 270 days of purchase and is rated within the two highest classifications; perfected repurchase agreements; and certain registered investment open-end management investment companies.

The City's investment in the Iowa Public Agency (IPAIT) Investment Trust is reported at amortized cost in accordance with GASB Statement No. 79. IPAIT is a common law trust established by Iowa code law and is administered by an appointed investment management company. The trust utilizes the amortized cost method for valuation purposes. There are no limitations or restrictions on withdrawals from IPAIT.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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) to 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. The City holds a certificate of deposit totaling \$1,004,488, is carried at amortized cost with an original maturity of 457 days, maturing in September 2018.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally statistical rating organization. The City's investment policy does not formally address credit risk. The City's investment in the IPAIT is rated AAAM by S&P Global Ratings.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2017, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

A summary of cash and cash equivalents as shown on the financial statements for the City is as follows:

Depository accounts	\$ 7,322,910
Certificate of deposit	1,004,488
IPAIT - external investment pool	20,466,111
	<u>\$ 28,793,509</u>

City of Johnston, Iowa

Notes to Financial Statements

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,833,182	\$ -	\$ -	\$ 4,833,182
Construction in progress, roads	25,451,551	13,351,224	(10,078,165)	28,724,610
Construction in progress, other	210,440	152,390	(362,830)	-
Total capital assets not being depreciated	30,495,173	13,503,614	(10,440,995)	33,557,792
Capital assets being depreciated:				
Buildings	21,545,266	-	-	21,545,266
Improvements, other than buildings	2,589,262	362,830	-	2,952,092
Equipment and vehicles	8,927,242	665,504	(485,853)	9,106,893
Infrastructure, roads	103,437,546	9,369,447	-	112,806,993
Infrastructure, other	663,611	708,718	-	1,372,329
Total capital assets being depreciated	137,162,927	11,106,499	(485,853)	147,783,573
Less accumulated depreciation for:				
Buildings	3,390,405	430,813	-	3,821,218
Improvements, other than buildings	859,139	123,495	-	982,634
Equipment and vehicles	4,712,286	679,642	(444,321)	4,947,607
Infrastructure, roads	27,675,184	2,042,549	-	29,717,733
Infrastructure, other	543,499	38,879	-	582,378
Total accumulated depreciation	37,180,513	3,315,378	(444,321)	40,051,570
Total capital assets being depreciated, net	99,982,414	7,791,121	(41,532)	107,732,003
Governmental activities capital assets, net	\$ 130,477,587	\$ 21,294,735	\$ (10,482,527)	\$ 141,289,795

City of Johnston, Iowa

Notes to Financial Statements

Note 3. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 269,171	\$ -	\$ -	\$ 269,171
Construction in progress	10,031,771	2,073,888	(6,124,143)	5,981,516
Total capital assets not being depreciated	<u>10,300,942</u>	<u>2,073,888</u>	<u>(6,124,143)</u>	<u>6,250,687</u>
Capital assets being depreciated:				
Buildings	870,176	-	-	870,176
Equipment and vehicles	746,126	-	(90,959)	655,167
Infrastructure, water and sewer	60,089,301	6,124,143	-	66,213,444
Total capital assets being depreciated	<u>61,705,603</u>	<u>6,124,143</u>	<u>(90,959)</u>	<u>67,738,787</u>
Less accumulated depreciation for:				
Buildings	103,693	17,403	-	121,096
Equipment and vehicles	324,055	68,535	(90,959)	301,631
Infrastructure, water and sewer	14,957,370	1,106,234	-	16,063,604
Total accumulated depreciation	<u>15,385,118</u>	<u>1,192,172</u>	<u>(90,959)</u>	<u>16,486,331</u>
Total capital assets being depreciated, net	<u>46,320,485</u>	<u>4,931,971</u>	<u>-</u>	<u>51,252,456</u>
Business-type activities capital assets, net	<u>\$ 56,621,427</u>	<u>\$ 7,005,859</u>	<u>\$ (6,124,143)</u>	<u>\$ 57,503,143</u>

Depreciation expense was charged to the functions of the primary government as follows:

	Governmental Activities	Business-Type Activities
Public safety	\$ 521,581	\$ -
Public works	2,410,307	-
Culture and recreation	354,339	-
Community development	6,085	-
General government	23,066	-
Water	-	423,959
Sewer	-	690,971
Storm water	-	77,242
Total depreciation expense	<u>\$ 3,315,378</u>	<u>\$ 1,192,172</u>

City of Johnston, Iowa

Notes to Financial Statements

Note 4. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds	\$ 63,797,246	\$ 8,879,577	\$ (5,134,686)	\$ 67,542,137	\$ 4,672,222
Bond premiums	1,607,989	243,583	(134,495)	1,717,077	-
Compensated absences	685,584	775,138	(687,986)	772,736	690,000
Net OPEB liability	1,593,938	362,256	(20,203)	1,935,991	-
Net pension liability	1,667,701	1,081,190	-	2,748,891	-
	<u>69,352,458</u>	<u>11,341,744</u>	<u>(5,977,370)</u>	<u>74,716,832</u>	<u>5,362,222</u>
Business-type activities:					
General obligation bonds	9,027,754	-	(925,827)	8,101,927	942,778
Revenue bonds/notes	5,327,000	806,884	(421,000)	5,712,884	701,211
Bond premiums	202,020	-	(17,740)	184,280	-
Compensated absences	70,436	51,438	(64,954)	56,920	55,286
Net OPEB liability	252,062	52,744	(2,797)	302,009	-
Net pension liability	539,307	151,620	-	690,927	-
	<u>15,418,579</u>	<u>1,062,686</u>	<u>(1,432,318)</u>	<u>15,048,947</u>	<u>1,699,275</u>
Total long-term debt	<u>\$ 84,771,037</u>	<u>\$ 12,404,430</u>	<u>\$ (7,409,688)</u>	<u>\$ 89,765,779</u>	<u>\$ 7,061,497</u>

Governmental activities: General obligation bonds/notes have been issued for both governmental and business type activities. The portion of unmatured general obligation bonds/notes accounted for in the governmental activities and serviced by the Debt Service Fund totaled \$67,542,137 at June 30, 2017.

Details of general obligation bonds/notes payable at June 30, 2017 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2017
Essential Corporate Purpose 2007B	8/1/2007	4.25-4.75%	6/1/2022	395,000 - 430,000	\$ 4,635,000	\$ 1,975,000
Corporate Purpose 2010B	12/1/2010	1.75-3.50%	6/1/2026	65,000 - 75,000	970,000	625,000
Corporate Purpose 2011B	4/1/2011	1.00-4.20%	6/1/2021	185,000 - 210,000	1,850,000	800,000
2011C General Obligation Bonds	11/1/2011	1.00-3.50%	6/1/2031	395,000 - 575,000	8,570,000	6,625,000
2012A General Obligation Bonds	11/15/2012	0.35-2.40%	6/1/2032	370,000 - 700,000	9,190,000	7,190,000
2013A G.O. Refunding Bonds	7/1/2013	2.0-5.00%	6/1/2028	45,000 - 1,320,580	10,926,000	6,207,560
2013B General Obligation Bonds	11/1/2013	2.0-4.125%	6/1/2033	635,000 - 990,000	14,420,000	12,250,000
2014A G.O. Capital Loan Notes	8/14/2014	2.00-4.00%	6/1/2029	370,000 - 505,000	5,915,000	5,185,000
2015A General Obligation Bonds	4/7/2015	2.00-5.00%	6/1/2034	375,000 - 1,440,000	19,275,000	18,280,000
2016 General Obligation Bonds	8/10/2016	2.00-3.00%	6/1/2036	145,000 - 585,000	8,510,000	8,035,000
2017E General Obligation Capital Loan Notes	5/5/2017	1.75%	6/1/2036	100,000-220,000	3,114,000	369,577
Total governmental activities						<u>\$ 67,542,137</u>

City of Johnston, Iowa

Notes to Financial Statements

Note 4. Long-Term Liabilities (Continued)

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

	Principal	Interest	Total
2018	\$ 4,672,222	\$ 2,060,785	\$ 6,733,007
2019	4,810,580	1,952,867	6,763,447
2020	4,929,348	1,791,880	6,721,228
2021	4,598,526	1,657,613	6,256,139
2022	4,636,461	1,437,352	6,073,813
2023-2027	19,115,000	5,529,983	24,644,983
2028-2032	18,710,000	2,650,050	21,360,050
2033-2036	6,070,000	320,063	6,390,063
	<u>\$ 67,542,137</u>	<u>\$ 17,400,593</u>	<u>\$ 84,942,730</u>

Revenue bonds/notes: On August 5, 2009, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources, and Bankers Trust Company, N.A. for the issuance of \$3,410,000 of water revenue capital loan notes with interest at 3.00 percent per annum. The agreement also requires the City to annually pay a .25 percent servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the Municipal Water Utility. The City received drawdowns from the Trustee for costs as they are incurred. The City drew down \$2,362,000 of the \$3,410,000 authorized. This note matures in varying annual amounts ranging from \$99,000 to \$154,000, with the final maturity due in the year ending June 30, 2031.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$2,362,000 in water revenue notes issued in August 2009. Proceeds from the notes provided financing for the construction of improvements and extension to the water system. The notes are payable solely from water customer net revenues and are payable through 2031. Annual principal and interest payments on the notes are expected to require less than 100 percent of the net revenues. The total principal and interest remaining to be paid on the notes is \$2,199,390. For the current year, principal and interest paid and total customer net revenues were \$155,160 and \$1,765,397, respectively. Total customer net revenues are defined for this purpose as operating income adding back depreciation and debt service payments.

Two issues of unmatured sewer revenue bonds, totaling \$3,133,000, are outstanding at June 30, 2017. These bonds bear interest at 1.75 percent and mature in varying annual amounts ranging from \$140,000 to \$231,000, with the final maturity due in the year ending June 30, 2026.

City of Johnston, Iowa

Notes to Financial Statements

Note 4. Long-Term Liabilities (Continued)

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$6,335,000 in sewer revenue bonds issued in May 2005 and May 2006. Proceeds from the bonds provided financing for construction of sewer improvements. The bonds are payable solely from wastewater customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 100 percent of the net revenues. The total principal and interest remaining to be paid on the bonds is \$3,402,203. For the current year, principal and interest paid and total customer net revenues were \$382,463 and \$1,839,023, respectively. Total customer net revenues are defined for this purpose as operating income adding back depreciation and debt service payments.

In April and May 2017, the City issued bonds under the Iowa Finance Authority state revolving loan program (SRF) to finance various construction projects. Each bond series under the state revolving loan program is issued for specific projects with repayments scheduled over the life of the asset or up to 30 years. The City draws the proceeds as needed for the projects with principal payments on the bonds beginning after completion of the construction.

Bonds issued during the year ended June 30, 2017 totaled \$1,176,371. During fiscal year 2017, the City also issued \$134,866 storm sewer revenue capital loan notes under the SRF planning and design program in November 2016 scheduled to be refunded into a permanent loan after July 1, 2017. The interim loan and disbursement agreement with Iowa Finance Authority for the bonds state these are noninterest bearing until they are refunded into a permanent loan. Bonds issued represent draws requested and proceeds received to date, with total proceeds of the issuances expected as described in an earlier table in this note. The City accrues draws submitted under the state revolving loan program based upon service dates of the contract work performed. As of June 30, 2017, the amount due from the Iowa Finance Authority (SRF program) was \$445,056, of which \$185,612 is governmental activities with the remainder related to business-type activities.

The resolutions providing for the issuance of the water, sewer and stormwater revenue bonds and capital loan notes issued under a loan agreement between the City of Johnston, and Iowa Finance Authority, the Iowa Department of Natural Resources, and Bankers Trust include the following provisions:

1. The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
2. Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the bond and note principal and interest payments when due.
3. Water, sewer and stormwater user rates shall be established at a level which produces and maintains net revenues at a level not less than 110 percent of the amount of principal and interest on the bonds and notes falling due in the same year.

City of Johnston, Iowa

Notes to Financial Statements

Note 4. Long-Term Liabilities (Continued)

Details of general obligation bonds and revenue bonds/notes payable from Enterprise Funds at June 30, 2017 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2017
General Obligation Bonds/Notes:						
2011A Refunding Bonds	3/1/2011	1.00 - 2.80%	6/1/2020	\$395,000 - 435,000	\$ 3,240,000	\$ 1,255,000
2013A G.O. Refunding	7/1/2013	2.50 - 5.00%	6/1/2028	60,000 - 140,000	1,214,000	921,927
2013B General Obligation	11/1/2013	2.00 - 4.13%	6/1/2028	220,000 - 300,000	3,675,000	2,770,000
2014A G.O. Capital Loan Notes	8/14/2014	2.00 - 4.00%	6/1/2034	80,000 - 130,000	1,885,000	1,725,000
2015A General Obligation	4/7/2015	2.00 - 5.00%	6/1/2030	85,000 - 110,000	1,700,000	1,430,000
						<u>8,101,927</u>
Revenue Bonds/Notes:						
Water Capital Loan Notes	8/5/2009	3.00%	6/1/2031	99,000 - 154,000	2,362,000	1,773,000
2005A Sewer Revenue Bonds	5/17/2005	1.75%	6/1/2025	182,000 - 231,000	3,535,000	1,667,000
2006A Sewer Revenue Bonds	5/1/2006	1.75%	6/1/2026	140,000 - 183,000	2,800,000	1,466,000
2016 Storm Sewer Revenue Capital Loan Note	11/18/16	0%	11/18/19	-	288,000	134,866
2017A Stormwater Revenue Bonds	5/5/2017	1.75%	6/1/2039	50,000-274,000	4,434,000	133,345
2017B Sewer Revenue Bonds	5/5/2017	1.75%	6/1/2039	64,000 - 93,000	1,556,000	43,982
2017C Water Revenue Bonds	5/5/2017	1.75%	6/1/2039	20,000 - 104,000	1,675,000	494,691
						<u>5,712,884</u>
Total business-type activities						<u>\$ 13,814,811</u>

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

	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 942,265	\$ 256,531	\$ 1,198,796	\$ 701,211	\$ 185,785	\$ 886,996
2019	964,420	229,774	1,194,194	447,000	142,862	589,862
2020	1,000,652	199,308	1,199,960	524,982	118,624	643,606
2021	496,474	172,608	669,082	547,000	109,563	656,563
2022	513,116	154,084	667,200	563,000	98,590	661,590
2023-2027	2,600,000	549,053	3,149,053	2,340,691	299,645	2,640,336
2028-2032	1,330,000	155,588	1,485,588	589,000	44,880	633,880
2033-2034	255,000	15,399	270,399	-	-	-
	<u>\$ 8,101,927</u>	<u>\$ 1,732,345</u>	<u>\$ 9,834,272</u>	<u>\$ 5,712,884</u>	<u>\$ 999,949</u>	<u>\$ 6,712,833</u>

City of Johnston, Iowa

Notes to Financial Statements

Note 4. Long-Term Liabilities (Continued)

As of June 30, 2017, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$ 2,324,527,032</u>
Debt limit - 5% of total actual valuation	\$ 116,226,352
Debt applicable to debt limit General obligation debt outstanding	<u>75,644,577</u>
Legal debt margin	<u>\$ 40,581,775</u>
Percentage of debt limit	65.08%

Note 5. Joint Venture and Commitments

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of the sewer flows of the participating communities.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation would be paid. Since there is not specific and measurable equity interest in the WRA no investment in the joint venture is reported by the City. The City does retain a reversionary interest percentage in the net position of the WRA that would only be redeemed in the event the WRA is dissolved.

Although debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the entity was a participating community are still outstanding. The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation of wastewater reclamation flows. The allocation to all participating communities is based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and adjusted prospectively for differences in budgeted flows and actual flows. As of June 30, 2017, the City has a future commitment for approximately \$4,937,000 for future principal payment requirements payable through the allocation of wastewater reclamation flows.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

City of Johnston, Iowa

Notes to Financial Statements

Note 6. Interfund Receivables and Payables

The individual fund interfund receivable and payable balances include Due to/from Other Funds. These balances at June 30, 2017 were:

	Interfund Receivable	Interfund Payable
Governmental Funds:		
Debt Service Fund	\$ -	\$ 63,882
Capital Projects Fund	-	49,574
Enterprise Funds:		
Sewer Fund	63,882	-
Storm Water Fund	49,574	-
	<u>\$ 113,456</u>	<u>\$ 113,456</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

	Transfers In	Transfers Out
Governmental:		
General	\$ 342,250	\$ 162,000
Urban Renewal TIF	-	2,067,023
Debt Service	2,104,734	-
Capital Projects	1,637,778	692,383
Nonmajor	37,000	202,247
Total governmental	<u>4,121,762</u>	<u>3,123,653</u>
Business-Type Activities:		
Water	-	30,942
Sewer	-	675,398
Storm Water	-	291,769
Total business-type	<u>-</u>	<u>998,109</u>
Total	<u>\$ 4,121,762</u>	<u>\$ 4,121,762</u>

In addition to these transfers, there were \$1,226,047 of governmental activities capital assets transferred to enterprise funds during the year ended June 30, 2017.

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other governmental or proprietary funds in accordance with budgetary authorizations and (4) to record payments made between funds to settle interfund receivables/payables.

City of Johnston, Iowa

Notes to Financial Statements

Note 8. Forgivable Loans

The City has entered into seven private development agreements for urban renewal projects. The agreements provide the City will make forgivable loans to developers in exchange for the construction of certain minimum improvements located within the City's TIF districts. The loans are amortized and are forgiven in annual amounts provided the developers comply with all requirements stipulated within the agreements. At June 30, 2017, the City had loaned \$339,445 under the agreements and forgiven \$18,618 of the loans, leaving a balance of \$320,827. These loans are not recorded as the City has determined the full amount of the loans are allowed for as uncollectible, because even if the forgiveness conditions are not met, management believes that it is unlikely the City will collect.

Note 9. Pension and Retirement Benefits

Plan description: Employees of the City are provided with pensions through the Iowa Public Employees Retirement System (IPERS)—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.

Benefits provided: IPERS provides retirement, disability and death benefits. Retirement benefits for regular members are determined based on the employee's highest five-year average salary and a multiplier based on the years of service. Retirement benefits for protection occupations are determined based on 60 percent of average salary after 22 years of service, plus an additional 1.5 percent of average salary for years of service greater than 22 but not more than 30 years of service, and the member's highest three year average salary. Regular members are eligible for full retirement age 65; at age 62 with at least 20 years of covered employment or when the years of service plus the employee's age equals or exceeds 88. Protection occupation members may retire at normal retirement age, which is generally at age 55. Four years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are calculated based on the actuarial present value of the employee's accrued benefit at the time of death or a calculation based on the employee's contributions, highest covered annual wage and years of service.

Contributions: Per Iowa Code Section 97B.4(4)(d) the required contribution rate is determined by the IPERS actuary as the rate necessary to fully fund the benefits as defined by Iowa Code Chapter 97B. For 2017, regular members were required to contribute 5.95 percent of pay and the City was required to contribute 8.93 percent for a total rate of 14.88 percent. Protective occupation members were required to contribute 6.56 percent of pay, and the City was required to contribute 9.84 percent for a total rate of 16.40 percent. These rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$710,067 for the year ended June 30, 2017.

Pension liabilities, pension expense, and deferred inflows and outflows of resources related to pensions: At June 30, 2017, the City reported a liability of \$3,439,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2016, the City's proportion was 0.546583 percent which was an increase of 0.009986 percent from its proportion measured as of June 30, 2015.

City of Johnston, Iowa

Notes to Financial Statements

Note 9. Pension and Retirement Benefits (Continued)

For the year ended June 30, 2017, the City recognized a net debit to pension expense of \$64,667. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,811	\$ (99,336)
Changes of assumptions	49,736	(789)
Net difference between projected and actual earnings on pension plan investments	1,629,413	(741,883)
Changes in proportion and differences between City contributions and proportionate share of contributions	34,151	(9,026)
Total deferred amounts to be recognized in pension expense in future periods	1,742,111	(851,034)
City contributions subsequent to the measurement date	710,067	-
Total deferred amounts related to pensions	<u>\$ 2,452,178</u>	<u>\$ (851,034)</u>

The \$710,067 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over a closed 5-year period as of the beginning of each measurement period. The other deferred inflows and outflows will be recognized in pension expense using the average expected remaining service lives of all IPERS members as of the beginning of each measurement period. The average is determined by taking the calculated total future service years of the Plan divided by the number of the people in the Plan including retirees. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years ending June 30:	Deferred Outflows (Inflows) of Resources
2018	\$ 90,716
2019	90,716
2020	448,850
2021	263,430
2022	(2,635)
	<u>\$ 891,077</u>

City of Johnston, Iowa

Notes to Financial Statements

Note 9. Pension and Retirement Benefits (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 17.00 percent, average, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016, valuation are based on the results of the most recent actuarial experience study, with dates corresponding to those listed above.

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

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
	<u>100%</u>	

City of Johnston, Iowa

Notes to Financial Statements

Note 9. Pension and Retirement Benefits (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from cities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 7,037,162	\$ 3,439,818	\$ 405,507

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report; which can be located at www.ipers.org.

Note 10. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are active and retired members in the plan. Participant's age plus years of service must equal at least 88.

The medical benefit plans are self-insured and are administered by a third party. Retirees under age 65 pay 100 percent of the full active employee premium rates. This results in an implicit subsidy and an Other Postemployment Benefit (OPEB) liability. 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.

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 June 30, 2017, the amount contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 407,000
Interest on net OPEB obligation	83,000
Adjustment to annual required contribution	<u>(75,000)</u>
Annual OPEB cost	415,000
Contributions made	<u>23,000</u>
Increase in net OPEB obligation	392,000
Net OPEB obligation, beginning of year	<u>1,846,000</u>
Net OPEB obligation, end of year	<u><u>\$ 2,238,000</u></u>

City of Johnston, Iowa

Notes to Financial Statements

Note 10. Other Postemployment Benefits (OPEB) (Continued)

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, 2017.

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, 2017 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 360,419	\$ 6.10	\$ 1,487,000
June 30, 2016	384,000	6.51	1,846,000
June 30, 2017	415,000	5.54	2,238,000

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability was \$2,533,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL), of \$2,533,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,470,000, and the ratio of the UAAL to the covered payroll was 39.1 percent. As of June 30, 2017, there were no trust fund assets.

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 assumptions about future employment, mortality, and the healthcare 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, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information.

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

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate based on the City's funding policy. The projected annual medical trend rate is 9 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 0.5 percent each year until reaching the 5 percent ultimate trend rate.

Mortality rates are from the RP-2014 projected to 2025 using Scale MP-14, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan per month for retirees less than age 65 are \$1,122 and \$753 for retirees over 65. The salary increase rate was assumed to be 3 percent per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

City of Johnston, Iowa

Notes to Financial Statements

Note 11. Industrial Development Revenue Bonds

The City has issued a total of \$2,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,500,000 is outstanding at June 30, 2017. The bonds and related interest are payable solely from the revenues received by tenants of the properties and the bond principal and interest do not constitute liabilities of the City.

Note 12. 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. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. No significant reductions in insurance have occurred.

Self-insurance: The City operates a self-insured medical expense reimbursement plan, which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with unlimited lifetime maximum coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a three year service agreement with Frank Berlin & Associates. The City pays 100 percent of the employee's coverage and 90 percent of spousal and family care. The uninsured risk retention per person is \$35,000 and not to exceed 125 percent of expected claims. Additionally, the City has purchased commercial stop-loss insurance to provide for claims in excess of \$35,000 to reduce their exposure to large losses.

The City established the Health Deductible Claims Fund (an internal service fund) to account for and finance the uninsured risk of loss. The City's contribution to the fund for the year ended June 30, 2017 was \$1,237,493.

Amounts payable from the Health Deductible Claims Fund as of June 30, 2017, totaled \$75,508 and include incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for other loss. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. There were no settlements for amounts exceeding the stop-loss coverage in the years ended June 30, 2017, 2016, and 2015. Claims payable is included within accounts, claims and contracts payable on the government-wide financial statements statement of net position. Information on changes in the aggregate liabilities for claims is as follows:

	2017	2016
Claims payable, beginning of year	\$ 80,541	\$ 175,000
Claims recognized	986,245	1,142,785
Claims payments and changes in estimates	(991,278)	(1,237,244)
Claims payable, end of year	<u>\$ 75,508</u>	<u>\$ 80,541</u>

Note 13. Contractual Commitments

The City has entered into construction contracts totaling approximately \$26,104,000 for construction projects. As of June 30, 2017, costs of approximately \$15,868,000 have been incurred on the projects. The balance on the contracts of approximately \$10,236,000 will be paid as work on the projects progresses.

The City has entered into an agreement with the Polk County Board of Supervisors for a joint project for the NW 66th Avenue pavement reconstruction and widening, cost to the City is approximately \$2,680,000. As of June 30, 2017, costs of approximately \$1,770,000 have been incurred on the projects. The balance on the contracts of approximately \$910,000 will be paid as work on the projects progresses.

City of Johnston, Iowa

Notes to Financial Statements

Note 14. Tax Abatements

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

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. These payments are funded by the incremental property tax generated from the increased property value (the tax increment) created by the improvements made to the property.

Generally, the agreements require the developer to improve a given property's value up to an agreed upon dollar amount. The improvements may be through new construction or renovations, depending upon the specifics of the agreement and purpose of the project. Additional requirements the City may impose upon the developer include creating and sustaining a specified number of jobs in the community, building a specified number of residential units within a given affordability threshold, or developing a certain square footage of retail space. As these agreements are intended to achieve a desired goal of the City, additional metrics may be worked into them on a case-by-case basis.

For the year ended June 30, 2017, the City abated \$2,229,282 of property tax under the urban renewal and economic development projects.

Note 15. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the City's fund balances are as follows:

	General Fund	Urban Renewal Tax Increment Financing	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable, prepaids	\$ 504,889	\$ -	\$ -	\$ -	\$ 17,660	\$ 522,549
Restricted:						
Capital projects	-	-	-	5,253,503	-	5,253,503
Debt service	-	6,085,766	573,282	-	-	6,659,048
Roads	-	-	-	-	1,902,212	1,902,212
Police	-	-	-	-	49,552	49,552
Culture and recreation	-	-	-	-	219,352	219,352
Community development	-	-	-	-	64,114	64,114
Total restricted	-	6,085,766	573,282	5,253,503	2,235,230	14,147,781
Unassigned	5,140,467	-	-	-	-	5,140,467
Total fund balance	\$ 5,645,356	\$ 6,085,766	\$ 573,282	\$ 5,253,503	\$ 2,252,890	\$ 19,810,797

City of Johnston, Iowa

Notes to Financial Statements

Note 16. Special Investigation

The City requested the Office of the Auditor of State to perform a special investigation of the City as a result of concerns regarding deposits processed by a former accounting clerk. The Auditor of State's special investigation identified \$13,608 undeposited collections and improper disbursements for the period July 1, 2015 through July 31, 2017. Of the \$13,608, approximately \$11,641 of the undeposited collections and improper disbursements apply to the year ended June 30, 2017.

Copies of the Auditor of State's special investigation report have been filed with the Johnston Police Department, the Division of Criminal Investigation, the Polk County Attorney's Office, and the Attorney General's Office.

Note 17. Pending Governmental Accounting Standards Board (GASB) Statements

GASB has issued several statements not yet implemented by the City. The statements which may impact the City are as follows:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the City beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

Notes to Financial Statements

Note 17. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

- GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. Statement No. 85 is designed to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB])
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. Statement No. 86 is designed to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

City of Johnston, Iowa

Notes to Financial Statements

Note 17. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. Statement No. 87 is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The City's management has determined that the implementation of GASB Statement No. 75 will have a significant impact on the City's financial statements, but has not yet determined the effect the other Statements will have on the City's financial statements.

Note 18. Subsequent Event

On August 17, 2017 the City issued \$16,615,000 general obligation bonds, Series 2017D for essential corporate purposes to provide funds to pay the costs of the opening, widening, extending, grading and draining of the right-of-way of streets, highways, avenues, alleys and public grounds; the construction, reconstruction and repairing of any street improvements; the acquisition, installation and repair of bridges, sidewalks, storm sewers, sanitary sewers, water service lines, street lighting and traffic control devices and the acquisition of any real estate needed for any of the foregoing purposes; the equipping of the fire department; aiding in the planning, undertaking and carrying out of urban renewal projects under the authority of Chapter 403 including NW 70th Street – Phase 2 and Phase 3; the acquisition, construction, reconstruction, enlargement, improvement and equipping of recreation grounds, recreation buildings, juvenile playgrounds, recreation centers and parks and the acquisition of real estate therefore; the improvement and equipping of libraries; and the undertaking of a fiber optic project jointly and in cooperation with the Johnston Independent Community School District.

In addition, the Bonds are also being issued to current refund, on August 17, 2017, \$1,975,000 of the General Obligation Bonds, Series 2007B dated August 1, 2007, maturing 2018 through 2022 (the "Series 2007B Bonds"). 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.

On September 29, 2017, the City issued \$500,000 water revenue capital loan notes, anticipation project note, Series 2017F to provide funds to pay the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the municipal water utility. Draws taken on the notes subsequent to year-end through the date of issuance of the report totaled \$46,026.

On January 19, 2018, the City issued \$1,948,000 stormwater management utility revenue capital loan notes, Series 2018B to provide funds for the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the stormwater management utility. Draws taken on the notes subsequent to year-end through the date of issuance of the report totaled \$632,338.

City of Johnston, Iowa

**Budgetary Comparison Schedule
Budget and Actual (Cash Basis) - Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2017**

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
Revenues:			
Property tax	\$ 14,024,271	\$ -	\$ 14,024,271
Tax increment financing	5,836,933	-	5,836,933
Other city tax	751,113	-	751,113
Licenses and permits	493,050	-	493,050
Use of money and property	247,784	-	247,784
Intergovernmental	6,686,583	-	6,686,583
Charges for services	1,257,181	8,614,349	9,871,530
Special assessments	121,506	-	121,506
Service connection fees	-	258,904	258,904
Miscellaneous	199,838	100,709	300,547
Total revenues	29,618,259	8,973,962	38,592,221
Expenditures:			
Current:			
Public safety	5,979,698	-	5,979,698
Public works	3,241,097	-	3,241,097
Health and social services	25,000	-	25,000
Culture and recreation	2,984,654	-	2,984,654
Community development	3,525,072	-	3,525,072
General government	1,207,070	-	1,207,070
Debt service	7,297,960	-	7,297,960
Capital outlay	15,550,937	-	15,550,937
Business type activities	-	7,329,104	7,329,104
Total expenditures	39,811,488	7,329,104	47,140,592
Excess (deficiency) of revenues over expenditures	(10,193,229)	1,644,858	(8,548,371)
Other financing sources (uses), nonoperating items	10,177,854	284,707	10,462,561
Net change in fund balances/net position	(15,375)	1,929,565	1,914,190
Fund balances/net position, beginning of year	19,826,172	49,916,253	69,742,425
Fund balances/net position, end of year	\$ 19,810,797	\$ 51,845,818	\$ 71,656,615

See note to required supplementary information.

Accrual Adjustments	Total Actual (Budgetary Basis)	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$ (11,698)	\$ 14,012,573	\$ 13,967,906	\$ 14,037,943	\$ (25,370)
40,190	5,877,123	5,873,419	5,904,419	(27,296)
84,346	835,459	733,364	733,607	101,852
(24,623)	468,427	496,250	497,950	(29,523)
(2,603)	245,181	91,960	171,157	74,024
(101,237)	6,585,346	2,975,120	6,519,918	65,428
(137,755)	9,733,775	9,248,982	9,494,481	239,294
112,675	234,181	-	169,870	64,311
(258,904)	-	-	-	-
370,577	671,124	482,490	614,293	56,831
70,968	38,663,189	33,869,491	38,143,638	519,551
77,027	6,056,725	5,951,888	6,636,382	579,657
82,964	3,324,061	3,704,043	3,684,801	360,740
-	25,000	25,000	35,000	10,000
37,690	3,022,344	3,015,271	3,071,037	48,693
(2,269)	3,522,803	4,679,890	4,021,395	498,592
(46,369)	1,160,701	1,317,586	1,367,843	207,142
772,310	8,070,270	7,974,236	8,071,040	770
(482,653)	15,068,284	8,546,760	17,477,428	2,409,144
671,380	8,000,484	9,959,247	8,637,216	636,732
1,110,080	48,250,672	45,173,921	53,002,142	4,751,470
(1,039,112)	(9,587,483)	(11,304,430)	(14,858,504)	(4,231,919)
(450,403)	10,012,158	11,145,660	9,604,583	(407,575)
(1,489,515)	424,675	(158,770)	(5,253,921)	(4,639,494)
(39,841,115)	29,901,310	22,520,763	25,773,672	4,127,638
\$ (41,330,630)	\$ 30,325,985	\$ 22,361,993	\$ 20,519,751	\$ (511,856)

City of Johnston, Iowa

**Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2017**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$7,828,221. These budget amendments are reflected in the final budgeted amounts.

City of Johnston, Iowa

Required Supplementary Information
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2017	07/01/2014	\$ -	\$ 2,533,000	\$ 2,533,000	\$ -	\$ 6,470,000	39.1%
2016	07/01/2014	-	2,533,000	2,533,000	-	5,888,000	43.0
2015	07/01/2014	-	2,533,000	2,533,000	-	5,545,000	45.7
2014	07/01/2011	-	1,597,000	1,597,000	-	6,218,000	25.7
2013	07/01/2011	-	1,597,000	1,597,000	-	5,782,000	27.6
2012	07/01/2011	-	1,597,000	1,597,000	-	5,455,000	29.3
2011	07/01/2008	-	726,000	726,000	-	5,434,000	13.6

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

City of Johnston, Iowa

**Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Iowa Public Employees' Retirement System**

	2017	2016	2015
City's proportion of the net pension liability	0.0546583%	0.0446719%	0.0368745%
City's proportionate share of the net pension liability	\$ 3,439,818	\$ 2,207,008	\$ 1,462,408
City's covered-employee payroll	\$ 6,673,188	\$ 6,290,859	\$ 6,042,233
City's proportionate share of the net pension liability as a percentage of its covered payroll	51.55%	35.08%	24.20%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See notes to required supplementary information.

City of Johnston, Iowa

**Required Supplementary Information
Schedule of City Contributions
Iowa Public Employees' Retirement System**

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 710,067	\$ 710,067	\$ -	\$ 7,323,462	9.70%
2016	622,818	622,818	-	6,673,188	9.33
2015	594,760	594,760	-	6,290,859	9.45
2014	570,876	570,876	-	6,042,233	9.45
2013	528,760	528,760	-	N/A	N/A
2012	470,749	470,749	-	N/A	N/A
2011	422,724	422,724	-	N/A	N/A
2010	392,105	392,105	-	N/A	N/A
2009	333,051	333,051	-	N/A	N/A
2008	298,613	298,613	-	N/A	N/A

See notes to required supplementary information.
N/A - Amounts not available.

City of Johnston, Iowa

**Notes to Required Supplementary Information
Pension Liability
Year Ended June 30, 2017**

Note 1. Changes of Benefit Terms

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

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

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

Note 2. Changes of Assumptions

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

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

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

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

City of Johnston, Iowa

Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Road Use Tax	Police	Law Enforcement Block Grant
Assets			
Cash and investments	\$ 1,740,171	\$ 43,360	\$ 2,297
Accounts receivable	-	-	-
Due from other governments	265,075	3,000	-
Prepaid expenditures	17,660	-	-
Total assets	\$ 2,022,906	\$ 46,360	\$ 2,297
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 88,147	\$ -	\$ -
Salaries and benefits payable	14,887	-	-
Total liabilities	103,034	-	-
Fund Balance			
Nonspendable	17,660	-	-
Restricted for special revenue purposes	1,902,212	46,360	2,297
Total fund balances	1,919,872	46,360	2,297
Total liabilities and fund balances	\$ 2,022,906	\$ 46,360	\$ 2,297

(Continued)

Special Revenue Funds

Police Forfeitures	East Park District	Northridge Park District	Northwest Park District	Southwest Park District	Senior Citizens
\$ 895	\$ 4,012	\$ 94,994	\$ 15,555	\$ 47,862	\$ 4,676
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 895</u>	<u>\$ 4,012</u>	<u>\$ 94,994</u>	<u>\$ 15,555</u>	<u>\$ 47,862</u>	<u>\$ 4,676</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>895</u>	<u>4,012</u>	<u>94,994</u>	<u>15,555</u>	<u>47,862</u>	<u>4,079</u>
<u>895</u>	<u>4,012</u>	<u>94,994</u>	<u>15,555</u>	<u>47,862</u>	<u>4,079</u>
<u>\$ 895</u>	<u>\$ 4,012</u>	<u>\$ 94,994</u>	<u>\$ 15,555</u>	<u>\$ 47,862</u>	<u>\$ 4,676</u>

City of Johnston, Iowa

Nonmajor Governmental Funds
 Combining Balance Sheet (Continued)
 June 30, 2017

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Library	Community Improvement	
Assets			
Cash and investments	\$ 46,770	\$ 64,527	\$ 2,065,119
Accounts receivable	6,080	305	6,385
Due from other governments	-	-	268,075
Prepaid expenditures	-	-	17,660
Total assets	\$ 52,850	\$ 64,832	\$ 2,357,239
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 718	\$ 89,462
Salaries and benefits payable	-	-	14,887
Total liabilities	-	718	104,349
Fund Balance			
Nonspendable	-	-	17,660
Restricted for special revenue purposes	52,850	64,114	2,235,230
Total fund balances	52,850	64,114	2,252,890
Total liabilities and fund balances	\$ 52,850	\$ 64,832	\$ 2,357,239

City of Johnston, Iowa

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017**

	Special Revenue Funds		
	Road Use Tax	Police	Law Enforcement Block Grant
Revenues:			
Licenses and permits	\$ -	\$ -	\$ -
Use of money and property	-	97	3
Intergovernmental	2,433,535	9,495	-
Miscellaneous	-	-	-
Total revenues	2,433,535	9,592	3
Expenditures:			
Current:			
Public safety	-	6,770	-
Public works	1,495,782	-	-
Culture and recreation	-	-	-
Community and economic development	12,422	-	-
Total expenditures	1,508,204	6,770	-
Excess (deficiency) of revenues over expenditures	925,331	2,822	3
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(177,247)	-	-
Total other financing sources (uses)	(177,247)	-	-
Net change in fund balances	748,084	2,822	3
Fund balances, beginning of year	1,171,788	43,538	2,294
Fund balances, end of year	<u>\$ 1,919,872</u>	<u>\$ 46,360</u>	<u>\$ 2,297</u>

(Continued)

Special Revenue Funds

Police Forfeitures	East Park District	Northridge Park District	Northwest Park District	Southwest Park District	Senior Citizens
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	10	456	40	122	15
-	-	-	-	-	-
-	-	-	-	-	275
-	10	456	40	122	290
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,119
-	-	-	-	-	-
-	-	-	-	-	7,119
-	10	456	40	122	(6,829)
-	-	-	-	-	7,000
-	-	-	-	-	-
-	-	-	-	-	7,000
-	10	456	40	122	171
895	4,002	94,538	15,515	47,740	3,908
\$ 895	\$ 4,012	\$ 94,994	\$ 15,555	\$ 47,862	\$ 4,079

City of Johnston, Iowa

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Year Ended June 30, 2017

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Library	Community Improvement	
Revenues:			
Licenses and permits	\$ 24,618	\$ -	\$ 24,618
Use of money and property	108	755	1,606
Intergovernmental	-	-	2,443,030
Miscellaneous	-	8,930	9,205
Total revenues	24,726	9,685	2,478,459
Expenditures:			
Current:			
Public safety	-	-	6,770
Public works	-	-	1,495,782
Culture and recreation	-	-	7,119
Community development	-	35,856	48,278
Total expenditures	-	35,856	1,557,949
Excess (deficiency) of revenues over expenditures	24,726	(26,171)	920,510
Other financing sources (uses):			
Transfers in	-	30,000	37,000
Transfers out	(25,000)	-	(202,247)
Total other financing sources (uses)	(25,000)	30,000	(165,247)
Net change in fund balances	(274)	3,829	755,263
Fund balances, beginning of year	53,124	60,285	1,497,627
Fund balances, end of year	\$ 52,850	\$ 64,114	\$ 2,252,890

City of Johnston, Iowa

Governmental Activities - Internal Service Funds
Combining Schedule of Net Position
June 30, 2017

	Flexible Spending	Health Deductible Claims	Total Internal Service Funds
Assets			
Cash and investments	\$ 1,712	\$ 992,594	\$ 994,306
Customer accounts and unbilled usage	19,790	28,922	48,712
Total assets	<u>21,502</u>	<u>1,021,516</u>	<u>1,043,018</u>
Liabilities			
Claims payable	-	75,508	75,508
Net position			
Unrestricted	<u>\$ 21,502</u>	<u>\$ 946,008</u>	<u>\$ 967,510</u>

City of Johnston, Iowa

Governmental Activities - Internal Service Funds
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

	Flexible Spending	Health Deductible Claims	Total Internal Service Funds
Operating revenues, charges for services	\$ 71,054	\$ 1,237,493	\$ 1,308,547
Operating expenses:			
Health insurance claims and expenses	-	986,245	986,245
Cost of sales and services	64,935	-	64,935
Total operating expenses	64,935	986,245	1,051,180
Operating income	6,119	251,248	257,367
Nonoperating income, investment earnings	-	1,449	1,449
Changes in net position	6,119	252,697	258,816
Total net position, beginning	15,383	693,311	708,694
Total net position, ending	<u>\$ 21,502</u>	<u>\$ 946,008</u>	<u>\$ 967,510</u>

City of Johnston, Iowa

**Governmental Activities - Internal Service Funds
Combining Schedule of Cash Flows
Year Ended June 30, 2017**

	Flexible Spending	Health Deductible Claims	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from employees	\$ 64,213	\$ -	\$ 64,213
Cash received from City funds	-	1,208,571	1,208,571
Cash (paid to) suppliers	(64,935)	(928,878)	(993,813)
Net cash provided by (used in) operating activities	(722)	279,693	278,971
Cash flows from investing activities, interest on investments			
	-	1,449	1,449
Net increase in cash and cash equivalents	(722)	281,142	280,420
Cash and cash equivalents:			
Beginning	2,434	711,452	713,886
Ending	<u>\$ 1,712</u>	<u>\$ 992,594</u>	<u>\$ 994,306</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 6,119	\$ 251,248	\$ 257,367
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
(Increase) in accounts receivable	(6,841)	(28,922)	(35,763)
Increase in prepaid expenses	-	62,400	62,400
(Decrease) in claims payable	-	(5,033)	(5,033)
Net cash provided by (used in) operating activities	\$ (722)	\$ 279,693	\$ 278,971

City of Johnston, Iowa

**Insurance Coverage Information
Year Ended June 30, 2017**

Insurer	Description	Expiration Date	Amount
The following insurance policies were in force at June 30, 2017:			
EMC Insurance	Automobile Cov.	April 1, 2018	\$2,000,000
	Liability	April 1, 2018	\$1,000,000
	Uninsured Motorists	April 1, 2018	\$1,000,000
	Underinsured Motorists	April 1, 2018	\$1,000,000
	Comprehensive/Collision	April 1, 2018	Lesser of cash value or cost of repair
	Auto Medical Payments	April 1, 2018	\$5,000
EMC Insurance	Blanket		
	Building and personal Prop.	April 1, 2018	\$41,723,242
EMC Insurance	General Liability Coverage		
	General Aggregate	April 1, 2018	\$4,000,000
	Products Aggregate	April 1, 2018	\$4,000,000
	Personal/advertising Injury	April 1, 2018	\$2,000,000
	Each Occurrence	April 1, 2018	\$2,000,000
	Damage to rented property	April 1, 2018	\$100,000
	Medical Expense	April 1, 2018	\$5,000
EMC Insurance	Commercial Crime		
	employee theft-per empl.	April 1, 2018	\$600,000
	forgery or alteration	April 1, 2018	\$10,000
	inside the premises	April 1, 2018	\$15,000
	outside the premises	April 1, 2018	\$15,000
	computer fraud	April 1, 2018	\$600,000
	funds transfers fraud	April 1, 2018	\$600,000
	telephone toll fraud	April 1, 2018	\$25,000
EMC Insurance	Inland Marine		
	contractors equipment	April 1, 2018	\$1,594,136
	rented contracted equip.	April 1, 2018	\$75,000
	misc. property	April 1, 2018	\$857,882
	data processing -equip.	April 1, 2018	\$100,000
EMC Insurance	Commercial Umbrella		
	each occurrence	April 1, 2018	\$9,000,000
	general aggregate	April 1, 2018	\$9,000,000
	retained limit	April 1, 2018	\$10,000
EMC Insurance	Workers' compensation		
	bodily injury by accident	April 1, 2018	\$500,000
	bodily injury by disease-ea. employee	April 1, 2018	\$500,000
	bodily injury by disease-policy limit	April 1, 2018	\$500,000
EMC Insurance	Linebacker		
	each loss	April 1, 2018	\$1,000,000
	aggregate	April 1, 2018	\$2,000,000
EMC Insurance	Law enforcement Liability		
	each occurrence	April 1, 2018	\$2,000,000
	aggregate	April 1, 2018	\$2,000,000
EMC Insurance	Data Compromise		
	response expenses coverage	April 1, 2018	\$100,000
	defense & liability coverage	April 1, 2018	\$100,000
	identity recovery	April 1, 2018	\$25,000

City of Johnston, Iowa

**Sewer Fund Statistical Information
Year Ended June 30, 2017**

Description	Number
Sewer customers served at June 30, 2017	6,128

Sewer rates in effect at June 30, 2017: Service availability fee per month of \$5.58 plus \$5.15 per 1,000 gallons of water used.

For those contributors who contribute wastewater, the strength of which is greater than normal domestic sewage, a surcharge in addition to the normal charge is collected as follows:

Biochemical oxygen demand	\$ 0.16 per pound
Suspended solids	\$ 0.11 per pound
Oil and grease	\$ 0.06 per pound
Total Kjeldahl Nitrogen	\$ 0.61 per pound

City of Johnston, Iowa

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years**

	Modified Accrual Basis		
	2017	2016	2015
Revenues:			
Property tax	\$ 14,024,271	\$ 13,356,049	\$ 12,743,148
Tax increment financing	5,836,933	4,314,235	3,733,446
Other city tax	751,113	756,709	729,788
Licenses and permits	493,050	864,482	763,135
Use of money and property	247,784	156,986	152,812
Intergovernmental	6,686,583	4,034,669	2,822,534
Charges for services	1,257,181	1,114,693	1,080,730
Special assessments	121,506	-	15,604
Miscellaneous	199,838	560,056	214,105
Total revenue	\$ 29,618,259	\$ 25,157,879	\$ 22,255,302
Expenditures:			
Current:			
General government	\$ 1,207,070	\$ 1,152,682	\$ 1,996,381
Public safety	5,979,698	5,509,222	5,135,905
Public works	3,241,097	3,214,603	3,435,326
Health and social services	25,000	31,250	50,666
Culture and recreation	2,984,654	2,888,920	2,794,750
Community development	3,525,072	3,833,190	3,076,177
Capital outlay	7,297,960	7,093,848	6,763,100
Debt service	15,550,937	14,410,450	14,570,080
Total expenditures	\$ 39,811,488	\$ 38,134,165	\$ 37,822,385

Modified Accrual Basis

	2014	2013	2012	2011	2010	2009	2008
\$	12,161,590	\$ 11,575,575	\$ 11,354,506	\$ 10,957,998	\$ 10,610,000	\$ 9,725,905	\$ 9,083,339
	3,233,081	3,353,369	2,990,804	2,172,053	1,304,410	1,197,459	1,518,773
	702,233	695,594	666,448	620,145	592,898	594,415	649,888
	575,452	528,237	657,882	515,654	447,964	413,170	294,597
	142,440	67,411	72,379	63,497	80,337	394,557	785,453
	2,065,873	4,761,183	5,609,488	2,985,907	2,177,777	2,966,754	5,868,814
	1,017,863	992,483	893,424	791,741	676,150	570,103	566,477
	17,605	60,728	58,660	68,538	129,393	108,432	116,240
	300,172	142,642	97,346	94,116	85,783	242,387	1,164,184
\$	20,216,309	\$ 22,177,222	\$ 22,400,937	\$ 18,269,649	\$ 16,104,712	\$ 16,213,182	\$ 20,047,765
\$	4,196,715	\$ 4,322,630	\$ 3,693,374	\$ 3,418,619	\$ 3,374,672	\$ 3,798,404	\$ 2,820,967
	2,127,877	2,694,496	2,322,232	2,267,730	2,438,165	2,638,527	2,676,064
	44,696	16,900	46,082	16,200	34,823	20,477	31,557
	2,591,665	2,582,193	2,493,234	2,156,207	2,134,363	1,931,317	2,037,087
	2,276,860	1,020,844	925,677	973,066	1,001,176	944,270	826,826
	1,053,516	1,059,976	979,034	1,158,530	1,081,694	1,186,366	1,203,453
	6,384,644	7,277,133	6,876,039	5,893,194	5,558,127	5,611,736	5,283,287
	12,648,042	10,531,939	7,324,286	5,353,185	2,097,238	2,390,891	8,162,135
\$	31,324,015	\$ 29,506,111	\$ 24,659,958	\$ 21,236,731	\$ 17,720,258	\$ 18,521,988	\$ 23,041,376