

# City of Johnston, Iowa

Financial Report  
June 30, 2016

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### Financial Section

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City of Johnston, Iowa

Elected Officials

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As of January 2015

**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 2016

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Timothy Pearson



## Independent Auditor's Report

RSM US LLP

To the Honorable Mayor and  
Members of the City Council  
City of Johnston, Iowa  
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 15, 2017

## City of Johnston, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

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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, 2016.

#### 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 \$132,157,292 (net position). Of this amount, \$7,863,971 is unrestricted. The assets exceeded liabilities by \$125,222,240 as of June 30, 2015.
- For fiscal year 2016, the government's total net position increased \$6,935,052. Governmental activities decreased by \$409,102 and business-type activities increased by \$7,344,154.
- As of the close of fiscal year June 30, 2016, the City of Johnston, Iowa's governmental funds reported combined ending fund balances of \$19,826,172, a decrease of \$12,948,177 in comparison with the prior year. Approximately 26.2 percent of this amount, \$5,194,168, 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 \$5,194,168 or 42.7 percent of total General Fund expenditures compared to \$5,239,356 and 40.5 percent as of June 30, 2015.

**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, 2016

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**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, 2016**

**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 \$132,157,292, which represents an increase of \$6,935,052 from 2015.

Table 1 - Condensed Statement of Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 46,656,083	\$ 54,514,728	\$ 9,543,695	\$ 9,964,390	\$ 56,199,778	\$ 64,479,118
Capital assets	130,477,587	123,229,670	56,621,427	49,620,688	187,099,014	172,850,358
<b>Total assets</b>	<b>177,133,670</b>	<b>177,744,398</b>	<b>66,165,122</b>	<b>59,585,078</b>	<b>243,298,792</b>	<b>237,329,476</b>
Deferred outflows of resources	1,268,804	641,628	223,918	134,695	1,492,722	776,323
Noncurrent liabilities	64,090,659	68,094,061	14,016,979	15,023,338	78,107,638	83,117,399
Other liabilities	10,844,325	8,903,627	2,233,271	1,857,957	13,077,596	10,761,584
<b>Total liabilities</b>	<b>74,934,984</b>	<b>76,997,688</b>	<b>16,250,250</b>	<b>16,881,295</b>	<b>91,185,234</b>	<b>93,878,983</b>
Deferred inflows of resources	21,327,147	18,838,893	121,841	165,683	21,448,988	19,004,576
Net position						
Net investment in capital assets	75,626,034	70,157,323	42,345,946	40,023,864	117,971,980	110,181,187
Restricted	6,321,341	6,005,245	-	-	6,321,341	6,005,245
Unrestricted	192,968	6,386,877	7,671,003	2,648,931	7,863,971	9,035,808
<b>Total net position</b>	<b>\$ 82,140,343</b>	<b>\$ 82,549,445</b>	<b>\$ 50,016,949</b>	<b>\$ 42,672,795</b>	<b>\$ 132,157,292</b>	<b>\$ 125,222,240</b>

Of the City of Johnston's net position, 89.3 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, \$6,321,341 (4.8 percent as of June 30, 2016), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$7,863,971 (6.0 percent as of June 30, 2016), 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, 2016**

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2016. 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	Activities	Activities	2016	2015
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,705,132	\$ 2,376,360	\$ 7,623,245	\$ 6,860,868	\$ 10,328,377	\$ 9,237,228
Operating grants and contributions	2,123,412	1,844,962	-	-	2,123,412	1,844,962
Capital grants and contributions	1,119,525	544,536	851,756	1,134,092	1,971,281	1,678,628
General revenues:						
Property tax	13,961,422	13,251,224	-	-	13,961,422	13,251,224
Hotel/motel tax	308,742	297,452	-	-	308,742	297,452
Tax increment financing	4,314,235	3,733,446	-	-	4,314,235	3,733,446
Other taxes	-	407,567	-	-	-	407,567
Unrestricted investment earnings	78,410	79,557	8,608	20,986	87,018	100,543
Miscellaneous	1,786,910	2,194,543	733,823	667,801	2,520,733	2,862,344
<b>Total revenues</b>	<b>26,397,788</b>	<b>24,729,647</b>	<b>9,217,432</b>	<b>8,683,747</b>	<b>35,615,220</b>	<b>33,413,394</b>
<b>Program expenses:</b>						
Public safety	6,237,781	6,591,366	-	-	6,237,781	6,591,366
Public works	4,507,222	5,636,466	-	-	4,507,222	5,636,466
Health and social services	31,250	50,666	-	-	31,250	50,666
Culture and recreation	3,301,292	3,500,313	-	-	3,301,292	3,500,313
Community development	3,908,868	3,159,671	-	-	3,908,868	3,159,671
General government	1,211,390	2,114,649	-	-	1,211,390	2,114,649
Interest	2,042,028	2,394,350	-	-	2,042,028	2,394,350
Water	-	-	4,342,416	3,753,359	4,342,416	3,753,359
Sewer	-	-	2,958,257	2,596,403	2,958,257	2,596,403
Storm water	-	-	139,664	188,650	139,664	188,650
<b>Total expenses</b>	<b>21,239,831</b>	<b>23,447,481</b>	<b>7,440,337</b>	<b>6,538,412</b>	<b>28,680,168</b>	<b>29,985,893</b>
<b>Excess of revenues over expenses</b>	<b>5,157,957</b>	<b>1,282,166</b>	<b>1,777,095</b>	<b>2,145,335</b>	<b>6,935,052</b>	<b>3,427,501</b>
Operating transfers, net	(5,567,059)	217,961	5,567,059	(217,961)	-	-
<b>Change in net position</b>	<b>(409,102)</b>	<b>1,500,127</b>	<b>7,344,154</b>	<b>1,927,374</b>	<b>6,935,052</b>	<b>3,427,501</b>
Net position, beginning of year	82,549,445	81,049,318	42,672,795	40,745,421	125,222,240	121,794,739
Net position, end of year	<b>\$ 82,140,343</b>	<b>\$ 82,549,445</b>	<b>\$ 50,016,949</b>	<b>\$ 42,672,795</b>	<b>\$ 132,157,292</b>	<b>\$ 125,222,240</b>

**City of Johnston, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016**

The City's total net position increased by \$6,935,052 during the year ended June 30, 2016. The governmental activities' net position decreased by \$409,102. The governmental activities' net position decreased due to a transfer out of \$5,522,798 of capital assets to the business-type activities which offset increases in property taxes and tax increment financing taxes from increased assessed valuations. The total business-type activities' net position increased by \$7,344,154 due to a transfer in of \$5,522,798 of capital assets from the governmental activities as well as increases in charges for services from the City's increase in utility rates and 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 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Public safety	\$ 6,237,781	\$ 6,591,366	\$ 3,998,494	\$ 4,962,100
Public works	4,507,222	5,636,466	2,388,879	3,795,504
Health and social services	31,250	50,666	31,250	50,666
Culture and recreation	3,301,292	3,500,313	2,627,254	3,014,741
Community development	3,908,868	3,159,671	3,908,868	3,159,671
General government	1,211,390	2,114,649	294,989	1,304,591
Interest on debt	2,042,028	2,394,350	2,042,028	2,394,350
<b>Total</b>	<b>\$ 21,239,831</b>	<b>\$ 23,447,481</b>	<b>\$ 15,291,762</b>	<b>\$ 18,681,623</b>

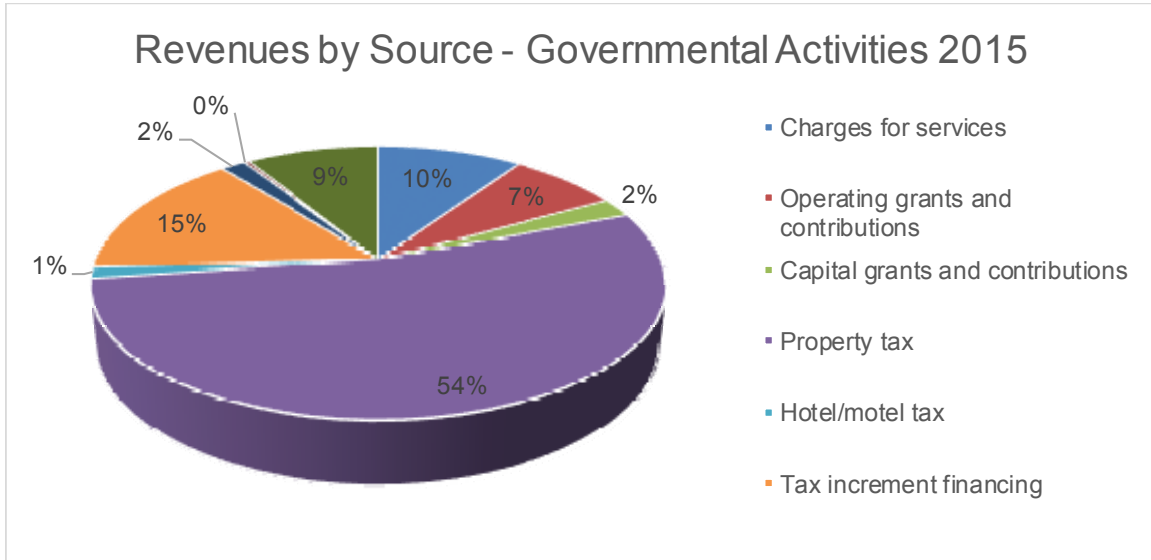
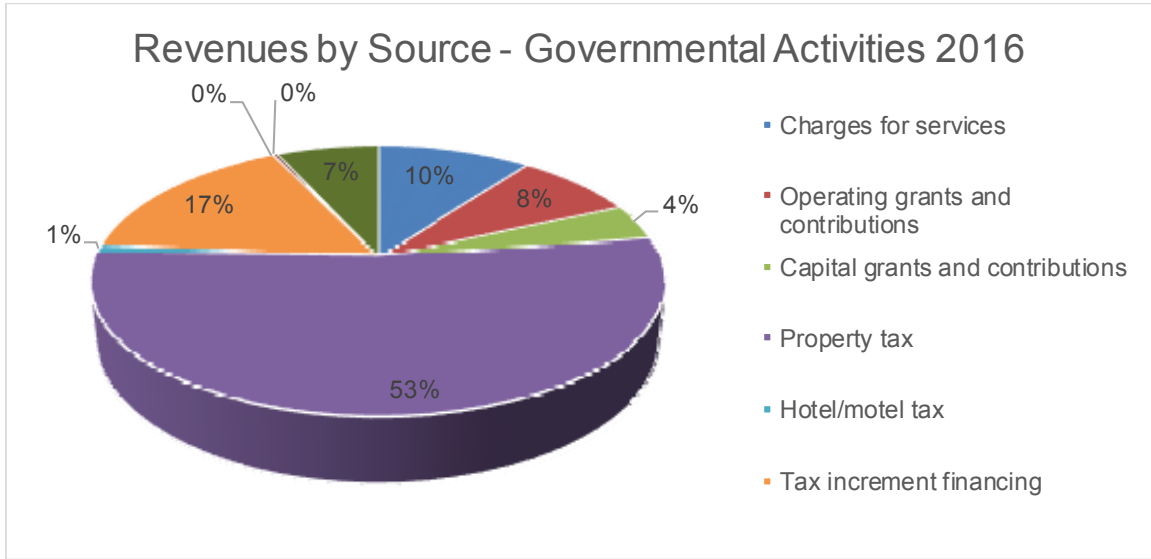
Net cost of services is 72.0 percent of total cost of services for the year ended June 30, 2016 and 79.7 percent for the year ended June 30, 2015. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

City of Johnston, Iowa

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016

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**Governmental Activities:** The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2016 and 2015.



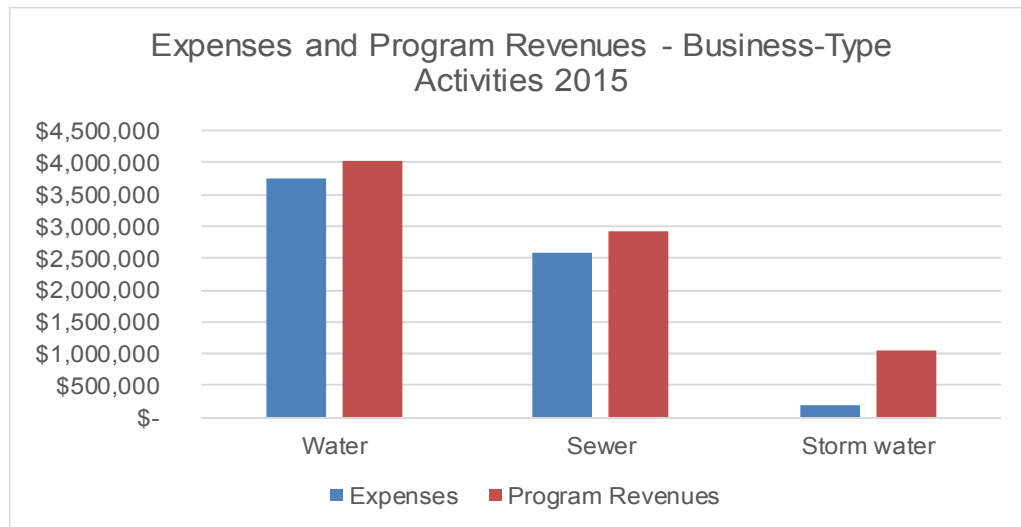
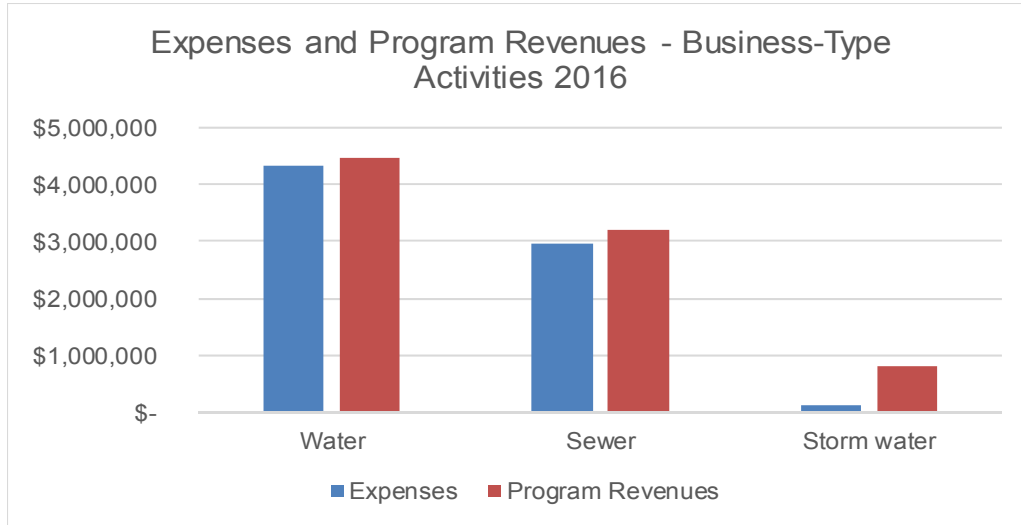
City of Johnston, Iowa

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016

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**Business-type activities:** For the year ended June 30, 2016, business-type activities increased the City of Johnston's net position by \$7,344,154.

Total business-type activities' revenue for the fiscal year was \$9,217,432. All but \$742,431 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 2016 and 2015.



## City of Johnston, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

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**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, 2016, the City of Johnston, Iowa's governmental funds reported combined ending fund balances of \$19,826,172, a decrease of \$12,948,177 from June 30, 2015. The City's unassigned balance was \$5,194,168 as of June 30, 2016. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form - \$499,534, 2) legally required to be maintained intact or restricted for particular purposes or by third parties - \$14,132,470 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 \$5,194,168, while total fund balance decreased by (\$136,300). 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 42.7 percent while total fund balance represents approximately 46.6 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 77.0 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 9.6 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 (\$136,300) during the current fiscal year.

The Urban Renewal Tax Increment Financing Fund accounts for tax increment financing revenues and uses. Fund balance increased \$129,828 from \$4,568,935 in 2015 to \$4,698,763 in 2016 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 \$151,195 from \$165,169 in 2015 to \$316,364 in 2016. The Debt Service Fund continues to service debt as it becomes due.

The Capital Projects Fund fund balance decreased \$13,334,063 from \$20,978,458 in 2015 to \$7,644,395 in 2016. This decrease was due to expending the proceeds from the prior 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 \$1,208,294 from \$17,431,873 in 2015 to \$18,640,167 in 2016. The Sewer Fund net position increased \$1,512,981 from \$23,325,204 in 2015 to \$24,838,185 in 2016. The Storm Water Fund net position increased \$4,522,183 from \$1,915,718 in 2015 to \$6,437,901 in 2016.

**City of Johnston, Iowa**

**Management’s Discussion and Analysis  
For Fiscal Year Ended June 30, 2016**

**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 \$10,379,811. 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 except for the general government and capital outlay expenditure functions.

**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, 2016, amounts to \$187,099,014 (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 Terra Lake project, Merle Hay East Improvement, NW 70th Avenue Improvement, and Saylorville Water Main Connection project.

Table 4 - Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 4,833,182	\$ 4,833,182	\$ 269,171	\$ 269,171	\$ 5,102,353	\$ 5,102,353
Construction in progress	25,661,991	17,565,536	10,031,771	4,063,595	35,693,762	21,629,131
Buildings	18,154,861	18,562,468	766,483	-	18,921,344	18,562,468
Improvements other than buildings	1,730,123	1,841,375	-	-	1,730,123	1,841,375
Equipment and vehicles	4,214,956	4,001,479	422,071	374,481	4,637,027	4,375,960
Infrastructure	75,882,474	76,425,630	45,131,931	44,913,441	121,014,405	121,339,071
<b>Total</b>	<b>\$ 130,477,587</b>	<b>\$ 123,229,670</b>	<b>\$ 56,621,427</b>	<b>\$ 49,620,688</b>	<b>\$ 187,099,014</b>	<b>\$ 172,850,358</b>

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, 2016

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**Debt:** As of June 30, 2016, the City of Johnston, Iowa had general obligation bonds and revenue bonds payable totaling \$79,962,009 compared to \$86,324,973 as of June 30, 2015. For the year ended June 30, 2016, the City paid \$6,194,000 in principal and amortized \$168,964 of bond premiums on the bonds.

Table 5 - Outstanding Long-Term Obligations

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 65,405,235	\$ 70,440,062	\$ 9,229,774	\$ 10,148,911	\$ 74,635,009	\$ 80,588,973
Revenue bonds	-	-	5,327,000	5,736,000	5,327,000	5,736,000
Compensated absences	685,584	643,239	70,436	60,376	756,020	703,615
Net OPEB liability	1,593,938	1,487,000	252,062	-	1,846,000	1,487,000
Net pension liability	1,667,701	1,027,967	539,307	434,441	2,207,008	1,462,408
<b>Total</b>	<b>\$ 69,352,458</b>	<b>\$ 73,598,268</b>	<b>\$ 15,418,579</b>	<b>\$ 16,379,728</b>	<b>\$ 84,771,037</b>	<b>\$ 89,977,996</b>

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 2016 was 4.0% compared to 4.1% for the State of Iowa and 4.9% nationally.
- The General Fund is significantly funded by property taxes. Therefore, the City continues to encourage new development that supports these revenue sources.
- Total budgeted expenditures for the fiscal year 2017 is \$45,173,921.

#### 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 24,674,048	\$ 7,434,361	\$ 32,108,409
Receivables:			
Property tax:			
Delinquent	25,939	-	25,939
Succeeding year	14,426,270	-	14,426,270
Tax increment financing:			
Delinquent	520	-	520
Succeeding year	5,873,419	-	5,873,419
Customer accounts and unbilled usage	12,949	1,387,986	1,400,935
Accounts, net allowance of \$302,887	477,670	-	477,670
Special assessments	391,599	120,776	512,375
Accrued interest	3,584	270	3,854
Internal balances	(214,152)	214,152	-
Due from other governments	422,303	-	422,303
Inventories	-	350,765	350,765
Prepaid expenses	561,934	35,385	597,319
<b>Total current assets</b>	<b>46,656,083</b>	<b>9,543,695</b>	<b>56,199,778</b>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	30,495,173	10,300,942	40,796,115
Capital assets being depreciated, net	99,982,414	46,320,485	146,302,899
<b>Total noncurrent assets</b>	<b>130,477,587</b>	<b>56,621,427</b>	<b>187,099,014</b>
<b>Total assets</b>	<b>177,133,670</b>	<b>66,165,122</b>	<b>243,298,792</b>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	-	39,756	39,756
Pension related amounts	1,268,804	184,162	1,452,966
<b>Total deferred outflows of resources</b>	<b>1,268,804</b>	<b>223,918</b>	<b>1,492,722</b>

See notes to financial statements.



	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current liabilities:			
Accounts, claims and contracts payable	\$ 5,058,444	\$ 751,629	\$ 5,810,073
Accrued interest payable	166,734	41,667	208,401
Salaries and benefits payable	357,348	29,895	387,243
Customer deposits	-	8,480	8,480
Revenue bonds/notes	-	421,000	421,000
General obligation bonds/notes	4,659,686	925,314	5,585,000
Compensated absences	602,113	55,286	657,399
<b>Total current liabilities</b>	<b>10,844,325</b>	<b>2,233,271</b>	<b>13,077,596</b>
Long-term liabilities:			
General obligation bonds/notes (net of unamortized premium/discount)	60,745,549	8,304,460	69,050,009
Revenue bonds/notes (net of unamortized premium/discount)	-	4,906,000	4,906,000
Compensated absences	83,471	15,150	98,621
Net OPEB liability	1,593,938	252,062	1,846,000
Net pension liability	1,667,701	539,307	2,207,008
<b>Total long-term liabilities</b>	<b>64,090,659</b>	<b>14,016,979</b>	<b>78,107,638</b>
<b>Total liabilities</b>	<b>74,934,984</b>	<b>16,250,250</b>	<b>91,185,234</b>
<b>Deferred inflows of resources</b>			
Property taxes	14,426,270	-	14,426,270
Tax increment financing	5,873,419	-	5,873,419
Pension related amounts	1,027,458	121,841	1,149,299
<b>Total deferred inflows of resources</b>	<b>21,327,147</b>	<b>121,841</b>	<b>21,448,988</b>
<b>Net Position</b>			
Net investment in capital assets	75,626,034	42,345,946	117,971,980
Restricted:			
Debt service	4,848,393	-	4,848,393
Roads	1,147,109	-	1,147,109
Police	46,727	-	46,727
Culture and recreation	218,827	-	218,827
Community development	60,285	-	60,285
Unrestricted	192,968	7,671,003	7,863,971
<b>Total net position</b>	<b>\$ 82,140,343</b>	<b>\$ 50,016,949</b>	<b>\$ 132,157,292</b>

**City of Johnston, Iowa**

**Statement of Activities  
Year Ended June 30, 2016**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions and Restricted Interest	Capital Grants and Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Public safety	\$ 6,237,781	\$ 1,114,693	\$ 5,069	\$ 1,119,525
Public works	4,507,222	-	2,118,343	-
Health and social services	31,250	-	-	-
Culture and recreation	3,301,292	674,038	-	-
Community development	3,908,868	-	-	-
General government	1,211,390	916,401	-	-
Interest on debt	2,042,028	-	-	-
<b>Total governmental activities</b>	<b>21,239,831</b>	<b>2,705,132</b>	<b>2,123,412</b>	<b>1,119,525</b>
<b>Business-Type Activities:</b>				
Water	4,342,416	4,264,494	-	200,286
Sewer	2,958,257	2,631,020	-	561,660
Storm water	139,664	727,731	-	89,810
<b>Total business-type activities</b>	<b>7,440,337</b>	<b>7,623,245</b>	<b>-</b>	<b>851,756</b>
<b>Total</b>	<b>\$ 28,680,168</b>	<b>\$ 10,328,377</b>	<b>\$ 2,123,412</b>	<b>\$ 1,971,281</b>

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
\$ (3,998,494)	\$ -	\$ (3,998,494)
(2,388,879)	-	(2,388,879)
(31,250)	-	(31,250)
(2,627,254)	-	(2,627,254)
(3,908,868)	-	(3,908,868)
(294,989)	-	(294,989)
(2,042,028)	-	(2,042,028)
(15,291,762)	-	(15,291,762)
-	122,364	122,364
-	234,423	234,423
-	677,877	677,877
-	1,034,664	1,034,664
(15,291,762)	1,034,664	(14,257,098)
8,907,428	-	8,907,428
5,053,994	-	5,053,994
308,742	-	308,742
4,314,235	-	4,314,235
78,410	8,608	87,018
72,370	-	72,370
1,714,540	733,823	2,448,363
(5,567,059)	5,567,059	-
14,882,660	6,309,490	21,192,150
(409,102)	7,344,154	6,935,052
82,549,445	42,672,795	125,222,240
\$ 82,140,343	\$ 50,016,949	\$ 132,157,292

City of Johnston, Iowa

Balance Sheet - Governmental Funds  
June 30, 2016

	General Fund	Urban Renewal Tax Increment Financing	Debt Service
<b>Assets</b>			
Pooled cash and investments	\$ 5,549,378	\$ 4,714,534	\$ 371,636
Receivables:			
Property tax:			
Delinquent	17,329	-	8,610
Succeeding year	9,337,612	-	5,088,658
Tax increment financing:			
Delinquent	-	520	-
Succeeding year	-	5,873,419	-
Accounts	363,480	-	-
Special assessments	-	-	391,599
Accrued interest	1	153	-
Due from other governments	105,816	-	-
Prepaid expenditures	474,855	-	-
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 15,848,471</b>	<b>\$ 10,588,626</b>	<b>\$ 5,860,503</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities:			
Accounts and contracts payable	\$ 495,717	\$ 16,444	\$ -
Salaries and benefits payable	320,824	-	-
Due to other funds	-	-	63,882
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>816,541</b>	<b>16,444</b>	<b>63,882</b>
Deferred inflows of resources:			
Unavailable revenue - property taxes	9,337,612	-	5,088,658
Unavailable revenue - tax increment financing	-	5,873,419	-
Unavailable revenue - other	25,295	-	391,599
	<hr/>	<hr/>	<hr/>
<b>Total deferred inflows of resources</b>	<b>9,362,907</b>	<b>5,873,419</b>	<b>5,480,257</b>
Fund balances:			
Nonspendable	474,855	-	-
Restricted	-	4,698,763	316,364
Unassigned	5,194,168	-	-
	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b>5,669,023</b>	<b>4,698,763</b>	<b>316,364</b>
	<hr/>	<hr/>	<hr/>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,848,471</b>	<b>\$ 10,588,626</b>	<b>\$ 5,860,503</b>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 11,915,470	\$ 1,409,144	\$ 23,960,162
-	-	25,939
-	-	14,426,270
-	-	520
-	-	5,873,419
107,369	6,821	477,670
-	-	391,599
3,430	-	3,584
151,688	164,799	422,303
-	24,679	499,534
<u>\$ 12,177,957</u>	<u>\$ 1,605,443</u>	<u>\$ 46,081,000</u>

\$ 4,394,450	\$ 71,292	\$ 4,977,903
-	36,524	357,348
49,574	-	113,456
<u>4,444,024</u>	<u>107,816</u>	<u>5,448,707</u>

-	-	14,426,270
-	-	5,873,419
89,538	-	506,432
<u>89,538</u>	<u>-</u>	<u>20,806,121</u>

-	24,679	499,534
7,644,395	1,472,948	14,132,470
-	-	5,194,168
<u>7,644,395</u>	<u>1,497,627</u>	<u>19,826,172</u>

<u>\$ 12,177,957</u>	<u>\$ 1,605,443</u>	<u>\$ 46,081,000</u>
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**City of Johnston, Iowa**

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities  
June 30, 2016**

Total governmental fund balances		\$ 19,826,172
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.		130,477,587
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		506,432
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	\$ 708,694	
Internal service funds allocated to business-type activities	<u>(100,696)</u>	607,998
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	1,268,804	
Deferred inflows of resources	<u>(1,027,458)</u>	241,346
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	(65,405,235)	
Accrued interest payable	(166,734)	
Compensated absences	(685,584)	
Net pension liability	(1,667,701)	
Other postemployment benefits	<u>(1,593,938)</u>	(69,519,192)
<b>Net position of governmental activities</b>		<u><u>\$ 82,140,343</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, 2016

	General Fund	Urban Renewal Tax Increment Financing	Debt Service
<b>Revenues:</b>			
Property tax	\$ 8,592,614	\$ -	\$ 4,763,435
Tax increment financing	-	4,314,235	-
Other city tax	623,556	-	133,153
Licenses and permits	839,770	-	-
Use of money and property	85,414	804	563
Intergovernmental	647,381	-	157,406
Charges for services	1,114,693	-	-
Miscellaneous	59,926	-	-
<b>Total revenues</b>	<b>11,963,354</b>	<b>4,315,039</b>	<b>5,054,557</b>
<b>Expenditures:</b>			
Current:			
Public safety	5,492,986	-	-
Public works	1,547,124	-	-
Health and social services	31,250	-	-
Culture and recreation	2,884,697	-	-
Community development	1,066,546	2,743,097	-
General government	1,152,682	-	-
Debt service	-	-	7,093,848
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>12,175,285</b>	<b>2,743,097</b>	<b>7,093,848</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(211,931)</b>	<b>1,571,942</b>	<b>(2,039,291)</b>
<b>Other financing sources (uses):</b>			
Transfers in	243,561	390,971	2,190,486
Transfers out	(190,300)	(1,833,085)	-
Proceeds from sale of capital assets	22,370	-	-
<b>Total other financing sources (uses)</b>	<b>75,631</b>	<b>(1,442,114)</b>	<b>2,190,486</b>
<b>Net change in fund balances</b>	<b>(136,300)</b>	<b>129,828</b>	<b>151,195</b>
Fund balances, beginning of year	5,805,323	4,568,935	165,169
Fund balances, end of year	\$ 5,669,023	\$ 4,698,763	\$ 316,364

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 13,356,049
-	-	4,314,235
-	-	756,709
-	24,712	864,482
68,152	2,053	156,986
1,106,470	2,123,412	4,034,669
-	-	1,114,693
489,398	10,732	560,056
<u>1,664,020</u>	<u>2,160,909</u>	<u>25,157,879</u>
-	16,236	5,509,222
-	1,667,479	3,214,603
-	-	31,250
-	4,223	2,888,920
-	23,547	3,833,190
-	-	1,152,682
-	-	7,093,848
14,410,450	-	14,410,450
<u>14,410,450</u>	<u>1,711,485</u>	<u>38,134,165</u>
(12,746,430)	449,424	(12,976,286)
1,298,963	35,300	4,159,281
(1,936,596)	(243,561)	(4,203,542)
50,000	-	72,370
<u>(587,633)</u>	<u>(208,261)</u>	<u>28,109</u>
(13,334,063)	241,163	(12,948,177)
20,978,458	1,256,464	32,774,349
<u>\$ 7,644,395</u>	<u>\$ 1,497,627</u>	<u>\$ 19,826,172</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, 2016**

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Net change in fund balances, governmental funds \$ (12,948,177)

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	\$ 15,736,371	
Depreciation expense	<u>(2,965,656)</u>	12,770,715

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	(72,370)	
Gain on sale of capital assets	72,370	
Transfer of capital assets to enterprise funds	<u>(5,522,798)</u>	(5,522,798)

Change in revenue amounts in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds.

12,691

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.

4,885,096

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.

149,731

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:

Compensated absences	(42,345)	
Accrued interest on long-term debt	16,993	
Other postemployment benefits	(106,938)	
Pension expense	<u>271,995</u>	139,705

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.

103,935

**Change in net position of governmental activities**

\$ (409,102)

See notes to financial statements.

City of Johnston, Iowa

Statement of Net Position - Proprietary Funds  
June 30, 2016

	Business-Type	
	Activities	
	Enterprise	
	Water	Sewer
<b>Assets</b>		
Current assets:		
Pooled cash and investments	\$ 2,369,091	\$ 4,036,147
Receivables:		
Customer accounts and unbilled usage	914,435	389,166
Accrued interest	138	70
Due from other funds	-	63,882
Inventories	211,545	139,220
Prepaid expenses	19,112	16,273
Receivables, special assessments	33,777	86,999
<b>Total current assets</b>	<b>3,548,098</b>	<b>4,731,757</b>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	3,501,320	1,947,402
Buildings and equipment, net	18,136,741	24,852,437
<b>Total capital assets</b>	<b>21,638,061</b>	<b>26,799,839</b>
<b>Total assets</b>	<b>25,186,159</b>	<b>31,531,596</b>
<b>Deferred outflows of resources</b>		
Deferred charge on refunding	-	39,756
Pension related amounts	92,081	92,081
<b>Total deferred outflows of resources</b>	<b>92,081</b>	<b>131,837</b>

(Continued)

Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 1,029,123	\$ 7,434,361	\$ 713,886
84,385	1,387,986	12,949
62	270	-
49,574	113,456	-
-	350,765	-
-	35,385	62,400
-	120,776	-
1,163,144	9,442,999	789,235
4,852,220	10,300,942	-
3,331,307	46,320,485	-
8,183,527	56,621,427	-
9,346,671	66,064,426	789,235
-	39,756	-
-	184,162	-
-	223,918	-

City of Johnston, Iowa

Statement of Net Position - Proprietary Funds (Continued)  
June 30, 2016

	Business-Type	
	Activities	
	Enterprise	
	Water	Sewer
<b>Liabilities</b>		
Current liabilities:		
Accounts, claims and contracts payable	\$ 734,097	\$ 17,382
Accrued interest payable	12,177	21,790
Salaries and benefits payable	14,984	14,911
Compensated absences	27,643	27,643
General obligations bonds payable	480,000	240,314
Customer deposits	8,480	-
Revenue bonds and notes	99,000	322,000
<b>Total current liabilities</b>	<b>1,376,381</b>	<b>644,040</b>
Noncurrent liabilities:		
General obligation bonds, net of current portion	3,024,508	2,584,032
Revenue bonds and notes, net of current portion	1,773,000	3,133,000
Compensated absences	7,575	7,575
Other postemployment benefits	126,031	126,031
Net pension liability	269,656	269,651
<b>Total noncurrent liabilities</b>	<b>5,200,770</b>	<b>6,120,289</b>
<b>Total liabilities</b>	<b>6,577,151</b>	<b>6,764,329</b>
<b>Deferred inflows of resources</b> , pension related amounts	60,922	60,919
<b>Net position</b>		
Net investment in capital assets	16,503,090	20,560,249
Unrestricted	2,137,077	4,277,936
<b>Total net position</b>	<b>\$ 18,640,167</b>	<b>\$ 24,838,185</b>

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	
\$ 150	\$ 751,629	\$ 80,541
7,700	41,667	-
-	29,895	-
-	55,286	-
205,000	925,314	-
-	8,480	-
-	421,000	-
212,850	2,233,271	80,541
2,695,920	8,304,460	-
-	4,906,000	-
-	15,150	-
-	252,062	-
-	539,307	-
2,695,920	14,016,979	-
2,908,770	16,250,250	80,541
-	121,841	-
5,282,607	42,345,946	-
1,155,294	7,570,307	708,694
<u>\$ 6,437,901</u>	<u>49,916,253</u>	<u>\$ 708,694</u>

100,696  
\$ 50,016,949

**City of Johnston, Iowa**

**Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Funds  
Year Ended June 30, 2016**

	Business-Type	
	Activities	
	Enterprise	
	Water	Sewer
Operating revenues:		
Charges for services	\$ 4,261,889	\$ 2,631,020
Miscellaneous	99,483	73,916
Service connection fees	21,191	243,624
<b>Total operating revenues</b>	<b>4,382,563</b>	<b>2,948,560</b>
Operating expenses:		
Health insurance claims and expenses	-	-
Salaries and benefits	707,058	706,548
Cost of sales and services	2,764,551	1,302,833
Depreciation	676,457	664,663
<b>Total operating expenses</b>	<b>4,148,066</b>	<b>2,674,044</b>
<b>Operating income</b>	<b>234,497</b>	<b>274,516</b>
Nonoperating revenues (expenses):		
Special assessments	2,605	-
Interest income	6,401	1,400
Interest expense	(107,324)	(197,188)
Gain on the sale of assets	10,558	10,305
<b>Net nonoperating revenues (expenses)</b>	<b>(87,760)</b>	<b>(185,483)</b>
<b>Income before contributions and transfers</b>	<b>146,737</b>	<b>89,033</b>
Contributions and transfers:		
Transfers in	493,011	882,544
Transfers out	(334,599)	(929,354)
Capital contributions	903,145	1,470,758
<b>Total contributions and transfers</b>	<b>1,061,557</b>	<b>1,423,948</b>
<b>Increase in net position</b>	<b>1,208,294</b>	<b>1,512,981</b>
Net position, beginning of year	17,431,873	23,325,204
Net position, end of year	\$ 18,640,167	\$ 24,838,185

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	
\$ 727,731	\$ 7,620,640	\$ 1,429,435
-	173,399	-
-	264,815	-
<u>727,731</u>	<u>8,058,854</u>	<u>1,429,435</u>
-	-	1,142,785
-	1,413,606	-
69,785	4,137,169	82,178
66,810	1,407,930	-
<u>136,595</u>	<u>6,958,705</u>	<u>1,224,963</u>
<u>591,136</u>	<u>1,100,149</u>	<u>204,472</u>
-	2,605	-
807	8,608	159
(3,069)	(307,581)	-
-	20,863	-
<u>(2,262)</u>	<u>(275,505)</u>	<u>159</u>
<u>588,874</u>	<u>824,644</u>	<u>204,631</u>
90,064	1,465,619	-
(157,405)	(1,421,358)	-
4,000,650	6,374,553	-
<u>3,933,309</u>	<u>6,418,814</u>	<u>-</u>
4,522,183	7,243,458	204,631
1,915,718	42,672,795	504,063
<u>\$ 6,437,901</u>	<u>49,916,253</u>	<u>\$ 708,694</u>

100,696  
\$ 7,344,154

City of Johnston, Iowa

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2016

	Business-Type Activities	
	Water	Sewer
Cash flows from operating activities:		
Cash received from customers, users, and employees	\$ 3,845,059	\$ 2,767,808
Cash received from other revenues	99,483	73,916
Cash paid for personal services	(600,381)	(592,306)
Cash paid to suppliers	(2,338,476)	(1,338,375)
<b>Net cash provided by operating activities</b>	<b>1,005,685</b>	<b>911,043</b>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,823,737)	(57,379)
Proceeds from the sale of capital assets	10,558	10,305
Special assessments received	14,007	100,514
Principal paid on revenue bonds and notes	(96,000)	(313,000)
Principal paid on general obligation bonds	(475,000)	(229,904)
Interest paid on revenue bonds and notes	(62,041)	(87,715)
Interest paid on general obligation bonds	(115,196)	(111,082)
<b>Net cash (used in) capital and related financing activities</b>	<b>(2,547,409)</b>	<b>(688,261)</b>
Cash flows from noncapital financing activities:		
Payments of interfund accounts	-	(63,882)
Transfers from other funds	493,011	882,544
Transfers to other funds	(334,599)	(929,354)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>158,412</b>	<b>(110,692)</b>
Cash flows from investing activities, interest on investments	6,623	2,180
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,376,689)</b>	<b>114,270</b>
Cash and cash equivalents, beginning of year	3,745,780	3,921,877
Cash and cash equivalents, end of year	<u>\$ 2,369,091</u>	<u>\$ 4,036,147</u>

(Continued)



Business-Type Activities Enterprise		Governmental Activities Internal Service
Storm Water	Total	
\$ 720,830	\$ 7,333,697	\$ 1,484,831
-	173,399	-
(3,258)	(1,195,945)	-
(67,424)	(3,744,275)	(1,387,119)
650,148	2,566,876	97,712
-	(1,881,116)	-
-	20,863	-
-	114,521	-
-	(409,000)	-
(195,000)	(899,904)	-
-	(149,756)	-
(98,632)	(324,910)	-
(293,632)	(3,529,302)	-
(540)	(64,422)	-
90,064	1,465,619	-
(157,405)	(1,421,358)	-
(67,881)	(20,161)	-
745	9,548	159
289,380	(973,039)	97,871
739,743	8,407,400	616,015
\$ 1,029,123	\$ 7,434,361	\$ 713,886

City of Johnston, Iowa

Statement of Cash Flows (Continued)  
 Proprietary Funds  
 Year Ended June 30, 2016

	Business-Type Activities	
	Water	Sewer
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 234,497	\$ 274,516
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	676,457	664,663
Customer accounts and unbilled usage and other accounts receivable	(438,021)	(106,836)
Due from other governments	10	-
Inventories	42,043	7,220
Prepaid expenses	(218)	2,621
Accounts, claims and contracts payable	680,156	(49,843)
Salaries and benefits payable	3,410	3,409
Compensated absences	5,030	5,030
Due to other governments	(307,943)	-
Other postemployment benefits	126,031	126,031
Net pension liability	52,433	52,433
Deferred outflows of resources	(46,279)	(46,280)
Deferred inflows of resources	(21,921)	(21,921)
<b>Net cash provided by operating activities</b>	<b>\$ 1,005,685</b>	<b>\$ 911,043</b>
Schedule of noncash items:		
Capital and related financing activities, capital contributions of capital assets	\$ 903,145	\$ 1,470,758
Capitalized interest	\$ 64,000	\$ -

See notes to financial statements.

Business-Type Activities Enterprise		Governmental Activities
Nonmajor Storm Water	Total	Internal Service
\$ 591,136	\$ 1,100,149	\$ 204,472
66,810	1,407,930	-
(6,901)	(551,758)	55,396
-	10	-
-	49,263	-
-	2,403	(62,400)
150	630,463	(99,756)
-	6,819	-
-	10,060	-
(1,047)	(308,990)	-
-	252,062	-
-	104,866	-
-	(92,559)	-
-	(43,842)	-
<u>\$ 650,148</u>	<u>\$ 2,566,876</u>	<u>\$ 97,712</u>
<u>\$ 4,000,650</u>	<u>\$ 6,374,553</u>	<u>\$ -</u>
<u>\$ 89,000</u>	<u>\$ 153,000</u>	<u>\$ -</u>

## City of Johnston, Iowa

### Notes to Financial Statements

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#### **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 utilities and stormwater.

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 more significant of the City's accounting policies are described below.

**Reporting entity:** For financial reporting purposes, the City of Johnston 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental 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

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#### 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 systems.

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

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#### **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

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**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, 2016 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 1½ percent per month penalty for delinquent payments; are based on January 1, 2014 assessed property valuations; are for the tax accrual period July 1, 2015 through June 30, 2016 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2015.

**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.

City of Johnston, Iowa

Notes to Financial Statements

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**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, 2016, 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

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**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, 2016. 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 three 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 and the change in proportion and differences between the City's contributions and proportionate share of contributions all related to net pension liability.

## City of Johnston, Iowa

### Notes to Financial Statements

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#### 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 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. Net investment in capital assets excludes unspent debt proceeds. Unspent proceeds were \$10,553,682 for the governmental activities and \$241,537 for the water fund. 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 \$4,848,393 for debt service and \$1,147,109 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

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#### Note 2. Cash and Pooled 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's certificates of deposit totaling \$5,500,000 have original maturities of six months or less.

**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 are rated AAAM by S&P.

**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, 2016, 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	\$ 13,844,026
Certificates of deposit	5,500,000
IPAIT - external investment pool	12,764,383
	<u>\$ 32,108,409</u>

**City of Johnston, Iowa**

**Notes to Financial Statements**

**Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2016 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	17,368,638	14,314,429	(6,231,516)	25,451,551
Construction in progress, other	196,898	13,542	-	210,440
Total capital assets not being depreciated	<u>22,398,718</u>	<u>14,327,971</u>	<u>(6,231,516)</u>	<u>30,495,173</u>
Capital assets being depreciated:				
Buildings	21,554,709	-	(9,443)	21,545,266
Improvements, other than buildings	2,589,272	-	(10)	2,589,262
Equipment and vehicles	9,087,683	738,482	(898,923)	8,927,242
Infrastructure, roads	102,058,910	1,378,636	-	103,437,546
Infrastructure, other	663,611	-	-	663,611
Total capital assets being depreciated	<u>135,954,185</u>	<u>2,117,118</u>	<u>(908,376)</u>	<u>137,162,927</u>
Less accumulated depreciation for:				
Buildings	2,992,241	407,607	(9,443)	3,390,405
Improvements, other than buildings	747,897	111,252	(10)	859,139
Equipment and vehicles	5,086,204	525,005	(898,923)	4,712,286
Infrastructure, roads	25,778,095	1,897,089	-	27,675,184
Infrastructure, other	518,796	24,703	-	543,499
Total accumulated depreciation	<u>35,123,233</u>	<u>2,965,656</u>	<u>(908,376)</u>	<u>37,180,513</u>
Total capital assets being depreciated, net	<u>100,830,952</u>	<u>(848,538)</u>	<u>-</u>	<u>99,982,414</u>
Governmental activities capital assets, net	<u>\$ 123,229,670</u>	<u>\$ 13,479,433</u>	<u>\$ (6,231,516)</u>	<u>\$ 130,477,587</u>

**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	4,063,595	7,457,767	(1,489,591)	10,031,771
Total capital assets not being depreciated	<u>4,332,766</u>	<u>7,457,767</u>	<u>(1,489,591)</u>	<u>10,300,942</u>
Capital assets being depreciated:				
Buildings	-	870,176	-	870,176
Equipment and vehicles	918,217	99,141	(271,232)	746,126
Infrastructure, water and sewer	58,621,120	1,471,176	(2,995)	60,089,301
Total capital assets being depreciated	<u>59,539,337</u>	<u>2,440,493</u>	<u>(274,227)</u>	<u>61,705,603</u>
Less accumulated depreciation for:				
Buildings	-	103,693	-	103,693
Equipment and vehicles	543,736	51,551	(271,232)	324,055
Infrastructure, water and sewer	13,707,679	1,252,686	(2,995)	14,957,370
Total accumulated depreciation	<u>14,251,415</u>	<u>1,407,930</u>	<u>(274,227)</u>	<u>15,385,118</u>
Total capital assets being depreciated, net	<u>45,287,922</u>	<u>1,032,563</u>	<u>-</u>	<u>46,320,485</u>
Business-type activities capital assets, net	<u>\$ 49,620,688</u>	<u>\$ 8,490,330</u>	<u>\$ (1,489,591)</u>	<u>\$ 56,621,427</u>

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

	Governmental Activities	Business-Type Activities
Public safety	\$ 477,918	\$ -
Public works	2,037,834	-
Culture and recreation	414,914	-
Community development	11,504	-
General government	23,486	-
Water	-	676,457
Sewer	-	664,663
Storm water	-	66,810
Total depreciation expense	<u>\$ 2,965,656</u>	<u>\$ 1,407,930</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, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 68,682,342	\$ -	\$ (4,885,096)	\$ 63,797,246	\$ 4,659,686
Bond premiums	1,757,720	-	(149,731)	1,607,989	-
Compensated absences	643,239	644,458	(602,113)	685,584	602,113
Net OPEB liability	1,487,000	131,938	(25,000)	1,593,938	-
Net pension liability	1,027,967	639,734	-	1,667,701	-
	<u>73,598,268</u>	<u>1,416,130</u>	<u>(5,661,940)</u>	<u>69,352,458</u>	<u>5,261,799</u>
<b>Business-type activities:</b>					
General obligation bonds	9,927,658	-	(899,904)	9,027,754	925,314
Revenue bonds/notes	5,736,000	-	(409,000)	5,327,000	421,000
Bond premiums	221,253	-	(19,233)	202,020	-
Compensated absences	60,376	65,346	(55,286)	70,436	55,286
Net OPEB liability	-	252,062	-	252,062	-
Net pension liability	434,441	104,866	-	539,307	-
	<u>16,379,728</u>	<u>422,274</u>	<u>(1,383,423)</u>	<u>15,418,579</u>	<u>1,401,600</u>
Total long-term debt	<u>\$ 89,977,996</u>	<u>\$ 1,838,404</u>	<u>\$ (7,045,363)</u>	<u>\$ 84,771,037</u>	<u>\$ 6,663,399</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 \$63,797,246 at June 30, 2016.

Details of general obligation bonds/notes payable at June 30, 2016 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2016
Essential Corporate Purpose 2007B	8/1/2007	4.25-4.75%	6/1/2022	395,000 - 430,000	\$ 4,635,000	\$ 2,320,000
2010A Capital Loan Notes Refunding	3/1/2010	2.00-3.00%	6/1/2017	410,000	2,610,000	410,000
Corporate Purpose 2010B	12/1/2010	1.75-3.50%	6/1/2026	65,000 - 75,000	970,000	690,000
Corporate Purpose 2011B	4/1/2011	1.00-4.20%	6/1/2021	185,000 - 210,000	1,850,000	985,000
2011C General Obligation Bonds	11/1/2011	1.00-3.50%	6/1/2031	395,000 - 575,000	8,570,000	7,020,000
2012A General Obligation Bonds	11/15/2012	0.35-2.40%	6/1/2032	370,000 - 700,000	9,190,000	7,645,000
2013A G.O. Refunding Bonds	7/1/2013	2.50-5.00%	6/1/2028	45,000 - 1,320,580	10,926,000	7,412,246
2013B General Obligation Bonds	11/1/2013	2.0-4.125%	6/1/2033	635,000 - 990,000	14,420,000	12,885,000
2014A G.O. Capital Loan Notes	8/14/2014	2.00-4.00%	6/1/2029	370,000 - 505,000	5,915,000	5,555,000
2015A General Obligation Bonds	4/7/2015	2.00-5.00%	6/1/2034	375,000 - 1,440,000	19,275,000	18,875,000
Total governmental activities						<u>\$ 63,797,246</u>

## City of Johnston, Iowa

### Notes to Financial Statements

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#### 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
2017	\$ 4,659,686	\$ 2,000,810	\$ 6,660,496
2018	4,442,222	1,853,210	6,295,432
2019	4,565,580	1,722,056	6,287,636
2020	4,684,348	1,561,215	6,245,563
2021	4,353,526	1,431,598	5,785,124
2022-2026	17,546,884	5,337,788	22,884,672
2027-2031	16,725,000	2,767,527	19,492,527
2032-2034	6,820,000	407,288	7,227,288
	<u>\$ 63,797,246</u>	<u>\$ 17,081,492</u>	<u>\$ 80,878,738</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 \$2,354,550. For the current year, principal and interest paid and total customer net revenues were \$155,040 and \$1,653,174, 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 \$3,455,000, are outstanding at June 30, 2016. 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 \$3,784,664. For the current year, principal and interest paid and total customer net revenues were \$400,715 and \$1,668,881, respectively. Total customer net revenues are defined for this purpose as operating income adding back depreciation and debt service payments.

The resolutions providing for the issuance of the sewer revenue bonds and the water revenue 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 and sewer 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.

Details of general obligation bonds and revenue bonds/notes payable from Enterprise Funds at June 30, 2016 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2016
General Obligation Bonds/Notes:						
2011A Refunding Bonds	3/1/2011	1.00 - 2.80%	6/1/2020	395,000 - 435,000	\$ 3,240,000	\$ 1,650,000
2013A G.O. Refunding	7/1/2013	2.50 - 5.00%	6/1/2028	60,000 - 140,000	1,214,000	1,012,754
2013B General Obligation	11/1/2013	2.00 - 4.13%	6/1/2028	220,000 - 300,000	3,675,000	2,990,000
2014A G.O. Capital Loan Notes	8/14/2014	2.00 - 4.00%	6/1/2034	80,000 - 130,000	1,885,000	1,805,000
2015A General Obligation	4/7/2015	2.00 - 5.00%	6/1/2030	85,000 - 110,000	1,700,000	1,570,000
						<u>9,027,754</u>
Revenue Bonds/Notes:						
Water Capital Loan Notes	8/5/2009	3.00%	6/1/2031	99,000 - 154,000	2,362,000	1,872,000
2005A Sewer Revenue Bonds	5/17/2005	1.75%	6/1/2025	182,000 - 231,000	3,535,000	1,849,000
2006A Sewer Revenue Bonds	5/1/2006	1.75%	6/1/2026	140,000 - 183,000	2,800,000	1,606,000
						<u>5,327,000</u>
Total business-type activities						<u>\$ 14,354,754</u>



**City of Johnston, Iowa**

**Notes to Financial Statements**

**Note 4. Long-Term Liabilities (Continued)**

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
2017	\$ 925,314	\$ 282,435	\$ 1,207,749	\$ 421,000	\$ 116,623	\$ 537,623
2018	942,778	256,531	1,199,309	433,000	108,016	541,016
2019	964,420	229,774	1,194,194	447,000	99,165	546,165
2020	1,000,652	199,308	1,199,960	461,000	90,030	551,030
2021	496,474	172,608	669,082	475,000	80,600	555,600
2022-2026	2,563,116	625,069	3,188,185	2,365,000	251,150	2,616,150
2027-2031	1,760,000	218,655	1,978,655	725,000	66,630	791,630
2032-2034	375,000	30,400	405,400	-	-	-
	<u>\$ 9,027,754</u>	<u>\$ 2,014,780</u>	<u>\$ 11,042,534</u>	<u>\$ 5,327,000</u>	<u>\$ 812,214</u>	<u>\$ 6,139,214</u>

As of June 30, 2016, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$ 2,222,019,548</u>
Debt limit - 5% of total actual valuation	\$ 111,100,977
Debt applicable to debt limit	
General obligation debt outstanding	<u>72,825,000</u>
Legal debt margin	<u>\$ 38,275,977</u>
Percentage of debt limit	65.55%

**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.

**City of Johnston, Iowa**

**Notes to Financial Statements**

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**Note 5. Joint Venture and Commitments (Continued)**

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, 2016, the City has a future commitment for approximately \$4,941,000 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.

**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, 2016 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.

## City of Johnston, Iowa

### Notes to Financial Statements

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#### Note 7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

	Transfers In	Transfers Out
Governmental:		
General	\$ 243,561	\$ 190,300
Urban Renewal TIF	390,971	1,833,085
Debt Service	2,190,486	-
Capital Projects	1,298,963	1,936,596
Nonmajor	35,300	243,561
Total governmental	<u>4,159,281</u>	<u>4,203,542</u>
Business-Type Activities:		
Water	493,011	334,599
Sewer	882,544	929,354
Storm Water	90,064	157,405
Total business-type	<u>1,465,619</u>	<u>1,421,358</u>
Total	<u>\$ 5,624,900</u>	<u>\$ 5,624,900</u>

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.

#### Note 8. Forgivable Loans

The City has entered into five 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, 2016, the City had loaned \$256,660 under the agreements and forgiven \$5,756 of the loans, leaving a balance of \$250,904. 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.

**Note 9. Pension and Retirement Benefits (Continued)**

**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 2016, 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 \$622,818 for the year ended June 30, 2016.

**Pension liabilities, pension expense, and deferred inflows and outflows of resources related to pensions:** At June 30, 2016, the City reported a liability of \$2,207,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on 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, 2015, the City's proportion was 0.0446719 percent which was an increase of 0.007797 percent from its proportion measured as of June 30, 2014.

**City of Johnston, Iowa**

**Notes to Financial Statements**

**Note 9. Pension and Retirement Benefits (Continued)**

For the year ended June 30, 2016, the City recognized a net credit to pension expense of \$303,530. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,840	\$ (69,870)
Changes of assumptions	70,778	(1,072)
Net difference between projected and actual earnings on pension plan investments	701,793	(1,078,193)
Changes in proportion and differences between City contributions and proportionate share of contributions	18,737	(164)
Total deferred amounts to be recognized in pension expense in future periods	830,148	(1,149,299)
City contributions subsequent to the measurement date	622,818	-
Total deferred amounts related to pensions	<u>\$ 1,452,966</u>	<u>\$ (1,149,299)</u>

\$622,818 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, 2016. 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:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 213,153	\$ (379,449)
2018	213,153	(379,449)
2019	213,153	(379,449)
2020	189,872	(9,959)
2021	817	(993)
	<u>\$ 830,148</u>	<u>\$ (1,149,299)</u>

City of Johnston, Iowa

Notes to Financial Statements

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**Note 9. Pension and Retirement Benefits (Continued)**

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of June 30, 2015, 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, 2015, 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
Domestic equity	24%	6.29%
International equity	16	6.75
Private equity	11	11.32
Real estate	8	3.48
Core plus fixed income	28	2.04
Credit opportunities	5	3.63
TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
	<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)	\$ 5,553,100	\$ 2,207,008	\$ (615,185)

**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](http://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 effective July 1, 2014, 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, 2016, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 378,000
Interest on net OPEB obligation	67,000
Adjustment to annual required contribution	<u>(61,000)</u>
Annual OPEB cost	384,000
Contributions made	<u>25,000</u>
Increase in net OPEB obligation	359,000
Net OPEB obligation, beginning of year	<u>1,487,000</u>
Net OPEB obligation, end of year	<u><u>\$ 1,846,000</u></u>

## City of Johnston, Iowa

### Notes to Financial Statements

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#### 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, 2016.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 220,146	0.00%	\$ 1,148,581
June 30, 2015	360,419	6.10	1,487,000
June 30, 2016	384,000	6.51	1,846,000

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 \$5,888,000, and the ratio of the UAAL to the covered payroll was 43.0 percent. As of June 30, 2016, 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

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#### 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 \$1,600,000 is outstanding at June 30, 2016. 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 City has a 3 year service agreement with Frank Berlin & Associates, expiring June 30, 2016. 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, 2016 was \$1,328,677.

Amounts payable from the Health Deductible Claims Fund as of June 30, 2016, totaled \$80,541 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, 2016, 2015, and 2014. Information on changes in the aggregate liabilities for claims is as follows:

	2016	2015
Claims payable, beginning of year	\$ 175,000	\$ 101,000
Claims recognized	1,142,785	1,255,240
Claims payments and changes in estimates	(1,237,244)	(1,181,240)
Claims payable, end of year	<u>\$ 80,541</u>	<u>\$ 175,000</u>

#### Note 13. Contractual Commitments

The City has entered into construction contracts totaling approximately \$18,981,000 for construction projects. As of June 30, 2016, costs of approximately \$5,020,000 have been incurred on the projects. The balance on the contracts of approximately \$13,961,000 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, 2016, costs of approximately \$1,390,000 have been incurred on the projects. The balance on the contracts of approximately \$1,290,000 will be paid as work on the projects progresses.

**City of Johnston, Iowa**

**Notes to Financial Statements**

**Note 14. 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	\$ 474,855	\$ -	\$ -	\$ -	\$ 24,679	\$ 499,534
Restricted:						
Capital projects	-	-	-	7,644,395	-	7,644,395
Debt service	-	4,698,763	316,364	-	-	5,015,127
Roads	-	-	-	-	1,147,109	1,147,109
Police	-	-	-	-	46,727	46,727
Culture and recreation	-	-	-	-	218,827	218,827
Community development	-	-	-	-	60,285	60,285
Total restricted	-	4,698,763	316,364	7,644,395	1,472,948	14,132,470
Unassigned	5,194,168	-	-	-	-	5,194,168
Total fund balance	\$ 5,669,023	\$ 4,698,763	\$ 316,364	\$ 7,644,395	\$ 1,497,627	\$ 19,826,172

**Note 15. New Governmental Accounting Standards Board (GASB) Statements**

During the year ended, June 30, 2016, the City adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of this Statement did not have a material effect on the City's financial statements; the City's investment in an external investment pool continues to be reported at amortized cost.

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.

**Note 15. New Governmental Accounting Standards Board (GASB) Statements (Continued)**

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by the government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the City beginning with its fiscal year ending June 30, 2017. Statement No. 78 provides guidance to governments that participate in certain private or federally sponsored multiple-employer defined benefit pension plans. This Statement assists these governments by focusing employer accounting and financial reporting requirements for those pension plans on obtainable information. In lieu of the existing requirements under Statement 68, the new guidance establishes separate requirements for employers that participate in these pension plans. This Statement establishes the criteria for identifying the applicable pension plans and addresses: (a) measurement and recognition of pension liabilities, expense, and expenditures; (b) note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and (c) required supplementary information presenting required contribution amounts for the past 10 fiscal years.

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the City beginning with its fiscal year ending June 30, 2017. Statement No. 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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.

## City of Johnston, Iowa

### Notes to Financial Statements

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#### **Note 15. New 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.

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 16. Subsequent Events**

On August 10, 2016 the City issued \$8,510,000 general obligation bonds, Series 2016A 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 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 acquisition, construction, reconstruction, enlargement, improvement and repair of a bridge and approaches thereto in cooperation with Polk County, Iowa; the undertaking of a fiber optic project jointly and in cooperation with the Johnston Independent Community School District; the acquisition, construction, reconstruction, enlargement and equipping of recreation grounds and the acquisition of real estate therefor; and the aiding in the planning, undertaking and carrying out of an urban renewal project under the authority of Chapter 403, including the Terra Lake project and the 63rd Place from Merle Hay to 59th Court project. 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 November 18, 2016, the City issued \$288,000 in sewer revenue capital loan notes, Series 2016 to provide funds to pay the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the Municipal Sewer System, including Green Meadows West Central Channel stabilization, and miscellaneous related work to complete the project.

City of Johnston, Iowa

**Budgetary Comparison Schedule  
 Budget and Actual (Cash Basis) - Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2016**

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
<b>Revenues:</b>			
Property tax	\$ 13,356,049	\$ -	\$ 13,356,049
Tax increment financing	4,314,235	-	4,314,235
Other city tax	756,709	-	756,709
Licenses and permits	864,482	-	864,482
Use of money and property	156,986	-	156,986
Intergovernmental	4,034,669	-	4,034,669
Charges for services	1,114,693	7,620,640	8,735,333
Special assessments	-	-	-
Service connection fees	-	264,815	264,815
Miscellaneous	560,056	173,399	733,455
<b>Total revenues</b>	<b>25,157,879</b>	<b>8,058,854</b>	<b>33,216,733</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	5,509,222	-	5,509,222
Public works	3,214,603	-	3,214,603
Health and social services	31,250	-	31,250
Culture and recreation	2,888,920	-	2,888,920
Community development	3,833,190	-	3,833,190
General government	1,152,682	-	1,152,682
Debt service	7,093,848	-	7,093,848
Capital outlay	14,410,450	-	14,410,450
Business type activities	-	6,958,705	6,958,705
<b>Total expenditures</b>	<b>38,134,165</b>	<b>6,958,705</b>	<b>45,092,870</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(12,976,286)</b>	<b>1,100,149</b>	<b>(11,876,137)</b>
Other financing sources (uses) non-operating items	28,109	6,143,309	6,171,418
<b>Net change in fund balances/net position</b>	<b>(12,948,177)</b>	<b>7,243,458</b>	<b>(5,704,719)</b>
Fund balances/net position, beginning of year	32,774,349	42,672,795	75,447,144
Fund balances/net position, end of year	<b>\$ 19,826,172</b>	<b>\$ 49,916,253</b>	<b>\$ 69,742,425</b>

See note to required supplementary information.

Accrual Adjustments	Total Actual (Budgetary Basis)	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$ 144,595	\$ 13,500,644	\$ 13,310,678	\$ 13,310,678	\$ 189,966
(90,848)	4,223,387	4,216,004	4,260,093	(36,706)
1,879	758,588	721,939	721,939	36,649
(24,712)	839,770	463,200	774,158	65,612
18,786	175,772	73,495	160,027	15,745
(7,910)	4,026,759	4,305,282	5,098,031	(1,071,272)
253,322	8,988,655	8,157,972	8,184,688	803,967
121,295	121,295	-	119,468	1,827
(264,815)	-	-	-	-
307,476	1,040,931	412,990	906,861	134,070
459,068	33,675,801	31,661,560	33,535,943	139,858
(75,608)	5,433,614	5,422,912	5,868,805	435,191
(68,628)	3,145,975	3,255,443	3,440,982	295,007
12	31,262	28,995	38,745	7,483
(1,624)	2,887,296	2,976,037	3,050,510	163,214
(1,693)	3,831,497	3,964,344	3,893,230	61,733
(39,156)	1,113,526	1,226,270	1,236,908	123,382
772,880	7,866,728	7,931,297	7,951,147	84,419
(225,301)	14,185,149	7,874,847	16,442,173	2,257,024
1,468,616	8,427,321	7,841,565	8,979,021	551,700
1,829,498	46,922,368	40,521,710	50,901,521	3,979,153
(1,370,430)	(13,246,567)	(8,860,150)	(17,365,578)	(3,839,295)
(6,078,185)	93,233	6,346,247	91,733	(1,500)
(7,448,615)	(13,153,334)	(2,513,903)	(17,273,845)	(3,840,795)
(32,392,500)	43,054,644	25,034,666	43,047,517	7,127
\$ (39,841,115)	\$ 29,901,310	\$ 22,520,763	\$ 25,773,672	\$ (3,833,668)

**City of Johnston, Iowa**

**Note to Required Supplementary Information  
Budgetary Reporting  
Year Ended June 30, 2016**

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

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

Formal and legal budgetary control is based upon nine 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 \$10,379,811. 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]
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**

	2016	2015
City's proportion of the net pension liability	0.0446719%	0.0368745%
City's proportionate share of the net pension liability	\$ 2,207,008	\$ 1,462,408
City's covered-employee payroll	\$ 6,290,859	\$ 6,042,233
City's proportionate share of the net pension liability as a percentage of its covered payroll	35.08%	24.20%
Plan fiduciary net position as a percentage of the total pension liability	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
<b>2016</b>	<b>\$ 622,818</b>	<b>\$ 622,818</b>	<b>\$ -</b>	<b>\$ 6,673,188</b>	<b>9.33%</b>
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
2007	269,413	269,413	-	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, 2016**

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**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.

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

**City of Johnston, Iowa**

**Notes to Required Supplementary Information  
Pension Liability  
Year Ended June 30, 2016**

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**Note 2. Changes of Assumptions (Continued)**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Johnston, Iowa

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2016

	Special Revenue Funds		
	Road Use Tax	Police	Law Enforcement Block Grant
<b>Assets</b>			
Cash and investments	\$ 1,092,365	\$ 39,538	\$ 2,294
Accounts receivable	-	-	-
Due from other governments	160,799	4,000	-
Prepaid expenditures	24,679	-	-
<b>Total assets</b>	<b>\$ 1,277,843</b>	<b>\$ 43,538</b>	<b>\$ 2,294</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	69,531	\$ -	\$ -
Salaries and benefits payable	36,524	-	-
<b>Total liabilities</b>	<b>106,055</b>	<b>-</b>	<b>-</b>
<b>Fund Balance</b>			
Nonspendable	24,679	-	-
Restricted for:			
Special revenue purposes	1,147,109	43,538	2,294
<b>Total fund balances</b>	<b>1,171,788</b>	<b>43,538</b>	<b>2,294</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,277,843</b>	<b>\$ 43,538</b>	<b>\$ 2,294</b>

(Continued)

Special Revenue Funds

Police Forfeitures	East Park District	Northridge Park District	Northwest Park District	Southwest Park District	Senior Citizens
\$ 895	\$ 4,002	\$ 94,538	\$ 15,515	\$ 47,740	\$ 5,523
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 895</u>	<u>\$ 4,002</u>	<u>\$ 94,538</u>	<u>\$ 15,515</u>	<u>\$ 47,740</u>	<u>\$ 5,523</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,615
-	-	-	-	-	-
-	-	-	-	-	1,615
-	-	-	-	-	-
895	4,002	94,538	15,515	47,740	3,908
<u>895</u>	<u>4,002</u>	<u>94,538</u>	<u>15,515</u>	<u>47,740</u>	<u>3,908</u>
<u>\$ 895</u>	<u>\$ 4,002</u>	<u>\$ 94,538</u>	<u>\$ 15,515</u>	<u>\$ 47,740</u>	<u>\$ 5,523</u>

City of Johnston, Iowa

Nonmajor Governmental Funds  
 Combining Balance Sheet (Continued)  
 June 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Library	Community Improvement	
<b>Assets</b>			
Cash and investments	\$ 46,938	\$ 59,796	\$ 1,409,144
Accounts receivable	6,186	635	6,821
Due from other governments	-	-	164,799
Prepaid expenditures	-	-	24,679
<b>Total assets</b>	<b>\$ 53,124</b>	<b>\$ 60,431</b>	<b>\$ 1,605,443</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 146	\$ 71,292
Salaries and benefits payable	-	-	36,524
<b>Total liabilities</b>	<b>-</b>	<b>146</b>	<b>107,816</b>
<b>Fund Balance</b>			
Nonspendable	-	-	24,679
Restricted for:			
Special revenue purposes	53,124	60,285	1,472,948
<b>Total fund balances</b>	<b>53,124</b>	<b>60,285</b>	<b>1,497,627</b>
<b>Total liabilities and fund balances</b>	<b>\$ 53,124</b>	<b>\$ 60,431</b>	<b>\$ 1,605,443</b>

City of Johnston, Iowa

**Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2016**

	Special Revenue Funds		
	Road Use Tax	Police	Law Enforcement Block Grant
Revenues:			
Licenses and permits	\$ -	\$ -	\$ -
Use of money and property	-	8	-
Intergovernmental	2,118,343	5,069	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>2,118,343</b>	<b>5,077</b>	<b>-</b>
Expenditures:			
Current:			
Public safety	-	16,236	-
Public works	1,667,479	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
<b>Total expenditures</b>	<b>1,667,479</b>	<b>16,236</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>450,864</b>	<b>(11,159)</b>	<b>-</b>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(215,561)	-	-
<b>Total other financing sources (uses)</b>	<b>(215,561)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>235,303</b>	<b>(11,159)</b>	<b>-</b>
Fund balances, beginning of year	936,485	54,697	2,294
Fund balances, end of year	<b>\$ 1,171,788</b>	<b>\$ 43,538</b>	<b>\$ 2,294</b>

(Continued)



Special Revenue Funds

Police Forfeitures	East Park District	Northridge Park District	Northwest Park District	Southwest Park District	Senior Citizens
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1	47	7	25	1
-	-	-	-	-	-
-	-	-	-	-	107
-	1	47	7	25	108
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,223
-	-	-	-	-	-
-	-	-	-	-	4,223
-	1	47	7	25	(4,115)
-	-	-	-	-	5,300
-	-	-	-	-	-
-	-	-	-	-	5,300
-	1	47	7	25	1,185
895	4,001	94,491	15,508	47,715	2,723
\$ 895	\$ 4,002	\$ 94,538	\$ 15,515	\$ 47,740	\$ 3,908

City of Johnston, Iowa

**Nonmajor Governmental Funds  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance (Continued)  
Year Ended June 30, 2016**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Library	Community Improvement	
Revenues:			
Licenses and permits	\$ 24,712	\$ -	\$ 24,712
Use of money and property	8	1,956	2,053
Intergovernmental	-	-	2,123,412
Miscellaneous	-	10,625	10,732
<b>Total revenues</b>	<b>24,720</b>	<b>12,581</b>	<b>2,160,909</b>
Expenditures:			
Current:			
Public safety	-	-	16,236
Public works	-	-	1,667,479
Culture and recreation	-	-	4,223
Community development	-	23,547	23,547
<b>Total expenditures</b>	<b>-</b>	<b>23,547</b>	<b>1,711,485</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>24,720</b>	<b>(10,966)</b>	<b>449,424</b>
Other financing sources (uses):			
Transfers in	-	30,000	35,300
Transfers out	(28,000)	-	(243,561)
<b>Total other financing sources (uses)</b>	<b>(28,000)</b>	<b>30,000</b>	<b>(208,261)</b>
<b>Net change in fund balances</b>	<b>(3,280)</b>	<b>19,034</b>	<b>241,163</b>
Fund balances, beginning of year	56,404	41,251	1,256,464
Fund balances, end of year	<b>\$ 53,124</b>	<b>\$ 60,285</b>	<b>\$ 1,497,627</b>

City of Johnston, Iowa

Governmental Activities - Internal Service Funds  
Combining Schedule of Net Position  
June 30, 2016

	Flexible Spending	Health Deductible Claims	Total Internal Service Funds
<b>Assets</b>			
Cash and investments	\$ 2,434	\$ 711,452	\$ 713,886
Customer accounts and unbilled usage	12,949	-	12,949
Prepaid expenses	-	62,400	62,400
<b>Total assets</b>	<b>15,383</b>	<b>773,852</b>	<b>789,235</b>
<b>Liabilities</b>			
Claims payable	-	80,541	80,541
<b>Net position</b>			
Unrestricted	\$ 15,383	\$ 693,311	\$ 708,694

City of Johnston, Iowa

**Governmental Activities - Internal Service Funds**  
**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2016**

	Flexible Spending	Health Deductible Claims	Total Internal Service Funds
Operating revenues, charges for services	\$ 100,758	\$ 1,328,677	\$ 1,429,435
Operating expenses:			
Health insurance claims and expenses	-	1,142,785	1,142,785
Cost of sales and services	82,178	-	82,178
<b>Total operating expenses</b>	<b>82,178</b>	<b>1,142,785</b>	<b>1,224,963</b>
<b>Operating income</b>	<b>18,580</b>	<b>185,892</b>	<b>204,472</b>
Nonoperating income, investment earnings	-	159	159
<b>Changes in net position</b>	<b>18,580</b>	<b>186,051</b>	<b>204,631</b>
Total net position (deficit), beginning	(3,197)	507,260	504,063
Total net position, ending	<b>\$ 15,383</b>	<b>\$ 693,311</b>	<b>\$ 708,694</b>

City of Johnston, Iowa

Governmental Activities - Internal Service Funds  
 Combining Schedule of Cash Flows  
 Year Ended June 30, 2016

	Flexible Spending	Health Deductible Claims	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from employees	\$ 87,809	\$ -	\$ 87,809
Cash received from City funds	-	1,397,022	1,397,022
Cash (paid to) suppliers	(87,475)	(1,299,644)	(1,387,119)
<b>Net cash provided by operating activities</b>	<b>334</b>	<b>97,378</b>	<b>97,712</b>
Cash flows from investing activities, interest on investments			
	-	159	159
<b>Net increase in cash and cash equivalents</b>	<b>334</b>	<b>97,537</b>	<b>97,871</b>
Cash and cash equivalents:			
Beginning	2,100	613,915	616,015
Ending	<u>\$ 2,434</u>	<u>\$ 711,452</u>	<u>\$ 713,886</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 18,580	\$ 185,892	\$ 204,472
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in accounts receivable	(12,949)	68,345	55,396
(Increase) in prepaid expenses	-	(62,400)	(62,400)
(Decrease) in claims payable	(5,297)	(94,459)	(99,756)
<b>Net cash provided by operating activities</b>	<b>\$ 334</b>	<b>\$ 97,378</b>	<b>\$ 97,712</b>

**City of Johnston, Iowa**

**Insurance Coverage Information  
Year Ended June 30, 2016**

Insurer	Description	Expiration Date	Amount
The following insurance policies were in force at June 30, 2016:			
EMC Insurance	Automobile Cov. Liability	April 1, 2016	\$1,000,000
	Uninsured Motorists	April 1, 2016	\$1,000,000
	Underinsured Motorists	April 1, 2016	\$1,000,000
	Comprehensive/Collision	April 1, 2016	Lesser of cash value or cost of repair
	Auto Medical Payments	April 1, 2016	\$5,000
EMC Insurance	Blanket Building and personal Prop.	April 1, 2016	\$40,920,452
EMC Insurance	General Liability Coverage General Aggregate	April 1, 2016	\$2,000,000
	Products Aggregate	April 1, 2016	\$2,000,000
	Personal/advertising Injury Each Occurrence	April 1, 2016	\$1,000,000
	Damage to rented property	April 1, 2016	\$100,000
	Medical Expense	April 1, 2016	\$5,000
EMC Insurance	Commercial Crime employee theft-per empl. forgery or alteration inside the premises outside the premises computer fraud funds transfers fraud telephone toll fraud	April 1, 2016 April 1, 2016 April 1, 2016 April 1, 2016 April 1, 2016 April 1, 2016 April 1, 2016	\$600,000 \$10,000 \$15,000 \$15,000 \$600,000 \$600,000 \$25,000
EMC Insurance	Inland Marine contractors equipment rented contracted equip. misc. property data processing -equip.	April 1, 2016 April 1, 2016 April 1, 2016 April 1, 2016	\$1,594,136 \$75,000 \$838,484 \$100,000
EMC Insurance	Commercial Umbrella each occurrence general aggregate retained limit	April 1, 2016 April 1, 2016 April 1, 2016	\$10,000,000 \$10,000,000 \$10,000
EMC Insurance	Workers' compensation bodily injury by accident bodily injury by disease-ea. employee bodily injury by disease-policy limit	April 1, 2016 April 1, 2016 April 1, 2016 April 1, 2016	\$500,000 \$500,000 \$500,000
EMC Insurance	Linebacker each loss aggregate	April 1, 2016 April 1, 2016	\$1,000,000 \$2,000,000
EMC Insurance	Law enforcement Liability each occurrence aggregate	April 1, 2016 April 1, 2016	\$1,000,000 \$2,000,000
EMC Insurance	Data Compromise response expenses coverage defense & liability coverage identity recovery	April 1, 2016 April 1, 2016 April 1, 2016	\$100,000 \$100,000 \$25,000

**City of Johnston, Iowa**

**Insurance Coverage Information  
Year Ended June 30, 2016**

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Statistical information:

<u>Description</u>	<u>Number</u>
Sewer customer served at June 30, 2016	5,960

Sewer rates in effect at June 30, 2016: 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		
	2016	2015	2014
<b>Revenues:</b>			
Property tax	\$ 13,356,049	\$ 12,743,148	\$ 12,161,590
Tax increment financing	4,314,235	3,733,446	3,233,081
Other city tax	756,709	729,788	702,233
Licenses and permits	864,482	763,135	575,452
Use of money and property	156,986	152,812	142,440
Intergovernmental	4,034,669	2,822,534	2,065,873
Charges for services	1,114,693	1,080,730	1,017,863
Special assessments	-	15,604	17,605
Miscellaneous	560,056	214,105	300,172
<b>Total revenue</b>	<b>\$ 25,157,879</b>	<b>\$ 22,255,302</b>	<b>\$ 20,216,309</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	\$ 1,152,682	\$ 1,996,381	\$ 4,196,715
Public safety	5,509,222	5,135,905	2,127,877
Public works	3,214,603	3,435,326	44,696
Health and social services	31,250	50,666	2,591,665
Culture and recreation	2,888,920	2,794,750	2,276,860
Community development	3,833,190	3,076,177	1,053,516
Capital outlay	7,093,848	6,763,100	6,384,644
Debt service	14,410,450	14,570,080	12,648,042
<b>Total expenditures</b>	<b>\$ 38,134,165</b>	<b>\$ 37,822,385</b>	<b>\$ 31,324,015</b>



Modified Accrual Basis

	2013	2012	2011	2010	2009	2008	2007
\$	11,575,575	\$ 11,354,506	\$ 10,957,998	\$ 10,610,000	\$ 9,725,905	\$ 9,083,339	\$ 8,591,627
	3,353,369	2,990,804	2,172,053	1,304,410	1,197,459	1,518,773	1,438,376
	695,594	666,448	620,145	592,898	594,415	649,888	699,042
	528,237	657,882	515,654	447,964	413,170	294,597	466,175
	67,411	72,379	63,497	80,337	394,557	785,453	793,137
	4,761,183	5,609,488	2,985,907	2,177,777	2,966,754	5,868,814	5,012,329
	992,483	893,424	791,741	676,150	570,103	566,477	441,883
	60,728	58,660	68,538	129,393	108,432	116,240	186,944
	142,642	97,346	94,116	85,783	242,387	1,164,184	355,279
<b>\$</b>	<b>22,177,222</b>	<b>\$ 22,400,937</b>	<b>\$ 18,269,649</b>	<b>\$ 16,104,712</b>	<b>\$ 16,213,182</b>	<b>\$ 20,047,765</b>	<b>\$ 17,984,792</b>
\$	4,322,630	\$ 3,693,374	\$ 3,418,619	\$ 3,374,672	\$ 3,798,404	\$ 2,820,967	\$ 2,379,630
	2,694,496	2,322,232	2,267,730	2,438,165	2,638,527	2,676,064	1,818,351
	16,900	46,082	16,200	34,823	20,477	31,557	22,118
	2,582,193	2,493,234	2,156,207	2,134,363	1,931,317	2,037,087	1,914,551
	1,020,844	925,677	973,066	1,001,176	944,270	826,826	835,133
	1,059,976	979,034	1,158,530	1,081,694	1,186,366	1,203,453	1,290,093
	7,277,133	6,876,039	5,893,194	5,558,127	5,611,736	5,283,287	4,898,444
	10,531,939	7,324,286	5,353,185	2,097,238	2,390,891	8,162,135	8,397,962
<b>\$</b>	<b>29,506,111</b>	<b>\$ 24,659,958</b>	<b>\$ 21,236,731</b>	<b>\$ 17,720,258</b>	<b>\$ 18,521,988</b>	<b>\$ 23,041,376</b>	<b>\$ 21,556,282</b>

