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**FINANCE & RECORDS**

To: Mayor and City Council Members

From: Nancy A. Lueck, Finance Director

Date: December 4, 2017

Re: Comprehensive Annual Financial Report and Audit for the Year Ended June 30, 2017

**Introduction and Background:**

The comprehensive annual financial report and audit for the City of Muscatine for the year ended June 30, 2017 was completed in early November, 2017. The City's Audit Committee met with Sarah Bohnsack of Bohnsack & Frommelt LLP, the City's auditing firm, on November 29<sup>th</sup>. At this meeting Ms. Bohnsack reviewed the City's Comprehensive Annual Financial Report (CAFR), the management letter, and summary report.

The electronic version of the CAFR is attached to this memo. A hard copy of the CAFR, the management letter, and the summary report will be distributed at the December 7 meeting.

**Recommendation:**

As this report needs to be accepted by the City Council, it is requested that this item be included on the agenda for the December 7, 2017 Council meeting. After approval, this report will be posted on the City's website and submitted to the various federal grant agencies, the State Auditor's Office, the City's financial advisor, Moody's Investor Services, the Government Finance Officers Association Certificate Program and various other interested individuals or entities. Please contact me if there are any questions.

# *City of Muscatine, Iowa*



## *Comprehensive Annual Financial Report*

*For the Year Ended June 30, 2017*

**CITY OF MUSCATINE, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SUBMITTED BY:**

**FINANCE DEPARTMENT**  
**CITY OF MUSCATINE, IOWA**

**Nancy A. Lueck**  
**Finance Director**

**LeAnna McCullough**  
**Accounting Supervisor**

**COVER:**

**Muscatine Mississippi Riverfront View  
from the Millennial Plaza**

**CITY OF MUSCATINE, IOWA**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2017**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Table of Contents.....	1
Letter of Transmittal .....	4
GFOA Certificate of Achievement.....	10
City Organizational Chart.....	11
List of Principal Officials .....	12

**FINANCIAL SECTION**

Independent Auditor's Report .....	13
Management's Discussion and Analysis .....	16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	31
Statement of Activities .....	32
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	33
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	34
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	35
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	36
Statement of Net Position – Proprietary Funds .....	37
Reconciliation of Enterprise Funds Net Position to the Net Position of Business-Type Activities .....	38
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	39
Reconciliation of the Changes in Net Position of Enterprise Funds to the Statement of Activities .....	40
Statement of Cash Flows – Proprietary Funds .....	41
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	42
Notes to the Financial Statements .....	43
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Budgeted Governmental and Proprietary Funds .....	85
Budget to GAAP Reconciliation .....	86
Other Postemployment Benefit Plan – Schedule of Funding Progress .....	87

Schedule of the City's Proportionate Share of the Net Pension Liability – Iowa Public Employees' Retirement System .....	88
Schedule of City Contributions – Iowa Public Employees' Retirement System .....	89
Schedule of the City's Proportionate Share of the Net Pension Liability – Municipal Fire and Police Retirement System.....	91
Schedule of City Contributions – Municipal Fire and Police Retirement System .....	92
Muscatine Power & Water - Single Employer Defined Benefit Pension Plan – Schedule of Changes in Net Pension Liability.....	94
Muscatine Power & Water – Single Employer Defined Benefit Pension Plan – Methods and Assumptions used to Determine Contribution Rates.....	95
Notes to Required Supplementary Information .....	96
Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Non-Major Governmental Funds.....	99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds .....	100
Combining Balance Sheet – Non-Major Special Revenue Funds.....	101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds.....	103
Combining Balance Sheet – Non-Major Capital Projects Funds .....	105
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Capital Projects Funds.....	106
Combining Balance Sheet – Non-Major Permanent Funds .....	107
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Permanent Funds .....	108
Combining Statement of Net Position – Non-Major Enterprise Funds.....	109
Combining Statement of Revenues, Expenses and Changes in Net Position – Non-Major Enterprise Funds.....	111
Combining Statement of Cash Flows – Non-Major Enterprise Funds.....	113
Combining Statement of Net Position – Internal Service Funds.....	115
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds .....	116
Combining Statement of Cash Flows – Internal Service Funds.....	117
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	118
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	119
Statement of Net Position – Muscatine County Solid Waste Agency Component Unit .....	120
Statement of Revenues, Expenses and Changes in Net Position – Muscatine County Solid Waste Agency Component Unit.....	121
Statement of Cash Flows – Muscatine County Solid Waste Agency Component Unit .....	122

## STATISTICAL SECTION (Unaudited)

Statistical Section Table of Contents .....	123
Net Position by Component.....Schedule	1 124
Changes in Net Position.....Schedule	2 125
Fund Balances of Governmental Funds.....Schedule	3 128
Changes in Fund Balances of Governmental Funds.....Schedule	4 129
Tax Revenues by Source Governmental Funds.....Schedule	5 130
Taxable Value and Estimated Actual Value of Property.....Schedule	6 131

Property Tax Rates – Direct and Overlapping Governments .....	Schedule 7	132
Principal Property Tax Payers .....	Schedule 8	133
Property Tax Levies and Collections.....	Schedule 9	134
Ratios of Outstanding Debt by Type .....	Schedule 10	135
Ratios of General Bonded Debt Outstanding .....	Schedule 11	136
Direct and Overlapping Governmental Activities Debt.....	Schedule 12	137
Legal Debt Margin Information.....	Schedule 13	138
Demographic and Economic Statistics .....	Schedule 14	139
Principal Employers.....	Schedule 15	140
Full-Time Equivalent City Government Employees by Function .....	Schedule 16	141
Operating Indicators by Function/Department .....	Schedule 17	142
Capital Asset Statistics by Function/Department .....	Schedule 18	143

## COMPLIANCE SECTION

Information Provided to Comply with *Government Auditing Standards* and Uniform Guidance:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	144
Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance.....	146
Schedule of Expenditures of Federal Awards .....	148
Notes to the Schedule of Expenditures of Federal Awards .....	150
Summary Schedule of Prior Audit Findings.....	151
Schedule of Findings and Questioned Costs .....	152
Corrective Action Plan .....	155



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## FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 13, 2017

Iowa law requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Muscatine for the fiscal year ended June 30, 2017.

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

Bohnsack & Frommelt LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Muscatine’s financial statements for the year ended June 30, 2017. The independent auditor’s report is located at the front of the financial section of this report.

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

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the compliance section of this report.

### Profile of the Government

The City of Muscatine was incorporated in 1851 by a special act of the Iowa State Legislature and is located on the Mississippi River, which is the eastern boundary of the state of Iowa. The City is located 160 miles east of Des Moines, 200 miles west of Chicago, and is the county seat of Muscatine County. The City occupies a land area of approximately 18.5 square miles and serves a population of 23,819 people. Two voluntary annexations in 2012 and 2013 increased the City’s population by 933 from the 2010 Census population of 22,886 to the current level. The City is empowered to levy a tax on all property located within its boundaries.

**"I remember Muscatine for its sunsets. I have never seen any  
on either side of the ocean that equaled them" — Mark Twain**



The City operates under the mayor-council form of government and has a City Administrator. Policy-making and legislative authority are vested in a mayor and seven council members. The city council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing board, commission, and committee members, and hiring both the City Administrator and the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms and the mayor is elected to serve a two-year term. Five of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides a full range of services including police and fire protection; roadway maintenance; water pollution control; solid waste management; recreational and cultural activities and facilities; and a general aviation airport.

The City Council is required to hold a public hearing on and adopt a budget for each fiscal year no later than March 15<sup>th</sup> of the preceding year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function, fund, and department. The legal level of control is at the function level. The budget may be amended by resolution of City Council following a required public hearing.

The City's government-wide financial statements for 2016/2017 include two discretely presented component units. These component units are those entities for which the City is considered to be financially accountable. These entities are the Muscatine County Solid Waste Management Agency (Agency) and Muscatine Power and Water (MP&W). The Agency is comprised of eight governmental entities in Muscatine County and based on the City of Muscatine population, the City accounts for 56% of the board's voting authority. The City Council also approves the Agency's budget, sets its rates and approves any debt issuance. MP&W is a municipal utility which provides water, electric, and communications services within the City of Muscatine and in other areas within Muscatine County. MP&W's governing board is appointed by the City Council. MP&W provides a financial benefit by providing electricity for City buildings and all street and traffic lighting free of charge to the City. These entities are reported in separate columns in the government-wide statements to emphasize that they are legally separate from the City.

## **Local Economy**

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include H.J. Heinz LP, food processing; Bridgestone-Bandag, makers of pre-cured tire tread rubber; Monsanto Company, herbicides and plastics; Raymond-Muscatine, front-end loaders, etc.; Grain Processing Corporation/Kent Feeds, corn distillates and feed; Stanley Consultants Inc., consulting engineers and architects; and Musco Sports Lighting LLC, sports lighting systems. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten calendar years ranged from 3.5% to 8.1% with the rate for 2016 at 3.9%. Prior to 2009, 2010, and 2011 when the rates were 8.1%, 7.6%, and 6.4%, respectively, the highest previous rate was 4.6% in 2008. The higher rates beginning in 2009 are attributed to the local effect from the national economy.

Muscatine Power and Water, the City of Muscatine's municipal light, water, and communications utility, operates the largest municipal power plant in the State of Iowa. This plant provides for abundant supplies of low cost electricity. The City's Water Pollution Control Plant has undergone renovation over the years and currently has the capacity to triple the volume of wastewater it treats with only marginal increases in

operating expenses. The City operates a general aviation airport and has excellent railroad service provided by the Canadian Pacific Railroad.

All of these elements provide an excellent atmosphere for continued economic stability and growth.

### **Long-term Financial Planning**

On May 10, 1994, the citizens of Muscatine first voted to implement a 1% local option sales tax for the purpose of funding storm and sanitary sewer renovation and extension projects. The tax was imposed effective July 1, 1994, for a five-year period. Voters approved continuation of the local option sales tax for two subsequent 5-year periods through June 30, 2009. This tax was used primarily for storm and sanitary sewer projects with the exception of 10% that was allocated to the Pearl of the Mississippi project from May 1, 2003 through June 30, 2009. The 1% local option sales tax generated over \$2.9 million in the most recent year.

In 2008 the City held an election for the continuation of this tax and it again received strong support by voters. The ballot question approved extended this tax for an additional ten years (through June 30, 2019) with up to 20% of the proceeds to be used for the City's Pavement Management Program with the remaining 80% to be used for storm and sanitary sewer improvement projects. Future sewer projects have been identified including those required by an Order for Compliance on Consent issued by the United States Environmental Protection Agency (E.P.A.). Provisions of the Order require the City to complete separation of the combined sewers in the Hershey Avenue area by December 31, 2011, and separation of the remaining combined portions of the sewer system including the West Hill area by December 31, 2028. The Hershey Avenue Sewer Separation project was completed in 2011/2012. The first phase of the West Hill Sewer Separation project was completed in the fall of 2013 and the second phase was completed in the fall of 2014. Work is scheduled to be completed by the end of calendar year 2017 on the third phase of this project. The phase 3 contract provides that this work be done over three calendar years (2015, 2016, and 2017). This timing corresponds to the timing of the local option sales tax receipts which will fund this project. When phase 3 is completed the overall West Hill Sewer Separation project will be approximately 35% complete. Planning is currently underway to hold an election in 2018 to extend the local option tax for 15 years after its expiration on June 30, 2019.

The City began a comprehensive Pavement Management Program in 2007. Allocations totaling over \$5 million funded the initial upgrade of streets throughout the City. These improvements were substantially completed by June 30, 2010. The initial costs of this program were funded with general obligation bond proceeds. Annual allocations to maintain all streets at this higher level began in 2010/2011 with funding from the 20% allocation of local option sales tax and road use tax funds. The 20% allocation of local option taxes was \$586,790 in 2016/2017. In addition to street improvements funded from local option sales taxes and road use taxes, construction was completed in 2015/2016 on major improvements to both Cedar Street and Colorado Street. Those projects were funded from federal grants, general obligation bond proceeds, road use taxes, and local option sales taxes. Reconstruction of Mulberry Avenue from Houser Street to the Highway 61 Bypass began in the spring of 2016 and was substantially completed by the end of the current fiscal year. This project was funded with a federal grant and general obligation bonds.

Engineering design began in July of 2015 on the first phase of the reconstruction of the Mississippi Drive/Grandview Avenue corridor from the Mississippi River bridge to the intersection of Grandview Avenue and the Highway 61 Bypass. This corridor is a portion of the Highway 61 business route which runs through the downtown area of the City. In 2016/2017 engineering design was completed and construction began on phase one of the project from the Mississippi River bridge to Broadway, excluding the intersection at Mulberry Avenue which will be completed in a future phase of the project. This project is being funded with a portion of the \$13 million in Transfer of Jurisdiction funds the City received from

the State in August of 2014 as well as a \$4 million contribution from the Canadian Pacific Railroad. The next phases of the project will include the Mulberry Avenue intersection, the Carver Corner intersection, and Grandview Avenue. .

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. The most significant project completed in 2016/2017 was the reconstruction of the main runway. The total project cost was nearly \$4.2 million. The Federal Aviation Administration funded 90% of project costs with the local share funded from the May 2016 bond issue. An update to the Airport Layout Plan is currently in progress. This plan will identify future year improvements for the airport.

In recent years the City has made operational changes to address funding limitations to the General Fund. A key issue in the development of the 2010/2011 budget was the consideration of and ultimate adoption of a Utility Franchise Fee on Alliant Energy, the provider of natural gas to the community. The ordinance change adopting this fee provides that the fee may be up to 5% on natural gas sales by Alliant in the community. The initial rate was set at 2% which was effective July 1, 2010. Implementation of this fee allowed for a reduction in the City's property tax rate for 2010/2011 and future years. The establishment of this fee also allowed the City to diversify funding sources used for the provision of General Fund services. With this franchise fee in place for up to 5% of gas sales, this will allow flexibility in future years for the City Council to modify this rate if needed to continue to provide expected levels of City services to residents. This rate can be modified by giving a 90-day notice to Alliant Energy. For the 2012/2013 fiscal year City Council chose to reduce the Utility Franchise Fee rate to 1% which generated \$103,931 in 2012/2013, \$113,660 in 2013/2014, \$96,810 in 2014/2015, \$81,308 in 2015/2016, and \$81,399 in 2016/2017. The rate reduction was possible since there has been increased revenues in other areas of the General Fund budget. The 1% Utility Franchise Fee was continued in the 2017/2018 budget.

### **Relevant Financial Policies**

In November of 2013 the City's minimum General Fund balance policy was updated from the previous 10% of General Fund expenditures level to two months of General Fund expenditures, which is equivalent to 16.7%. The updated policy also addresses conditions for use of reserves, authority over reserves, and replenishment of reserves. The City Council has made efforts in recent years to incrementally increase the General Fund balance and the updated policy reflects the City Council's formal commitment to this goal.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2010/2011. This Statement provided for the following classifications of governmental fund balances: nonspendable, restricted, committed, assigned, and unassigned. The unassigned General Fund balance at June 30, 2011 was \$2,141,534 which was 14.3% of General Fund expenditures. The unassigned General Fund balance increased to \$3,319,319 at June 30, 2012 which was 21.2% of General Fund expenditures. The unassigned General Fund balance decreased to \$3,073,412 (18.8% of General Fund expenditures) on June 30, 2013. This was a decrease of \$245,907 compared to the prior year unassigned balance and was a budgeted decrease in fund balance. For 2012/2013 City Council chose to use a portion of the increased General Fund balance for one-time capital purchases including \$496,438 for a new fire engine and \$160,000 for new financial software. The availability of General Fund resources for these purchases is in part attributed to several categories of new revenues including automatic traffic enforcement fines (implemented in the spring of 2011) and fire inspection and permit fees (effective in April, 2011). The unassigned General Fund balance on June 30, 2014 increased by \$315,465 to \$3,388,877 (19.9% of General Fund expenditures); on June 30, 2015 it increased by \$595,761 to \$3,984,638 (23.6% of expenditures); and at the end of 2015/2016 the unassigned balance further increased by \$50,895 to \$4,035,533 (23.8% of expenditures). The unassigned General fund balance on June 30, 2017 increased by \$292,881 to \$4,328,414 which was 23.3% of General Fund expenditures. The recent General Fund ending balances have all exceeded the 16.7% minimum fund balance requirement in the updated policy.

In 2013 the State Legislature adopted Senate File 295 for Property Tax Reform. This legislation implemented a 10% rollback at 5% per year over two years (2014/2015 and 2015/2016) on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation also included some backfill funding for local governments. There is, however, some uncertainty as to whether the State legislature will continue the backfill funding to local governments in future years.

The Property Tax Reform legislation also created a new “multi-residential” property class which will be rolled back from the 90% commercial rollback level to the residential level of approximately 60%. This rollback is being implemented over eight years beginning in fiscal year 2016/2017 and continuing through 2023/2024. There is no provision in this legislation for any backfill funding to local governments. The multi-residential rollback decreased by 3.75% from 90% to 86.25% for 2016/2017 and will continue to be rolled back by an additional 3.75% each year through 2023/2024. This change in rollback will result in an approximately \$1.5 million decrease in taxable property valuations in each of the upcoming years. For 2016/2017 and 2017/2018 increases in residential, commercial, and industrial property valuations more than offset the multi-residential property valuation decreases, and there was an overall 5.4% increase in taxable property valuations in 2016/2017 and 2.9% increase in 2017/2018.

As noted in the previous section, beginning in 2010/2011 the City implemented a 2% utility franchise fee on the provider of natural gas services in the community. This fee was decreased to 1% for 2012/2013 and the 1% rate was maintained for 2013/2014, 2014/2015, 2015/2016, 2016/2017, and 2017/2018. The availability of this revenue source will assist in continuing to fund the City’s core General Fund services to the community. This fee is budgeted to generate \$85,000 in the upcoming 2017/2018 fiscal year. As noted above, this fee may be increased up to 5% by City Council action with a 90-day notice to the utility.

The City continues to claim less than the full amount of incremental taxes available from the Downtown and Southend Tax Increment Financing (TIF) areas. As growth in valuations in these areas has exceeded original projections, balances have been accumulating in these funds in advance of the debt schedules in effect. Not claiming the full amount allows a portion of the increased values in each area to go back onto regular taxable valuations of all taxing entities affected. Approximately \$485,000 of incremental taxes were not claimed by the City for 2016/2017 and this amount is estimated at \$528,000 for 2017/2018. This results in increased regular taxable values and increased taxes generated by the \$8.10 General Fund levy.

## **Major Initiatives**

The City continues to strive to make significant capital improvements to the City’s infrastructure and facilities. Major budget initiatives for 2017/2018 include (1) continuing construction of phase one of the Mississippi Drive Corridor reconstruction project; (2) completing the engineering design for the Mulberry Avenue and Carver Corner intersections for the Mississippi Drive project, (3) completing the engineering design for the Grandview Avenue portion of the corridor project, (4) completing the Railroad Quiet Zone project, (5) starting construction on phase four of the multi-year, multi-phase West Hill Sewer Separation project; (6) constructing the Water Pollution Control Plant high strength waste receiving station; and (7) continuing the annual pavement management and new sidewalk construction projects.

Construction of the Merrill Hotel & Conference Center, a four-star boutique hotel and meeting space venue, is nearing completion in downtown Muscatine. This \$42 million project was possible due to a successful application to the Iowa Economic Development Authority for Iowa Reinvestment District funding. The City of Muscatine also entered into an agreement with the hotel developer to provide economic development assistance in the form of incremental tax rebates. The new hotel is expected to open early in calendar year 2018.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muscatine for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2017/2018. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The award for the 2017/2018 budget was the 33rd consecutive year that the City of Muscatine has received the GFOA's Award for Distinguished Budget Presentation. The GFOA's Distinguished Budget Presentation Award is good for a period of one year. The City of Muscatine plans to submit its budget document for the 2018/2019 fiscal year to the GFOA to again be considered for this award.

In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, we would like to express our appreciation to all members of this department for their assistance and contributions for this endeavor. Also appreciated is the continued interest and support by the members of the City Council and City departments in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Lastly, we would extend our appreciation to Bohnsack & Frommelt LLP, Certified Public Accountants, for their assistance and suggestions in regard to the preparation of the Comprehensive Annual Financial Report.

Respectfully submitted,

/s/ Gregg Mandsager  
City Administrator

/s/ Nancy A. Lueck  
Finance Director





Government Finance Officers Association

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

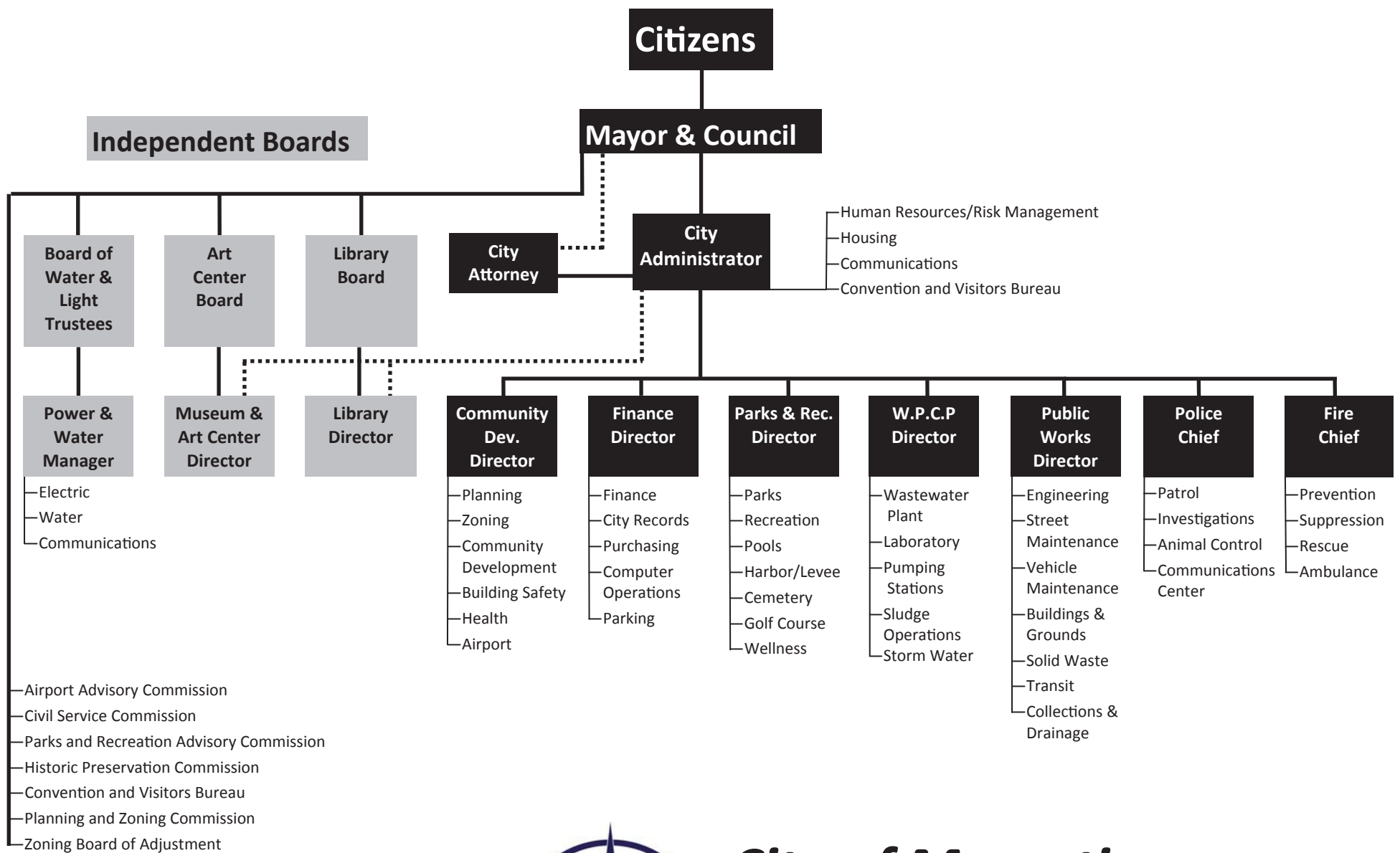
Presented to

**City of Muscatine  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



# ***City of Muscatine*** ***Organizational Structure***

**CITY OF MUSCATINE, IOWA**

**List of Principal Officials  
June 30, 2017**

Diana Broderson, Mayor

**CITY COUNCIL**

Scott Natvig  
At Large

Santos Saucedo  
At Large

Philip Fitzgerald  
First Ward

Michael Rehwaldt  
Second Ward

Tom Spread  
Third Ward

Bob Bynum  
Fourth Ward

Allen Harvey  
Fifth Ward

**COUNCIL APPOINTED OFFICIALS**

City Administrator  
City Attorney

Gregg Mandsager  
Matt Brick

**DEPARTMENT DIRECTORS**

Art Center Director  
Finance Director  
Fire Chief  
Library Director  
Parks & Recreation Director  
Community Development Director  
Police Chief  
Public Works Director  
Water Pollution Control Director

Melanie Alexander  
Nancy A. Lueck  
Jerry Ewers  
Pam Collins  
Richard Klimes  
David Gobin  
Brett Talkington  
Brian Stineman  
Jon Koch





### **Independent Auditor's Report**

To the Honorable Mayor  
and Members of City Council  
City of Muscatine, Iowa  
Muscatine, 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 discretely presented component units and remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscatine Power & Water, which represent 90 percent, 93 percent, and 87 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units and remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power & Water, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress, schedules of the City's proportionate share of the net pension liabilities for pension retirement systems, and schedules of the City's contributions for pension retirement systems on pages 16-30 and 85-96, 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 and other auditors 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 and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other information, including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Bohnsack & Frommelt LLP*

Moline, Illinois  
November 13, 2017

## Management's Discussion and Analysis

As management of the City of Muscatine, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. This narrative is intended to supplement the letter of transmittal and the financial statements and should provide the reader with contextual information that will advance our goal of full disclosure.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Muscatine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$155,199,826 (net position). Of this amount, \$14,811,401 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,990,175 during the year. This overall increase includes a \$6,443,602 increase in the governmental activities and a \$2,546,573 increase in the business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,684,081, a decrease of \$323,767 in comparison with the prior year. There were decreases of \$56,009 in the Employee Benefits fund, \$247,567 in the Local Option Sales Tax fund, \$22,843 in the Road Use Tax fund, \$191,772 in the Other Street Improvements fund, and \$74,896 in Other Governmental funds. These decreases were partially offset by increases of \$138,099 in the General fund and \$131,221 in the Debt Service fund. Of the ending balance, approximately 5% (\$1,072,797) was nonspendable, 21% (\$5,034,619) was restricted, 56% (\$13,306,069) was assigned, and 18% (\$4,270,596) was unassigned. Restricted, committed, assigned, and unassigned funds are available for spending within the statutory guidelines pertaining to each fund at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the general fund was \$4,328,414, which was 23.3% of total general fund expenditures.
- The City's total debt decreased by \$3,116,366 (10.7%) during the current fiscal year. During the year no new general obligation debt was issued and \$2,290,000 in general obligation debt was retired. No new tax increment revenue bonds were issued and \$125,000 was retired. Sewer revenue loans outstanding decreased by \$636,000 during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four categories 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 government'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., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works, Health and Social Service, Culture and Recreation, Community and Economic Development, General Government, and Interest and Fees on Long-term Debt. The business-type activities of the City include Water Pollution Control, Transfer Station, Refuse Collection, Airport, Parking, Transit, Golf Course, Boat Harbor, Marina, Convention and Visitors Bureau, Ambulance, and Public Housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities, Muscatine Power and Water and the Muscatine County Solid Waste Agency, for which the City of Muscatine is considered to be financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Muscatine Power and Water issues separate financial statements. The Solid Waste Agency does not issue separate financial statements.

The government-wide financial statements can be found on pages 31-32 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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. This information is useful in evaluating the City's near-term financing requirements and is typically the basis that is used for developing the next annual budget.

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. 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.

The City has six major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, the Road Use Tax Fund, the Debt Service Fund, and the Other Street Improvements Fund. 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 these major funds. Data from all other non-major governmental funds are combined into a single aggregated presentation and are referenced under a single column as Other Governmental Funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 33-36 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. While both types of proprietary funds are run in a business-like manner, enterprise funds are included in business-type activities since they serve the entire community, while internal service funds are included in *governmental activities* since they predominantly benefit the City's governmental functions.

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has twelve (12) enterprise funds. Four of the enterprise funds, the Water Pollution Control Fund, Transfer Station Fund, Refuse Collection Fund, and Airport Fund are considered major funds and are reported individually throughout the report. The other eight (8) non-major enterprise funds are grouped together for reporting purposes and listed under a single heading, Other Enterprise Funds. Detail information for each of the eight (8) non-major enterprise funds is provided in combining statements elsewhere in this report.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among the City's various functions. The City has four internal service funds: Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Individual fund data for the Internal Service Funds is provided in the form of combining statements in the latter section of this report.

The basic proprietary fund financial statements can be found on pages 37-41 of this report.

***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 statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two fiduciary funds, both of which are maintained as agency funds, with no attempt to create ongoing fund balances.

The basic fiduciary funds financial statement can be found on page 42 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-77.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes (1) a budgetary comparison schedule on the aggregate basis for the City's budgeted governmental and proprietary funds, (2) the schedule of funding progress for the City's other post-employment benefits plan, (3) the City's proportionate share of net pension liability and related pension contributions, and (4) required supplementary information for Muscatine Power & Water's single-employer defined benefit pension plan.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information.



## Government-wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$155,199,826 at the close of the fiscal year ended June 30, 2017.

By far the largest portion of the City's net position (87.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City 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 that 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.

### CITY OF MUSCATINE'S NET POSITION

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 43,683,302	\$ 43,082,276	\$ 11,353,567	\$ 11,575,856	\$ 55,036,869	\$ 54,658,132
Capital assets	74,470,751	70,168,096	86,655,077	86,284,711	161,125,828	156,452,807
Total assets	118,154,053	113,250,372	98,008,644	97,860,567	216,162,697	211,110,939
Deferred outflows of resources	5,122,714	4,664,202	835,394	775,020	5,958,108	5,439,222
Long-term liabilities outstanding	30,232,386	29,291,381	15,950,073	15,966,727	46,182,459	45,258,108
Other liabilities	2,667,871	2,687,314	1,887,176	3,682,929	4,555,047	6,370,243
Total liabilities	32,900,257	31,978,695	17,837,249	19,649,656	50,737,506	51,628,351
Deferred inflows of resources	16,056,673	18,059,644	126,800	652,515	16,183,473	18,712,159
Net position:						
Net investment in capital assets	60,958,092	55,770,714	74,209,077	73,202,711	135,167,169	128,973,425
Restricted	5,110,781	5,254,231	110,475	108,677	5,221,256	5,362,908
Unrestricted	8,250,964	6,851,290	6,560,437	5,022,028	14,811,401	11,873,318
Total net position	\$ 74,319,837	\$ 67,876,235	\$ 80,879,989	\$ 78,333,416	\$ 155,199,826	\$ 146,209,651

A portion of the City's net position (3.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$14,811,401) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net investment in capital assets increased by \$6,193,744 during the year. Restricted net position decreased by \$141,652. Unrestricted net position increased by \$2,938,083 during the year with the unrestricted net position of business-type activities increasing by \$1,538,409 and the unrestricted net position of governmental activities increasing by \$1,399,674.

## CITY OF MUSCATINE CHANGES IN NET POSITION

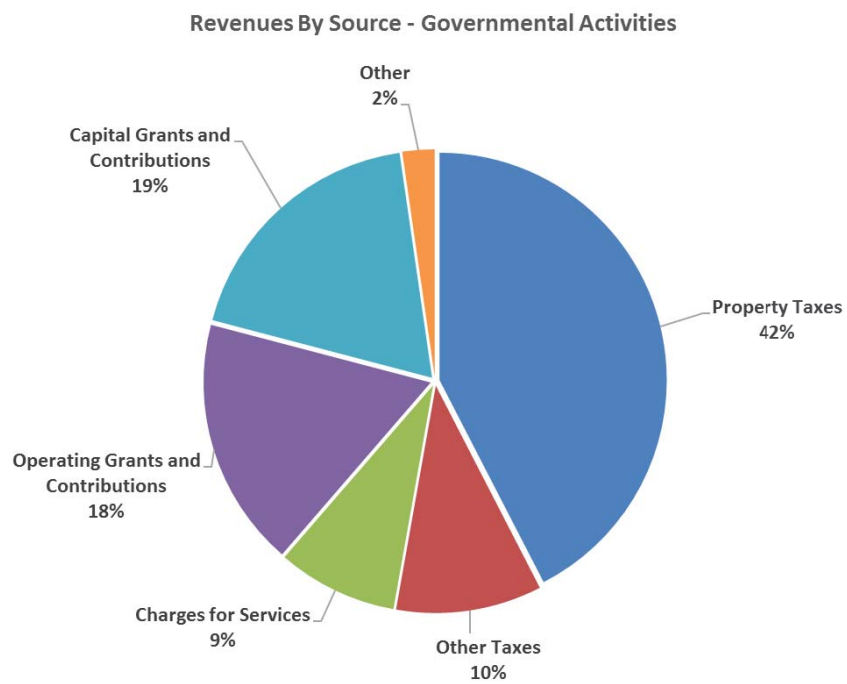
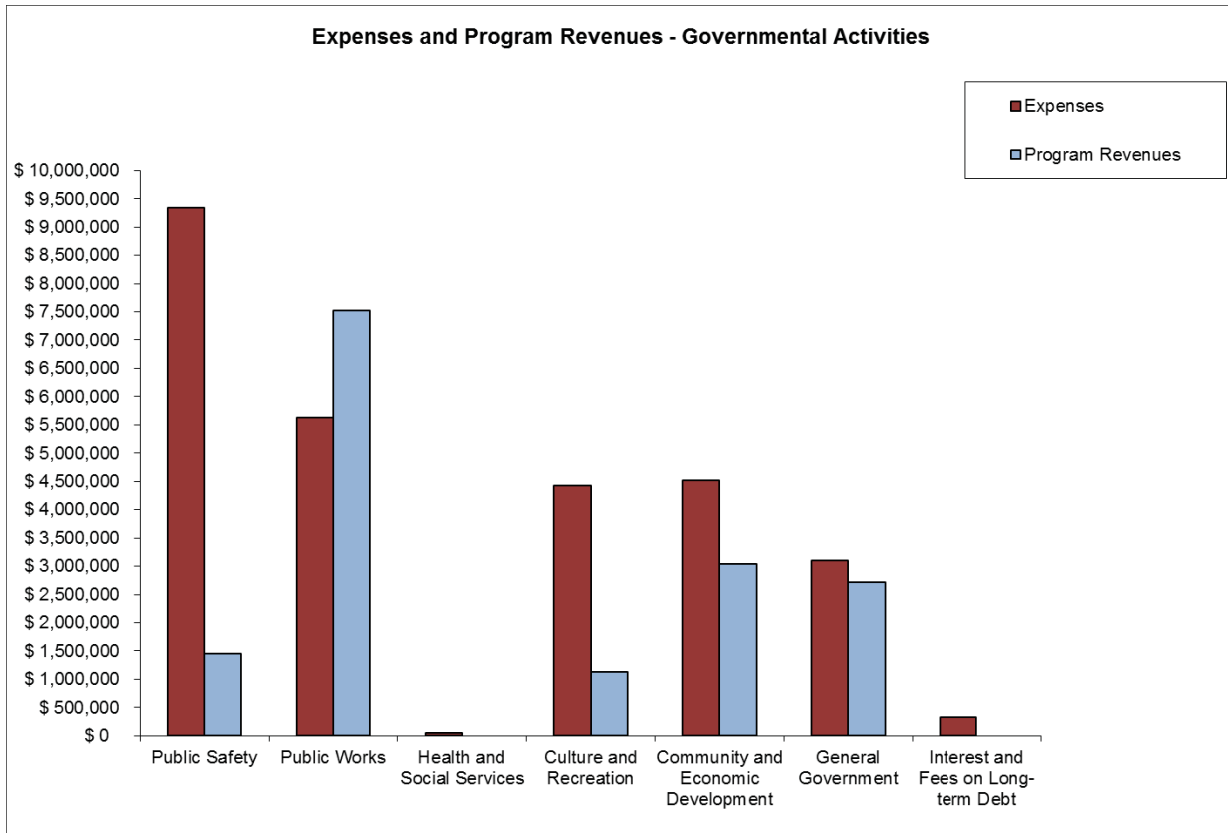
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,024,698	\$ 3,054,619	\$ 13,896,574	\$ 13,397,803	\$ 16,921,272	\$ 16,452,422
Operating grants, contributions and restricted interest	6,267,606	5,744,949	1,207,303	1,045,579	7,474,909	6,790,528
Capital grants and contributions	6,583,878	561,749	1,018,914	3,463,587	7,602,792	4,025,336
General revenues:						
Property taxes	14,997,905	14,432,728	-	-	14,997,905	14,432,728
Utility taxes	47,357	58,665	-	-	47,357	58,665
Local option sales tax	2,921,698	2,789,212	-	-	2,921,698	2,789,212
Hotel/motel tax	441,079	361,803	-	-	441,079	361,803
Cable franchise tax	176,095	189,044	-	-	176,095	189,044
Utility franchise fees	81,399	81,308	-	-	81,399	81,308
Intergovernmental, not restricted to specific programs	663,441	808,792	-	-	663,441	808,792
Unrestricted investment earnings	143,193	136,940	36,833	9,051	180,026	145,991
Other	4,021	11,654	-	-	4,021	11,654
Total revenues	35,352,370	28,231,463	16,159,624	17,916,020	51,511,994	46,147,483
Expenses:						
Public safety	9,349,247	8,797,894	-	-	9,349,247	8,797,894
Public works	5,631,914	5,021,386	-	-	5,631,914	5,021,386
Health and social service	45,000	45,000	-	-	45,000	45,000
Culture and recreation	4,420,009	3,963,354	-	-	4,420,009	3,963,354
Community and economic development	4,520,932	3,835,492	-	-	4,520,932	3,835,492
General government	3,101,457	2,667,443	-	-	3,101,457	2,667,443
Interest and fees on long-term debt	328,466	379,115	-	-	328,466	379,115
Water pollution control	-	-	6,289,874	6,628,762	6,289,874	6,628,762
Transfer station	-	-	2,218,056	2,400,592	2,218,056	2,400,592
Refuse collection	-	-	2,203,986	2,333,812	2,203,986	2,333,812
Airport	-	-	531,974	421,115	531,974	421,115
Parking	-	-	245,558	240,745	245,558	240,745
Transit	-	-	1,048,924	999,884	1,048,924	999,884
Golf course	-	-	777,639	790,351	777,639	790,351
Boat harbor	-	-	31,738	28,205	31,738	28,205
Marina	-	-	7,490	12,061	7,490	12,061
Convention & visitors bureau	-	-	92,062	83,397	92,062	83,397
Ambulance	-	-	636,805	624,785	636,805	624,785
Public housing	-	-	1,040,688	1,058,502	1,040,688	1,058,502
Total expenses	27,397,025	24,709,684	15,124,794	15,622,211	42,521,819	40,331,895
Increase (decrease) in net position before transfers	7,955,345	3,521,779	1,034,830	2,293,809	8,990,175	5,815,588
Transfers in (out)	(1,511,743)	(1,863,485)	1,511,743	1,863,485	-	-
Increase (decrease) in net position	6,443,602	1,658,294	2,546,573	4,157,294	8,990,175	5,815,588
Net position, beginning of year	67,876,235	66,217,941	78,333,416	74,176,122	146,209,651	140,394,063
Net position, end of year	\$ 74,319,837	\$ 67,876,235	\$ 80,879,989	\$ 78,333,416	\$ 155,199,826	\$ 146,209,651

**Governmental activities.** Governmental activities increased the City's net position by \$6,443,602. A significant portion of this increase (\$5,187,378) is in the net investment in capital assets. Significant asset additions in the current year include the substantial completion of the Mulberry Avenue street improvement project from Houser Street to the Highway 61 Bypass, final design and the start of construction of phase one of the Mississippi Drive Corridor reconstruction project, and the donation of the former HNI



Corporation headquarters building to the City to be used for the new HNI Community Center and Musser Public Library.

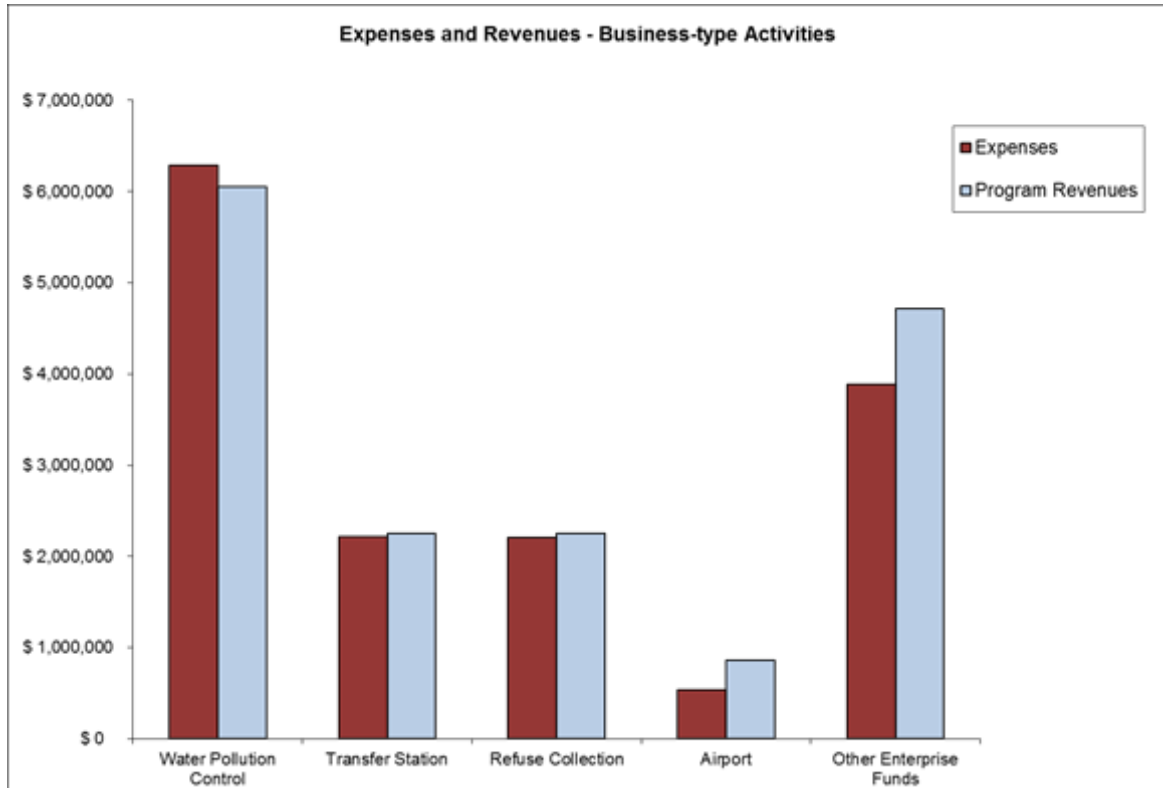
- Revenues for governmental activities increased in total by \$7,120,907 or 25.2% from the previous year. A substantial portion of this overall increase is in the \$6,022,129 increase in capital grants and contributions and the \$522,657 increase in operating grants and contributions. There were also increases in property taxes (\$565,177), local options sales tax (\$132,486), hotel/motel taxes (\$79,276), unrestricted investment earnings (\$6,253), and utility franchise fees (\$91). These increases were partially offset by decreases of \$29,921 in charges for services, \$145,351 in intergovernmental revenues not restricted to specific programs, \$11,308 in utility taxes, \$12,949 in the cable franchise tax, and \$7,633 in other revenues.
- Charges for services for governmental activities decreased by \$29,921 (1.0%). The most significant decrease was \$121,204 in public safety charges for services primarily due to a reduction of \$131,455 in automatic traffic enforcement fines as a result of the Iowa Department of Transportation ordering the traffic camera at one intersection to be discontinued effective April 25, 2017. The City's original appeal of this order was not successful and the City has filed a further appeal of this ruling. There were also decreases of \$31,049 in public works and \$29,576 in culture and recreation charges for services. These decreases were partially offset by increases of \$60,778 in community and economic development and \$91,130 in general government charges for services. The community and economic development increase is primarily due to an increase in construction permit revenue. The most significant increase in the general government function was \$45,109 in insurance reimbursements to repair storm damage to the roof of the Musser Public Library.
- Operating grants, contributions, and restricted interest increased by \$522,657. There were increases of \$131,709 in public safety, \$72,033 in public works, \$54,679 in culture and recreation, \$246,236 in community and economic development, and \$18,000 in general government operating grants and contributions.
- Capital grants and contributions increased by \$6,022,129 compared to the previous year. Significant grants and contributions during the year included \$1,140,000 in federal grant funding for the Mulberry Avenue street improvement project, a \$977,950 donation from the HNI Corporation of their former headquarters building to be used as the new HNI Community Center and Musser Public Library, a \$550,000 grant from the Roy J. Carver Charitable Trust for renovation of the former HNI headquarters building, a \$2,000,000 contribution from the Canadian Pacific Railroad for the Mississippi Drive Corridor improvement project, a \$769,220 contribution for the Railroad Quiet Zone project, and a \$360,000 contribution from the Art Center Support Foundation for the Art Center HVAC and building improvement project.
- Expenses for governmental activities increased by \$2,687,341 or 10.9% from the previous year.
- Governmental expenses increased in the public safety function (\$551,353), public works (\$610,528), culture and recreation (\$456,655), community and economic development (\$685,440), and general government (\$434,014) functions. Interest and fee expenses decreased by \$50,649. Of the overall increase \$762,580 (3.1%) is due to the change in expenditures for unfunded pension system liabilities compared to the prior year. There was a \$113,956 increase in unfunded pension liabilities (expense increase) in the current year compared to a \$648,624 unfunded pension liabilities decrease (expense decrease) in the prior year.



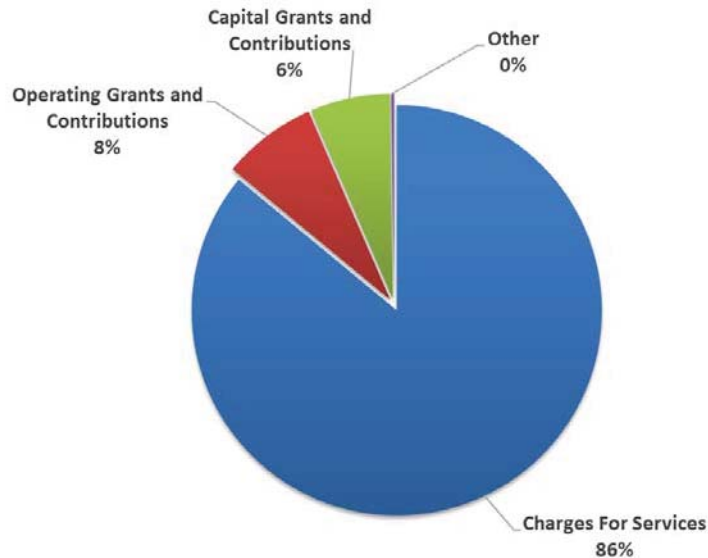
**Business-type activities.** Business-type activities increased the City's total net position by \$2,546,573 during the year. Increases in net position were reported in the Water Pollution Control, Transfer Station, Airport, Transit, Boat Harbor, and Convention and Visitors Bureau funds. Decreases in net position were reported in the Refuse Collection, Parking, Golf Course, Ambulance, and Public Housing funds. Key elements of these changes are as follows:

- Net position of the Water Pollution Control fund increased by \$1,896,807 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$2,570,642 of sewer-related capital project costs during the year.
- Net position of the Transfer Station fund increased by \$63,901 during the year.
- Net position of the Refuse Collection fund decreased by \$21,948 during the year.
- Net position of the Airport fund increased by \$351,090 during the year primarily due to the airport runway reconstruction project. This project began in the prior fiscal year and was completed in the current year. The Federal Aviation Administration (FAA) provided funding for 90% of the cost of this project. The 10% local share was funded from general obligation bond proceeds contributed by the city in the prior year.
- Net position of the non-major enterprise funds increased by \$118,975 during the year due to increases in the Transit (\$398,993), Boat Harbor (\$112,990), and Convention and Visitors Bureau (\$4,525) funds. These increases were partially offset by decreases in the Parking (\$30,967), Golf Course (\$36,447), Ambulance (\$63,586), and Public Housing (\$266,533) funds.
- Revenues for the business-type activities decreased in total by \$1,756,396 (9.8%).
- Charges for services increased in total by \$498,771 (3.7%). Water pollution control charges for services increased by \$299,109, transfer station charges increased by \$122,901, refuse collection charges increased by \$12,048, and airport charges increased by \$2,636. The increase in water pollution control charges was due to a rate increase and increased industrial waste. Transfer station charges for services increased due to an increase in waste volume, and refuse collection and airport charges had small increases from normal operations. There were increases in the charges for services in the transit fund of \$132,680, the convention and visitors bureau fund of \$367, and ambulance fund of \$26,157. There were decreases in charges for services of \$682 in the parking fund, \$22,477 in the golf course fund, \$6,050 in the boat harbor fund, \$5,175 in the marina fund, and \$62,743 in the public housing fund.
- Operating grants and contributions increased by \$161,724 (15.5%). Operating grants and contributions increased by \$11,510 in the water pollution control fund, by \$825 in the refuse collection fund, by \$118,277 in the airport fund, by \$47,888 in the transit fund, and by \$11,075 in the public housing fund. These increases were partially offset by decreases of \$27,601 in the ambulance fund and \$250 in the convention and visitors bureau fund.
- Capital grants and contributions decreased by \$2,444,673. Airport capital grants decreased by \$2,653,801, transit capital grants increased by \$226,639, boat harbor capital grants and contributions increased by \$129,484, and ambulance capital contributions decreased by \$146,995. The airport decrease is primarily due to the FAA funding for the runway reconstruction project. A substantial portion of this project was completed in the prior year with the final work in the current year.

- Expenses for the business-type activities decreased \$497,417 (3.2%). Expenses decreased by \$338,888 in the Water Pollution Control fund, decreased by \$182,536 in the Transfer Station fund, decreased by \$129,826 in the refuse collection fund, increased by \$110,859 in the airport fund, increased by \$4,813 in the parking fund, increased by \$49,040 in the transit fund, decreased by \$12,712 in the golf course fund, increased by \$3,533 in the boat harbor fund, decreased by \$4,571 in the marina fund, increased by \$8,665 in the convention and visitors bureau fund, increased by \$12,020 in the ambulance fund, and decreased by \$17,814 in the public housing fund.



Revenues By Source - Business-type Activities



### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,684,081, a decrease of \$323,767 (1.4%) in comparison with the prior year. There were decreases in fund balance of \$56,009 in the employee benefits fund, \$247,567 in the local option sales tax fund, \$22,843 in the road use tax fund, \$191,772 in the other street improvements fund, and \$74,896 in the non-major governmental funds. These decreases were partially offset by increases of \$138,099 in the general fund and \$131,221 in the debt service fund.

Of the combined \$23,684,081 governmental fund balances at year end 4.5% (\$1,072,797) is classified as nonspendable and includes prepaid items, advances to other funds, and permanent fund principal. A total of \$5,034,619 (21.3%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total \$13,306,069 (56.2%) with these funds assigned for purchases on order, future equipment purchases, and future street improvement projects including the Mississippi Drive/Grandview Avenue Corridor projects. The remaining \$4,270,596 is classified as unassigned (18.0%). By definition unassigned balances include all deficit balances. The community development improvements capital project fund had an unassigned fund balance deficit at year-end of \$57,818. This deficit will be eliminated with future year revenues.

The general fund is the chief operating fund of the City of Muscatine. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,328,414, while the total fund balance was \$4,736,415. The General Fund balance includes \$64,944 classified as nonspendable for prepaid items and advances to other funds. The assigned portion of the balance totals \$343,057 which includes \$211,568 for purchases on order and \$131,489 for future equipment purchases. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent 23.3% and 25.5%, respectively, of total general fund expenditures. These percentages decreased slightly from the prior year computation of unassigned and total fund balances of 23.8% and 27.1%, respectively. The City of Muscatine's general fund balance increased by \$138,099 during the current fiscal year.

The Employee Benefits fund balance decreased during the year by \$56,009. Taxes are levied in this fund for employee benefits for general fund employees. The decrease in fund balance was slightly less than the budgeted decrease of \$58,778. The ending balance is \$57,105 compared to the \$54,337 in the amended budget.

The Local Option Sales Tax fund balance decreased during the fiscal year by \$247,567. The fund balance of \$237,759 at year end will be used to fund street and sewer projects in the upcoming year.

The Road Use Tax fund balance decreased by \$22,843 during the year. The fund balance of \$1,254,789 at year end will be used for future street maintenance and capital project costs.

The Debt Service fund balance increased by \$131,221 during the year. This increase is \$14,222 higher than the budgeted increase of \$116,999. Property taxes were \$9,911 higher than estimated and interest was \$3,395 higher. The ending fund balance of \$257,173 will be used for future year bond principal and interest payments.

The Other Street Improvements Fund balance decreased by \$191,772 during the year. This decrease reflects the use of prior year bond proceeds to complete the Mulberry Avenue street improvements project. This fund also includes the Mississippi Drive Corridor reconstruction project. In the 2014/2015 fiscal year the city received \$13 million from the State from the transfer of jurisdiction of the Mississippi Drive/Grandview Avenue corridor. These funds have been assigned to be used to reconstruct this major business route through the downtown area. This work will be done in phases over the next several years. The City also received \$2 million from the Canadian Pacific Railroad in the current year to assist in funding this project. The final engineering design for the project was completed and construction of phase one of this project began in the spring of 2017.

The fund balances in the Other Governmental Funds decreased in total by \$74,896. Fund balances decreased by \$20,655 in the non-major special revenue funds, decreased by \$50,003 in the non-major capital projects funds, and decreased by \$4,238 in the non-major permanent funds.

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

Total net position for the City's enterprise funds as of June 30, 2017 was \$80,720,891, an increase of \$2,408,825 from the previous fiscal year's net position. Of the net position of the enterprise funds, \$74,209,077 is the net investment in capital assets of the enterprise funds. Restricted net position totaled \$110,475. Unrestricted net position totaled \$6,401,339, an increase of \$1,400,661 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Net position for the internal service funds totaled \$1,356,339 as of June 30, 2017, an increase of \$333,178 from the previous year. This overall increase was primarily due to the increase of \$296,522 in the Health Insurance fund.

### **General Fund Budgetary Highlights**

During the year there was a \$522,300 increase in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund increased by \$705,783 from the original to the amended budget. Following are the main components of the overall budget appropriation decrease during the year:

- There was a \$237,700 increase in the general government function appropriation from the original budget to the amended budget. This overall increase was due to increases of \$224,000 in the legal services, \$5,300 in the city administrator, \$5,200 in the human resources, \$7,500 in the finance, \$10,100 in the information technology, and \$5,600 in the building and grounds budgets. These increases were partially offset by net decreases in other general government activities including a decrease of \$10,400 in risk management.
- There was an overall \$86,400 decrease in the public safety function budget. This included a decrease of \$106,900 in the police department budget, a decrease of \$100 in animal control, and an increase of \$20,700 in the fire department budget. The police budget decrease included reductions in wages and benefits due to staff changes. The increase in the fire budget is primarily related to increased medical costs for firefighters that retired as a result of job-related injuries or illnesses.
- Public works function budgeted expenditures were amended upward in total by \$274,800 with this increase primarily related to increased capital outlay and an increased allocation for winter road salt. The capital outlay increase includes \$43,900 for a dump truck carried forward from the prior year budget, \$12,000 for a used joint sealing machine, and \$140,000 for an asphalt milling machine. The joint sealing machine and asphalt milling machine will allow public works staff to perform more functions in-house instead of contracting for these services. The budget was amended by \$81,100 in the spring to purchase excess road salt from the City of Davenport. With this purchase the City will not need to purchase any additional salt for the 2018-2019 winter.
- The culture and recreation function increased in total by 86,300. Of this overall increase, \$43,400 is for repairs related to the wind storms in the spring of 2017. These costs are expected to be reimbursed by insurance, net of the \$5,000 deductible. There were net increases in other parks and recreation activities primarily related to increased equipment and facility maintenance costs.
- The community and economic development function appropriation increased by \$9,900. There were increases and decreases throughout the community development budget, but the overall increase reflects increased nuisance abatement costs and an allocation for consultant services.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Muscatine's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$161,125,828 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment,



park facilities, streets, and bridges. The City of Muscatine's investment in capital assets for the current fiscal year increased by \$4,302,655 for governmental activities compared to the prior year and increased by \$370,366 for business-type activities.

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

- Additions to capital assets (net of asset retirements) totaled \$10,447,076.
- Major asset additions included \$4,646,657 in street improvements; \$1,985,280 in sewer system improvements; \$738,620 for airport improvements; \$1,210,741 for building improvements at the art center, and \$977,950 for the former HNI Corporation headquarters building donated to the City to be used as the new HNI Community Center and Musser Public Library.
- Depreciation expense totaled \$7,548,614 for the year with \$3,958,065 in the governmental activities and \$3,590,549 in the business-type activities.

### City of Muscatine Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land, art work, and construction in progress, not being depreciated	\$ 21,316,821	\$ 19,601,490	\$ 4,309,039	\$ 7,537,983	\$ 25,625,860	\$ 27,139,473
Other capital assets net of accumulated depreciation	53,153,930	50,566,606	82,346,038	78,746,728	135,499,968	129,313,334
Total capital assets	<u>\$ 74,470,751</u>	<u>\$ 70,168,096</u>	<u>\$ 86,655,077</u>	<u>\$ 86,284,711</u>	<u>\$ 161,125,828</u>	<u>\$ 156,452,807</u>

Additional information on the City of Muscatine's capital assets can be found in note 4 on pages 56-59 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$26,058,619. Of this amount, \$13,047,619 is general obligation debt backed by the full faith and credit of the City and this debt is all reflected as debt of the governmental activities. The remainder of the City of Muscatine's debt represents revenue bonds secured solely by specific revenue sources.

### City of Muscatine Outstanding Debt General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 13,047,619	\$ 15,402,985	\$ -	\$ -	\$ 13,047,619	\$ 15,402,985
Revenue bonds	565,000	690,000	12,446,000	13,082,000	13,011,000	13,772,000
Total	<u>\$ 13,612,619</u>	<u>\$ 16,092,985</u>	<u>\$ 12,446,000</u>	<u>\$ 13,082,000</u>	<u>\$ 26,058,619</u>	<u>\$ 29,174,985</u>

The City's total bonded debt decreased in total by \$3,116,366 during the year. The City did not issue any new general obligation bonds during the year. Debt retired included \$2,290,000 in general obligation bonds, \$125,000 of tax increment revenue bonds, and \$636,000 in sewer revenue bonds.



State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is \$66,030,776. The amount of bonded debt applicable to the debt limit totals \$13,370,000. The City also has Tax Increment Financing rebate agreements which total to a maximum obligation of \$7,862,487 as of the end of the year. The bonded debt and rebate agreements total to \$21,232,487. Although tax increment rebate agreements are required to be included in the computation of debt subject to the debt limit, these obligations are totally financed by incremental taxes received from the benefitted properties. The City's debt, including the rebate agreement obligations, is significantly less than the maximum debt limit allowed.

The City was assigned an Aa2 rating from Moody's for the City's last general obligation bond issue in May of 2016. This rating was the same rating as that assigned for the June, 2014 bond issue.

Additional information on the City's long-term debt can be found in note 5 on pages 59-63 of this report.

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

- The unemployment rate for Muscatine County was 3.9% for calendar year 2016 which is the same rate as the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by 5.44% for the 2016/2017 year and increased by 2.95% for the upcoming 2017/2018 fiscal year.
- In 2013 State legislation for property tax reform implemented a 10% rollback at 5% per year over two years (2014/2015 and 2015/2016), on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation included some backfill funding for local governments. There was no further change to the rollback factor on commercial, industrial, or railroad valuations for 2016/2017. This legislation also created a new "multi-residential" property class which will be rolled back to residential levels by January 1, 2022, without backfill to local governments. This is being phased in beginning in the 2016/2017 fiscal year. The rollback factor for these properties was 86.25% in 2016/2017 and the rollback will continue to decrease by 3.75% each year until 2023/2024 when it will be equivalent to the residential rollback in place at that time.
- The upcoming budget provides funding for capital improvement projects to continue. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (80%) and also ongoing costs of the City's pavement management program (20%).
- Construction began in the spring of 2017 and will continue in 2018 on phase one of the Mississippi Drive Corridor reconstruction project. The first phase of this project is from the Mississippi River Bridge to Broadway except for the intersection at Mulberry Avenue which will be part of the next phase of the project. Construction is scheduled to begin in 2019 on the Grandview Avenue portion of the project. This project is being funded from the \$13 million in Transfer of Jurisdiction funds the City received from the State in August of 2014 as well as a total of \$4 million in contributions from the Canadian Pacific Railroad.
- Several other capital projects were underway in 2016/2017 and are scheduled to be completed in 2017/2018. These include phase 3-C of the West Hill Sewer Separation project funded from local option sales tax, the airport t-hangar design and apron expansion project with 85% State funding and a 15% local match, and construction of a new trail from Kent Stein Park to Deep Lakes Park funded from a combination of federal, state, and local funding.

- In 2017/2018 the City will continue the ongoing maintenance portion of the Comprehensive Pavement Management Program. Prior year funding allocations totaling over \$5 million were used to complete the initial upgrade of the City's streets. Annual allocations to maintain streets at this higher level will continue to be funded from the 20% allocation of local option sales tax and road use taxes.
- Engineering design is nearing completion for a High Strength Waste Receiving Station at the Water Pollution Control Plant (WPCP). Construction of this project is scheduled for 2017/2018 and the project will be funded from the Plant Replacement Reserve.
- In 2007 the City signed a Consent Order with the Environmental Protection Agency (E.P.A.) which requires the City to complete specific major sewer separation projects by 2028. The West Hill Sewer Separation project is the remaining project mandated by this Consent Order. This is a multi-year, multi-phase project estimated to reach or exceed \$50 million in total costs. Local option sales tax funds will fund a significant portion of the cost of this project. The local option sales tax funds, however, will need to be supplemented with future sewer revenue bonds or other funds to complete the financing for this project. The City is setting aside annual allocations from the Water Pollution Control fund operating budget so these funds will also be available to assist with financing this project.
- The 2017/2018 budget provides for an increase in sewer fees. No fee increases are budgeted for the transfer station, refuse collection, golf course, parking, transit, or boat harbor.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Muscatine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 215 Sycamore Street, Muscatine, Iowa, 52761.

**City of Muscatine, Iowa**

**Statement of Net Position  
June 30, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
<b>ASSETS</b>					
Cash and pooled investments	\$ 13,824,827	\$ 6,879,672	\$ 20,704,499	\$ 1,096,053	\$ 29,933,450
Investments	11,778,259	1,700,146	13,478,405	-	15,254,702
Receivables (net of allowance for uncollectibles):					
Interest	191,382	13,927	205,309	-	72,945
Taxes	16,079,487	-	16,079,487	-	-
Accounts	589,839	1,762,819	2,352,658	-	16,512,002
Intergovernmental	1,174,345	652,241	1,826,586	-	-
Due from fiduciary funds	34,514	-	34,514	-	-
Internal balances	(159,098)	159,098	-	-	-
Inventories	107,777	36,964	144,741	-	20,065,238
Prepays	61,970	4,400	66,370	-	1,009,282
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	144,300	144,300	1,838,629	35,283
Capital assets:					
Land, art work and construction in progress, not being depreciated	21,316,821	4,309,039	25,625,860	1,111,489	8,621,997
Other capital assets net of accumulated depreciation	53,153,930	82,346,038	135,499,968	325,761	-
Utility plant in service	-	-	-	-	93,346,035
Joint venture rights	-	-	-	-	95,423
Total assets	118,154,053	98,008,644	216,162,697	4,371,932	184,946,357
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	5,114,172	835,394	5,949,566	-	10,171,133
Deferred charges on refundings	8,542	-	8,542	-	-
Total deferred outflows of resources	5,122,714	835,394	5,958,108	-	10,171,133
<b>LIABILITIES</b>					
Accounts payable and accruals	2,410,042	1,518,302	3,928,344	94,081	12,733,971
Retainages payable	174,191	209,715	383,906	-	-
Deposits	-	48,587	48,587	-	1,051,477
Accrued interest payable	27,805	33,708	61,513	-	-
Escrow liability	38,365	-	38,365	-	-
Unearned revenue	17,468	43,039	60,507	-	365,679
Unearned revenue - O&M account	-	-	-	-	13,032,866
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	31,000
Accrued interest payable	-	-	-	-	519
Closure/post-closure obligation	-	33,825	33,825	1,838,629	-
Noncurrent liabilities:					
Due within one year	3,358,162	852,985	4,211,147	1,937	-
Due in more than one year	26,874,224	15,097,088	41,971,312	5,376	16,891,588
Closure/post-closure obligation	-	-	-	1,281,564	-
Total liabilities	32,900,257	17,837,249	50,737,506	3,221,587	44,107,100
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	462,466	126,800	589,266	-	992,798
Deferred inflow - property taxes	15,594,207	-	15,594,207	-	-
Total deferred inflows of resources	16,056,673	126,800	16,183,473	-	992,798
<b>NET POSITION</b>					
Net investment in capital assets	60,958,092	74,209,077	135,167,169	1,437,250	101,547,155
Restricted for:					
Debt service	257,173	110,475	367,648	-	34,764
Public works	1,620,548	-	1,620,548	-	-
Community and economic development	218,858	-	218,858	-	-
Public safety	13,209	-	13,209	-	-
Employee benefits	57,105	-	57,105	-	-
Tax increment financing projects	1,164,371	-	1,164,371	-	-
Capital projects	237,762	-	237,762	-	-
Perpetual care, nonexpendable	875,853	-	875,853	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	533,902	-	533,902	-	-
Other purposes	-	-	-	-	-
Unrestricted	8,250,964	6,560,437	14,811,401	(286,905)	48,435,673
Total net position	\$ 74,319,837	\$ 80,879,989	\$ 155,199,826	\$ 1,150,345	\$ 150,017,592

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa  
Statement of Activities  
For the Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position									
Program Revenues					Changes in Net Position				
Functions:	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Muscatine County	
								Solid Waste Agency	Muscatine Power & Water
<b>Primary Government:</b>									
Governmental activities:									
Public safety	\$ 9,349,247	\$ 1,031,206	\$ 418,947	\$ 7,939	\$ (7,891,155)	\$ -	\$ (7,891,155)		
Public works	5,631,914	125,198	3,060,014	4,345,712	1,899,010	-	1,899,010		
Health and social services	45,000	-	-	-	(45,000)	-	(45,000)		
Culture and recreation	4,420,009	535,939	255,700	342,277	(3,286,093)	-	(3,286,093)		
Community and economic development	4,520,932	519,157	2,514,945	-	(1,486,830)	-	(1,486,830)		
General government	3,101,457	813,198	18,000	1,887,950	(382,309)	-	(382,309)		
Interest and fees on long-term debt	328,466	-	-	-	(328,466)	-	(328,466)		
Total governmental activities	27,397,025	3,024,698	6,267,606	6,583,878	(11,520,843)	-	(11,520,843)		
Business-type activities:									
Water pollution control	6,289,874	6,037,872	12,037	-	-	(239,965)	(239,965)		
Transfer station	2,218,056	2,247,965	-	-	-	29,909	29,909		
Refuse collection	2,203,986	2,204,645	43,490	-	-	44,149	44,149		
Airport	531,974	77,015	122,978	662,791	-	330,810	330,810		
Parking	245,558	217,742	-	-	-	(27,816)	(27,816)		
Transit	1,048,924	373,610	651,357	226,639	-	202,682	202,682		
Golf course	777,639	747,973	-	-	-	(29,666)	(29,666)		
Boat harbor	31,738	15,243	-	129,484	-	112,989	112,989		
Marina	7,490	6,266	-	-	-	(1,224)	(1,224)		
Convention and visitors bureau	92,062	4,727	1,000	-	-	(86,335)	(86,335)		
Ambulance	636,805	1,538,062	9,899	-	-	911,156	911,156		
Public housing	1,040,688	425,454	366,542	-	-	(248,692)	(248,692)		
Total business-type activities	15,124,794	13,896,574	1,207,303	1,018,914	-	997,997	997,997		
Total primary government	\$ 42,521,819	\$ 16,921,272	\$ 7,474,909	\$ 7,602,792	(11,520,843)	997,997	(10,522,846)		
<b>Component Units:</b>									
Muscatine County Solid Waste Agency	\$ 1,207,855	\$ 1,256,501	\$ 117,177	\$ -				\$ 165,823	\$ -
Muscatine Power & Water	109,271,931	116,489,037	-	351,607				-	7,568,713
Total component units	\$ 110,479,786	\$ 117,745,538	\$ 117,177	\$ 351,607				165,823	7,568,713
General revenues:									
Property taxes					14,997,905	-	14,997,905	-	-
Utility taxes					47,357	-	47,357	-	-
Local option sales tax					2,921,698	-	2,921,698	-	-
Hotel/motel taxes					441,079	-	441,079	-	-
Cable franchise taxes					176,095	-	176,095	-	-
Utility franchise fees					81,399	-	81,399	-	-
Intergovernmental, unrestricted					663,441	-	663,441	-	-
Unrestricted investment income					143,193	36,833	180,026	8,601	194,963
Contributions to endowments					4,021	-	4,021	-	-
Transfers					(1,511,743)	1,511,743	-	-	-
Total general revenues, contributions to endowments and transfers					17,964,445	1,548,576	19,513,021	8,601	194,963
Change in net position					6,443,602	2,546,573	8,990,175	174,424	7,763,676
Net position, June 30, 2016					67,876,235	78,333,416	146,209,651	975,921	142,253,916
Net position, June 30, 2017					\$ 74,319,837	\$ 80,879,989	\$ 155,199,826	\$ 1,150,345	\$ 150,017,592

The notes to the financial statements are an integral part of this statement.

## City of Muscatine, Iowa

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General</b>	<b>Employee Benefits</b>	<b>Local Option Sales Tax</b>	<b>Road Use Tax</b>	<b>Debt Service</b>	<b>Other Street Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>								
Cash and pooled investments	\$ 5,133,867	\$ 24,945	\$ -	\$ 627,501	\$ 236,058	\$ 2,851,886	\$ 3,309,691	\$ 12,183,948
Investments	-	-	-	-	-	10,579,053	1,199,206	11,778,259
Receivables (net of allowance for uncollectibles):								
Interest	23,081	-	-	-	-	164,624	3,677	191,382
Taxes	7,314,571	3,788,914	365,759	-	2,474,204	-	2,136,039	16,079,487
Accounts	348,940	-	-	-	-	136,715	66,611	552,266
Intergovernmental	74,626	-	-	627,288	-	67,737	404,694	1,174,345
Prepaid insurance	61,970	-	-	-	-	-	-	61,970
Advances to other funds	2,974	-	-	-	-	-	107,307	110,281
Total assets	<u>12,960,029</u>	<u>3,813,859</u>	<u>365,759</u>	<u>1,254,789</u>	<u>2,710,262</u>	<u>13,800,015</u>	<u>7,227,225</u>	<u>42,131,938</u>
<b>LIABILITIES</b>								
Accounts payable and accruals	\$ 956,782	\$ -	\$ -	\$ -	\$ -	\$ 694,711	\$ 496,090	\$ 2,147,583
Retainages payable	-	-	-	-	-	79,810	94,381	174,191
Escrow liability	-	-	-	-	-	-	38,365	38,365
Advances from other funds	-	-	-	-	-	-	110,281	110,281
Unearned revenue	17,468	-	-	-	-	-	-	17,468
Total liabilities	<u>974,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>774,521</u>	<u>739,117</u>	<u>2,487,888</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	7,249,364	3,756,754	-	-	2,453,089	-	2,135,000	15,594,207
Unavailable revenue - other taxes	-	-	128,000	-	-	-	-	128,000
Unavailable revenue - intergovernmental	-	-	-	-	-	60,000	177,762	237,762
Total deferred inflows of resources	<u>7,249,364</u>	<u>3,756,754</u>	<u>128,000</u>	<u>-</u>	<u>2,453,089</u>	<u>60,000</u>	<u>2,312,762</u>	<u>15,959,969</u>
<b>FUND BALANCES</b>								
<b>Nonspendable</b>								
Prepaid items	61,970	-	-	-	-	-	-	61,970
Advances to other funds	2,974	-	-	-	-	-	-	2,974
Permanent fund principal	-	-	-	-	-	-	1,007,853	1,007,853
<b>Restricted for:</b>								
Grant purposes	-	-	-	-	-	-	46,485	46,485
Housing assistance payments	-	-	-	-	-	-	66,901	66,901
Streets and sidewalks	-	-	-	1,254,789	-	2,482	5,771	1,263,042
Railroad quiet zone project	-	-	-	-	-	-	745,201	745,201
Building improvements	-	-	-	-	-	-	534,244	534,244
Park improvements	-	-	-	-	-	-	6,755	6,755
Tax levy purposes	-	57,105	-	-	-	-	1,085,581	1,142,686
Sewer and street projects	-	-	237,759	-	-	-	-	237,759
Debt service	-	-	-	-	257,173	-	-	257,173
Housing and community development	-	-	-	-	-	-	187,262	187,262
Art center	-	-	-	-	-	-	372,528	372,528
Library	-	-	-	-	-	-	140,900	140,900
Other purposes	-	-	-	-	-	-	33,683	33,683
<b>Assigned to:</b>								
Purchases on order	211,568	-	-	-	-	-	-	211,568
Future equipment purchases	131,489	-	-	-	-	-	-	131,489
Streets	-	-	-	-	-	12,963,012	-	12,963,012
<b>Unassigned</b>	<u>4,328,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,818)</u>	<u>4,270,596</u>
Total fund balances	<u>4,736,415</u>	<u>57,105</u>	<u>237,759</u>	<u>1,254,789</u>	<u>257,173</u>	<u>12,965,494</u>	<u>4,175,346</u>	<u>23,684,081</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,960,029</u>	<u>\$ 3,813,859</u>	<u>\$ 365,759</u>	<u>\$ 1,254,789</u>	<u>\$ 2,710,262</u>	<u>\$ 13,800,015</u>	<u>\$ 7,227,225</u>	<u>\$ 42,131,938</u>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017

Total governmental fund balances		\$ 23,684,081
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		74,460,065
Other long-term assets are not available to pay for current period expenditures and, therefore are reported as a deferred inflow of resources in the funds.		365,762
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	\$ 5,063,489	
Deferred inflows of resources	<u>(454,698)</u>	4,608,791
Unamortized balance of deferred amount of refunding bonds are not reported in the funds		8,542
Internal service funds are used by management to charge the costs of equipment services, central supplies and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,356,339
Internal service fund allocations to business-type activities		(159,098)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(13,612,619)
Accrued interest payable		(27,805)
Compensated absences		(1,465,891)
Other post-employment benefits		(472,842)
Pension liability		<u>(14,425,488)</u>
Net position of governmental activities		<u>\$ 74,319,837</u>

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds**

**For the Year Ended June 30, 2017**

	<b>General</b>	<b>Employee Benefits</b>	<b>Local Option Sales Tax</b>	<b>Road Use Tax</b>	<b>Debt Service</b>	<b>Other Street Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>								
Taxes:								
Property	\$ 7,144,850	\$ 3,521,195	\$ -	\$ -	\$ 2,456,260	\$ -	\$ 1,875,600	\$ 14,997,905
Utility	26,078	12,864	-	-	8,415	-	-	47,357
Hotel/motel	441,079	-	-	-	-	-	-	441,079
Cable franchise	176,095	-	-	-	-	-	-	176,095
Utility franchise	81,399	-	-	-	-	-	-	81,399
Local option sales	-	-	2,933,948	-	-	-	-	2,933,948
Licenses and permits	426,847	-	-	-	-	-	-	426,847
Fines and forfeitures	862,417	-	-	-	-	-	-	862,417
Intergovernmental	890,121	170,155	-	3,035,941	111,651	1,238,022	2,627,445	8,073,335
Charges for services	579,213	-	-	-	-	-	-	579,213
Use of money and property	139,601	-	118	-	3,895	103,468	27,691	274,773
Other	815,898	-	-	-	-	2,315,206	1,925,894	5,056,998
Total revenues	11,583,598	3,704,214	2,934,066	3,035,941	2,580,221	3,656,696	6,456,630	33,951,366
<b>EXPENDITURES</b>								
Current:								
Public safety	8,867,098	-	-	-	-	-	121	8,867,219
Public works	2,262,483	-	-	-	-	-	-	2,262,483
Health and social services	45,000	-	-	-	-	-	-	45,000
Culture and recreation	2,963,378	-	-	-	-	-	123,110	3,086,488
Community and economic development	764,146	-	-	-	-	-	3,157,631	3,921,777
General government	2,574,045	-	-	-	-	-	-	2,574,045
Debt service:								
Principal	-	-	-	-	2,290,000	-	125,000	2,415,000
Interest	-	-	-	-	360,050	-	38,705	398,755
Paying agent	-	-	-	-	2,000	-	-	2,000
Capital outlay:								
Public safety	294,620	-	-	-	-	-	25,927	320,547
Public works	487,969	-	-	-	-	4,234,348	861,652	5,583,969
Culture and recreation	257,842	-	-	-	-	-	672,726	930,568
Community and economic development	2,982	-	-	-	-	-	619,633	622,615
General government	90,240	-	-	-	-	-	1,695,962	1,786,202
Total expenditures	18,609,803	-	-	-	2,652,050	4,234,348	7,320,467	32,816,668
Revenues over (under) expenditures	(7,026,205)	3,704,214	2,934,066	3,035,941	(71,829)	(577,652)	(863,837)	1,134,698
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	7,550,240	-	-	-	203,050	385,880	1,347,655	9,486,825
Transfers out	(385,936)	(3,760,223)	(3,181,633)	(3,058,784)	-	-	(558,714)	(10,945,290)
Total other financing sources (uses)	7,164,304	(3,760,223)	(3,181,633)	(3,058,784)	203,050	385,880	788,941	(1,458,465)
Net change in fund balances	138,099	(56,009)	(247,567)	(22,843)	131,221	(191,772)	(74,896)	(323,767)
Fund balances, June 30, 2016	4,598,316	113,114	485,326	1,277,632	125,952	13,157,266	4,250,242	24,007,848
Fund balances, June 30, 2017	\$ 4,736,415	\$ 57,105	\$ 237,759	\$ 1,254,789	\$ 257,173	\$ 12,965,494	\$ 4,175,346	\$ 23,684,081

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ (323,767)

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 estimated useful lives of the assets:

Capital asset purchases capitalized	7,118,814
Depreciation expense	(3,952,061)

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

Capital contributions - land and permanent easements	171,050
Capital contributions -art	3,395
Capital contributions - land and building	977,950
Capital asset transferred to internal service fund	(3,823)
Loss on disposal of capital assets	(10,489)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	365,762
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Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	(286,121)
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The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, 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:

General obligation bond principal payments	2,290,000
Tax increment bond principal payments	125,000
Net effects of bond premiums, discounts, and deferred amounts on refunding	48,376

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in compensated absences	(85,854)
Change in other post-employment benefits	(83,027)
Pension expense	(113,956)
Change in accrued interest payable	6,923

Internal service funds are used by management to charge the costs of equipment services, central office supplies, health and dental insurance to individual funds. The net revenue (expense) of internal service funds is allocated between governmental and business-type activities in the Statement of Activities:

Net revenue (expense) of internal service funds	333,178
Allocation of net revenue (expense) to business-type activities	(137,748)

Change in net position of governmental activities	\$ 6,443,602
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The notes to the financial statements are an integral part of this statement.



**City of Muscatine, Iowa**

**Statement of Net Position  
Proprietary Funds  
June 30, 2017**

**Business-type Activities - Enterprise Funds**

	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Airport</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>							
Current assets:							
Cash and pooled investments	\$ 5,864,752	\$ -	\$ -	\$ -	\$ 1,014,920	\$ 6,879,672	\$ 1,640,879
Investments	1,500,000	-	-	-	200,146	1,700,146	-
Receivables (net of allowance for uncollectibles):							
Interest	13,927	-	-	-	-	13,927	-
Accounts	756,017	492,578	290,555	872	222,797	1,762,819	37,573
Intergovernmental:							
Federal	-	-	-	291,826	332,396	624,222	-
State	-	-	-	28,019	-	28,019	-
Due from fiduciary funds	-	-	-	-	-	-	34,514
Due from other funds	-	-	-	-	5,344	5,344	1,288
Inventories	-	-	-	-	36,964	36,964	107,777
Prepaid items	-	-	-	-	4,400	4,400	-
Total current assets	8,134,696	492,578	290,555	320,717	1,816,967	11,055,513	1,822,031
Noncurrent assets:							
Restricted cash and pooled investments	110,475	33,825	-	-	-	144,300	-
Advances to other funds	837,461	-	-	-	-	837,461	-
Capital assets:							
Land	538,716	175,000	-	1,408,973	764,686	2,887,375	-
Land improvements	173,126	1,019,897	-	13,470,822	3,145,351	17,809,196	-
Buildings and building improvements	50,618,849	7,436,138	1,312,083	1,665,785	8,914,746	69,947,601	-
Equipment	4,504,518	363,252	144,029	576,048	1,026,241	6,614,088	117,956
Vehicles	1,193,187	614,082	878,866	117,342	1,715,636	4,519,113	98,233
Infrastructure	59,803,139	-	-	-	-	59,803,139	-
Construction in progress	1,389,619	-	-	32,045	-	1,421,664	-
Less accumulated depreciation	(48,787,826)	(5,532,349)	(1,275,470)	(9,388,765)	(11,362,689)	(76,347,099)	(205,503)
Total capital assets net of accumulated depreciation	69,433,328	4,076,020	1,059,508	7,882,250	4,203,971	86,655,077	10,686
Total noncurrent assets	70,381,264	4,109,845	1,059,508	7,882,250	4,203,971	87,636,838	10,686
Total assets	78,515,960	4,602,423	1,350,063	8,202,967	6,020,938	98,692,351	1,832,717
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related deferred outflows	333,261	38,525	106,300	-	357,308	835,394	50,683
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accruals	576,707	64,920	96,987	292,960	486,728	1,518,302	262,459
Retainages payable	189,715	-	-	20,000	-	209,715	-
Compensated absences payable	95,702	14,327	26,852	-	59,104	195,985	17,934
Due to other funds	-	-	-	-	5,344	5,344	1,288
Deposits	-	-	-	-	48,587	48,587	-
Accrued interest payable	33,708	-	-	-	-	33,708	-
Unearned revenue	-	1,754	293	3,666	37,326	43,039	-
State revolving fund loan	657,000	-	-	-	-	657,000	-
Total current liabilities	1,552,832	81,001	124,132	316,626	637,089	2,711,680	281,681
Noncurrent liabilities:							
State revolving fund loan	11,789,000	-	-	-	-	11,789,000	-
Advances from other funds	-	480,831	343,833	12,797	-	837,461	-
Compensated absences	103,631	13,733	35,116	-	42,637	195,117	35,269
Other post-employment benefits	81,356	11,798	24,382	-	35,707	153,243	12,584
Net pension liability	1,280,744	153,904	427,670	-	1,097,410	2,959,728	189,759
Transfer station closure obligation	-	33,825	-	-	-	33,825	-
Total noncurrent liabilities	13,254,731	694,091	831,001	12,797	1,175,754	15,968,374	237,612
Total liabilities	14,807,563	775,092	955,133	329,423	1,812,843	18,680,054	519,293
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related deferred inflows	52,389	6,365	17,687	-	50,359	126,800	7,768
<b>NET POSITION</b>							
Net investment in capital assets	56,987,328	4,076,020	1,059,508	7,882,250	4,203,971	74,209,077	10,686
Restricted for:							
Debt service	110,475	-	-	-	-	110,475	-
Unrestricted	6,891,466	(216,529)	(575,965)	(8,706)	311,073	6,401,339	1,345,653
Total net position	\$ 63,989,269	\$ 3,859,491	\$ 483,543	\$ 7,873,544	\$ 4,515,044	\$ 80,720,891	\$ 1,356,339

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Reconciliation of Enterprise Funds Net Position  
to the Net Position of Business-Type Activities**

**June 30, 2017**

Total enterprise fund net position	\$ 80,720,891
Amounts reported for proprietary activities in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. Internal service fund net position decreased during the year. A portion of this decrease has been allocated to business-type activities in the statement of net position	<u>159,098</u>
Net position of business-type activities	<u><u>\$ 80,879,989</u></u>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds						
	Water Pollution Control	Transfer Station	Refuse Collection	Airport	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:							
Charges for sales and services	\$ 5,853,533	\$ 2,232,424	\$ 2,198,165	\$ 67,041	\$ 3,220,568	\$ 13,571,731	\$ 1,046,619
Employer contributions	-	-	-	-	-	-	2,841,034
Employee contributions	-	-	-	-	-	-	267,957
Other contributions	-	-	-	-	-	-	164,236
Other	184,339	13,166	6,480	9,974	108,509	322,468	5,247
Total operating revenues	6,037,872	2,245,590	2,204,645	77,015	3,329,077	13,894,199	4,325,093
Operating expenses:							
Cost of sales and services:							
Personal services	2,098,485	247,861	628,756	-	1,765,629	4,740,731	337,070
Commodities	392,957	25,708	184,388	1,468	414,000	1,018,521	409,200
Contractual services	864,925	1,705,887	1,229,718	225,527	1,016,184	5,042,241	3,174,618
Administration	208,000	2,900	80,400	9,100	144,100	444,500	20,300
Depreciation	2,369,272	245,198	103,418	295,879	576,782	3,590,549	6,004
Total operating expenses	5,933,639	2,227,554	2,226,680	531,974	3,916,695	14,836,542	3,947,192
Operating income (loss)	104,233	18,036	(22,035)	(454,959)	(587,618)	(942,343)	377,901
Non-operating revenues (expenses):							
Intergovernmental	10,400	-	43,490	122,978	1,028,798	1,205,666	-
Interest revenue	34,975	-	87	8	3,400	38,470	4,732
Interest expense	(423,443)	-	-	-	-	(423,443)	-
Gain (loss) on sale of capital assets	-	2,375	-	-	(2,557)	(182)	-
Non-operating revenues (expenses), net	(378,068)	2,375	43,577	122,986	1,029,641	820,511	4,732
Income (loss) before capital contributions and transfers	(273,835)	20,411	21,542	(331,973)	442,023	(121,832)	382,633
Capital contributions - grants	-	-	-	662,791	226,639	889,430	-
Capital contributions - government	-	-	-	-	129,484	129,484	3,823
Transfers in	2,570,642	43,490	-	20,272	292,420	2,926,824	-
Transfers out	(400,000)	-	(43,490)	-	(971,591)	(1,415,081)	(53,278)
Change in net position	1,896,807	63,901	(21,948)	351,090	118,975	2,408,825	333,178
Net position, June 30, 2016	62,092,462	3,795,590	505,491	7,522,454	4,396,069	78,312,066	1,023,161
Net position, June 30, 2017	\$ 63,989,269	\$ 3,859,491	\$ 483,543	\$ 7,873,544	\$ 4,515,044	\$ 80,720,891	\$ 1,356,339

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Reconciliation of the Change in Net Position of Enterprise Funds  
to the Statement of Activities**

**For the Year Ended June 30, 2017**

Change in net position in enterprise funds	\$ 2,408,825
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Amounts reported for proprietary activities in the statement of activities  
are different because:

Internal service funds are used by management to charge the costs of various  
activities internally to individual funds. Internal service fund net position decreased during  
the year. A portion of this decrease has been allocated to business-type activities  
in the statement of net position

137,748
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Change in net position of business-type activities
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<u>\$ 2,546,573</u>
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The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>						
	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Airport Operations</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 6,019,151	\$ 1,980,741	\$ 2,196,437	\$ 75,533	\$ 3,393,775	\$ 13,665,637	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	4,294,114
Payments to suppliers	(1,615,255)	(1,648,661)	(1,297,769)	(230,688)	(1,154,943)	(5,947,316)	(3,778,669)
Payments to employees	(1,460,782)	(164,361)	(448,951)	-	(1,375,928)	(3,450,022)	(223,521)
Payments for employee benefits	(674,385)	(84,750)	(212,745)	-	(402,647)	(1,374,527)	(113,338)
Payments for interfund services used	(197,603)	(74,943)	(262,661)	(9,100)	(442,328)	(986,635)	(20,300)
Net cash provided (used) by operating activities	2,071,126	8,026	(25,689)	(164,255)	17,929	1,907,137	158,286
<b>Cash flows from noncapital financing activities</b>							
Transfers to other funds	(400,000)	-	(43,490)	-	(971,591)	(1,415,081)	(53,278)
Transfers from other funds	2,570,642	43,490	-	20,272	292,420	2,926,824	1,288
Advances from other funds	-	150,282	248,059	12,797	5,344	416,482	(1,288)
Advances to other funds	(411,138)	-	-	-	(5,344)	(416,482)	-
Advances to fiduciary funds	-	-	-	-	-	-	(34,514)
Repayment of advances from other funds	-	-	-	-	(2,844)	(2,844)	(1,357)
Repayment of advances to other funds	-	-	-	-	2,844	2,844	26,858
Subsidies from federal, state and local grants	10,400	-	43,490	77,674	996,267	1,127,831	-
Net cash provided (used) by noncapital financing activities	1,769,904	193,772	248,059	110,743	317,096	2,639,574	(62,291)
<b>Cash flows from capital and related financing activities</b>							
Capital contributions	-	-	-	2,272,072	-	2,272,072	-
Purchase of capital assets	(2,130,471)	(208,743)	(222,457)	(2,420,170)	(72,711)	(5,054,552)	-
Principal paid on capital debt	(636,000)	-	-	-	-	(636,000)	-
Interest paid on capital debt	(425,165)	-	-	-	-	(425,165)	-
Proceeds from sale of capital assets	-	2,375	-	-	-	2,375	-
Net cash provided (used) by capital and related financing activities	(3,191,636)	(206,368)	(222,457)	(148,098)	(72,711)	(3,841,270)	-
<b>Cash flows from investing activities</b>							
Proceeds from sales and maturities of investments	-	-	-	-	441,090	441,090	-
Purchase of investments	(1,500,000)	-	-	-	(365,547)	(1,865,547)	-
Interest received	21,048	-	87	8	3,400	24,543	4,732
Net cash provided (used) by investing activities	(1,478,952)	-	87	8	78,943	(1,399,914)	4,732
Net increase (decrease) in cash and pooled investments	(829,558)	(4,570)	-	(201,602)	341,257	(694,473)	100,727
Cash and pooled investments, June 30, 2016	6,804,785	38,395	-	201,602	673,663	7,718,445	1,540,152
Cash and pooled investments, June 30, 2017	\$ 5,975,227	\$ 33,825	\$ -	\$ -	\$ 1,014,920	\$ 7,023,972	\$ 1,640,879
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Cash flows from operating activities:							
Operating income (loss)	\$ 104,233	\$ 18,036	\$ (22,035)	\$ (454,959)	\$ (587,618)	\$ (942,343)	\$ 377,901
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	2,369,272	245,198	103,418	295,879	576,782	3,590,549	6,004
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable	(18,721)	(264,853)	(7,902)	(398)	76,099	(215,775)	(30,979)
Prepaid expenses	-	-	-	-	2,135	2,135	-
Inventories	-	-	-	-	6,409	6,409	3,007
Deferred outflows of resources	(12,387)	1,582	5,301	-	(54,870)	(60,374)	(3,349)
Increase (decrease) in:							
Accounts payable and accruals	(404,175)	8,099	(88,888)	(3,693)	(61,081)	(549,738)	(205,849)
Compensated absences payable	11,009	2,278	(16,172)	-	1,931	(954)	6,399
Other post-employment benefits	7,137	2,021	859	-	2,966	12,983	1,928
Deferred revenue	-	4	(306)	(1,084)	(10,401)	(11,787)	-
Deposits	-	-	-	-	(1,000)	(1,000)	-
Transfer station closure obligation	-	(4,570)	-	-	-	(4,570)	-
Net pension liability	248,774	28,239	77,994	-	252,310	607,317	37,652
Deferred inflows of resources	(234,016)	(28,008)	(77,958)	-	(185,733)	(525,715)	(34,428)
Total adjustments	1,966,893	(10,010)	(3,654)	290,704	605,547	2,849,480	(219,615)
Net cash provided (used) by operating activities	\$ 2,071,126	\$ 8,026	\$ (25,689)	\$ (164,255)	\$ 17,929	\$ 1,907,137	\$ 158,286
<b>Non-cash capital and related financing activities:</b>							
Contribution of capital asset from government	\$ -	\$ -	\$ -	\$ -	\$ 129,484	\$ 129,484	\$ 3,823

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2017**

	<b>Agency Funds</b>
Assets:	
Accounts receivable	<u><u>\$      57,650</u></u>
Liabilities:	
Accounts payable and accruals	23,136
Due to primary government	<u>34,514</u>
Total liabilities	<u><u>\$      57,650</u></u>

The notes to the financial statements are an integral part of this statement.

## **CITY OF MUSCATINE, IOWA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

The notes to the financial statements contain a summary of significant accounting policies and other information considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Deposits and Investments
3. Interfund Receivables, Payables, and Transfers
4. Capital Assets
5. Long-Term Debt
6. Landfill Closure and Postclosure Care Cost
7. Retirement Systems
8. Deficit Fund Equity
9. Other Post Employment Health and Dental Care Benefits (OPEB)
10. Industrial Revenue Bonds
11. Risk Management
12. Commitments and Contingencies
13. Urban Renewal Development Agreements and Tax Abatements
14. Pending Governmental Accounting Standards Board (GASB) Standards



**CITY OF MUSCATINE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

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

**A. Reporting Entity**

The City of Muscatine, Iowa, was chartered in 1851 under the laws of the state of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a Mayor/Council/City Administrator form of government and provides a broad range of services to its citizens, including general government, public safety, public works, community development, and cultural and park facilities. The City also operates an airport, parking facilities, public housing facilities, transit system, sewer and sanitation utilities, a municipal golf course, public library, and a municipal museum and art center.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Muscatine and its component units, entities for which the City is considered to be financially accountable. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

**Discretely Presented Component Units**

**Muscatine County Solid Waste Agency (Agency).** The Agency has been organized as a joint venture under Chapter 28E of the Code of Iowa between the City of Muscatine; Muscatine County; and the municipalities of Fruitland, Stockton, West Liberty, Nichols, Conesville, and Atalissa, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

The City of Muscatine appoints a representative to the Agency's governing board whose vote (based on the City's population) accounts for 56% of the board's voting authority. A two-thirds vote is required for board action; therefore, the City does not appoint a voting majority of the Agency's governing board. Nonetheless, the Agency is considered a component unit of the City because of its fiscal dependence on the City, the financial benefit/burden relationship, and the City's ability to impose its will on the Agency. The City is financially accountable for the Agency and can significantly influence the Agency. The City Council approves the Agency's budget, sets its rates, and approves any debt issuances. See also note to landfill closure and postclosure care costs regarding the City's ongoing financial relationship.

The Agency has a June 30 year-end. Separate financial statements are not issued for the Agency, and the Agency accounts for all of its financial transactions in a single fund.

**Muscatine Power & Water (MP&W).** MP&W is a municipal utility which provides water, electric, and communication service to users within the City of Muscatine and in other urban and rural areas within Muscatine County. MP&W's governing board is appointed by the City Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City.

MP&W has a December 31 year-end. Complete financial statements for MP&W may be obtained at its administrative offices at Muscatine Power & Water, 3205 Cedar Street, Muscatine, Iowa 52761.

## Joint Venture

The City is a member organization along with Muscatine County and Muscatine Power and Water in a joint venture organized under Chapter 28E of the Iowa Code to develop and operate the Muscatine Area Geographic Information Consortium (MAGIC). The purpose of MAGIC is to improve the efficiency and effectiveness of its member organizations through the coordinated development of geographic and land information systems technology and data. A six-member board composed of two appointees from each member organization governs MAGIC. Each member organization has one vote on all matters. Each member organization is responsible for one-third of the operating expenses incurred by MAGIC. In the event MAGIC is terminated, the material benefits realized from the liquidation of any and all of its assets shall be divided among the participating organizations on a pro rata basis after any and all claims against MAGIC have been satisfied. The intent of the organization is not to accumulate excess funds and based upon the balance at year end the future contributions are adjusted accordingly. In accordance with the Governmental Accounting Standards Board's *Codification*, a claim to assets upon the joint venture's dissolution is not considered to be an equity interest. Therefore no investment in the joint venture is reported on the face of the financial statements of the City. There are no separately issued financial statements for this joint venture.

## Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Joint Communications Commission; Muscatine County/Municipal Disaster Services Board; Crossroads Workshop Board; Muscatine Island Flood Control Commission; Muscatine County Assessor's Conference Board; and Muscatine County Drug Task Force.

## B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

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

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

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, other than agency funds. Agency funds use the full accrual basis of accounting but do not have a measurement focus and therefore report only assets, deferred outflows of resources, liabilities and deferred inflows of resources. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and all other revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The City has determined that there are various revenues, except for property tax revenues, including reimbursement of expenditures that are received between 60 and 90 days and therefore have adopted a 90 day availability period in order to keep the revenues and expenditures in the same current period.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied and budgeted for, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 90 days after year-end. Income and other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenue are recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The government reports the following major governmental funds:

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

The *employee benefits fund* accounts for property taxes levied for police and fire retirement contributions, FICA and IPERS, and other employee benefits, as provided in Section 384.6 of the Code of Iowa.

The *local option sales tax fund* accounts for revenue from the 1% local option tax. Effective July 1, 2009, voters approved using up to 20% of future local option tax for the City's pavement management program with the remaining funds to be used for storm and sanitary sewer improvements.

The *road use tax fund* accounts for road use tax allocated to the city to be used to maintain and improve the City's street system.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *other street improvements fund* accounts for major street reconstruction or improvement projects.

The government reports the following major proprietary funds:

The *water pollution control fund* accounts for the operation of a municipally owned sewer treatment plant which provides services to the City. All activities necessary for such services are provided for in this fund as well as plant and various sewer system improvement projects.

The *transfer station fund* accounts for the operation of the refuse transfer station and recycling center.

The *refuse collection fund* accounts for the collection of solid waste from residential property in the City as well as from some commercial customers.

The *airport fund* accounts for the activities of the Municipal Airport. This activity is supported by user charges and a subsidy from the general fund.

Additionally, the government reports the following fund types:

*Internal service funds* account for equipment services, central supply distribution, and employee health and dental benefits provided to other departments of the government on a cost reimbursement basis.

*Fiduciary fund types* are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Following is the City's fiduciary fund type:

*Agency funds* function to account for assets held by the City as an agent for miscellaneous payroll items and housing programs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer and transfer station functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **D. Assets, Liabilities and Equity**

### **1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

The City is authorized by the City Council to invest in obligations of the United States government and its agencies and instrumentalities; in certificates of deposit or other evidences of deposit at federally insured depository institutions; and investments in joint investment trusts authorized by resolution of the City Council.

Investments of the City, the Agency and Muscatine Power & Water are stated at fair value with the exception of the investment in the Iowa Public Agency Investment Trust which is stated at amortized cost, which approximates fair value.

### **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable amount in the General Fund to indicate they are not available for appropriation and are not available financial resources.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2017, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2016 and March 31, 2017. Any County collections on the 2016-2017 tax levy remitted to the City within sixty days subsequent to June 30, 2017, are recorded as property tax revenues in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2017, are delinquent and have been recorded as receivables and deferred inflows of resources in the governmental fund statements. By statute, the City is required to certify its budget in March 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 and will not be recognized as revenue until the year for which it is levied and budgeted for in both the governmental fund statements and the government-wide statements.

### **3. Inventories and Prepaid Items**

Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. The City's inventories are valued at cost using the first-in/first-out (FIFO) method. MP&W's inventories are valued at their weighted average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Restricted Assets**

Restricted assets of the Transfer Station fund represents amounts set aside under law to provide for Transfer Station closure costs. Transfer Station assets of \$33,825 at June 30, 2017 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Restricted assets of the Water Pollution Control fund represents amounts set aside as required under the State Revolving Fund loan to pay interest and principal of the bonds and any parity obligations. Water Pollution Control assets of \$110,475 at June 30, 2017 are classified as restricted because their use is restricted under the State Revolving Fund loan.

Restricted assets of the Muscatine County Solid Waste Agency represent amounts set aside under law to provide for the cost of future landfill closure and post-closure costs. Solid Waste Agency assets of \$1,838,629, at June 30, 2017 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

Muscatine Power & Water's restricted assets represent amounts set aside under the terms of the water loan agreement. In accordance with the covenants of the bond resolutions, the amounts have been segregated into a bond sinking fund. In accordance with the loan agreement, the sinking fund is used solely for the purpose of paying the interest on and principal of the outstanding loan. The composition of the restricted assets at December 31, 2016 relates to the water utility sinking fund of \$35,283.



## 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	10-50
Buildings	15-40
Building improvements	5-40
Equipment	4-20
Vehicles	4-15
Sewer system	50
Infrastructure	7-75

MP&W's utility plant is stated at original cost, which includes the cost of contracted services, material, labor, overhead, and on significant projects, an allowance for borrowed funds used during construction.

## 6. 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 qualify for reporting in this category: the deferred charge on refunding reported in the government-wide statement of net position and pension related deferred outflows. A deferred charge on refunding 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.



## **7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon retirement or termination. Sick pay is payable upon retirement, in which event employees are paid for 40% of all eligible hours. Beginning July 1, 2000, retirement sick pay for non-union employees is paid to a post-employment health plan to be used for health care cost of the retirees. Beginning July 1, 2001, retirement sick pay for Fire bargaining unit and Blue/White Collar bargaining unit employees is also paid to the post employment health plan. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## **8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time the debt is incurred.

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

## **9. Deferred Inflows of Resources and Unearned Revenue**

**Deferred Inflows of Resources:** In addition to liabilities, the statement of net position and balance sheets 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, other taxes, and intergovernmental grants. 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, only the property tax revenues remain a deferred inflow and will become an inflow in the year they are levied and budgeted for. The City also reports pension related deferred inflows in the government-wide statements and the proprietary fund statements.

**Unearned Revenues:** Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Muscatine Power & Water electric utility's unearned revenue is a result of prepayments for a land lease and for zonal resource credits. MP&W's water utility's unearned revenue is deposits received for future construction projects. MP&W's communications utility's unearned revenue is a result of a 20-year contract to lease dark fiber to Iowa Health System, plus prepaid CATC advertising.

## **10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems) and additions to/deductions from the Systems' fiduciary net

position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

## **11. Fund Equity**

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

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

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

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

Assigned – Amounts constrained by the City's intent to use them for a specific purpose. The City's fund balance policy dated November 7, 2013 provides that assigned uses of fund balances can be established by the City Council, City Administrator, or Finance Director.

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 policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, then unassigned.

## **12. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and 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 bond proceeds. As of June 30, 2017, there were unspent bond proceeds totaling \$116,950. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted through enabling legislation consists of \$1,620,548 for public works, \$57,105 for employee benefits, \$13,209 for public safety, and \$1,164,371 for tax increment financing projects.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

## NOTE 2. DEPOSITS AND INVESTMENTS

The deposits and investments of the Solid Waste Agency are pooled with those of the City. Disclosures referring to deposits and investments of the City include the pooled amounts belonging to the Agency.

As of June 30, 2017, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 255,096
Cash in bank	600,282
Savings accounts	49,761
Money market accounts	2,209,461
Iowa Public Agency Investment Trust	25,908,059
Certificates of deposit	<u>8,239,227</u>
	<u>\$ 37,261,886</u>

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The City has investments in IPAIT which were valued at an amortized cost of \$25,908,059 pursuant to Rule 2 a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the IPAIT investments.

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

**Credit risk** – The City’s investment policy provides that City funds may be invested in interest bearing money market accounts, interest bearing checking accounts, and certificates of deposit at any approved bank in the State of Iowa. Approved banks must be on the list of banks approved for public investments by the Treasurer of the State of Iowa and investments must be entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. City funds may also be invested in obligations of the United States government, its agencies and instrumentalities, and in the Iowa Public Agency Investment Trust (IPAIT). The City’s investment in IPAIT is unrated.

**Concentration of credit risk** – The City’s investment policy is to diversify its investment portfolio. Assets shall be diversified, where possible, to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

**Custodial credit risk – deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2017 the carrying amount of the City’s deposits with financial institutions totaled \$37,003,131 and the bank balances were \$37,223,950. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

### **Muscatine Power and Water**

As of December 31, 2016 MP&W's deposits were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

It is the policy of Muscatine Power & Water to maintain all deposits and investments in authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held at December 31, 2016 were considered to be in risk category one (investments held in trust on behalf of the utility), therefore, not subject to custodial credit risk.

It is the policy of the utility to maintain all deposits and investments in authorized investment vehicles that are insured or registered in the utility's name or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

**Credit Risk** – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2016, the utility's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
US agencies/treasury	AA+	Aaa

It is the policy of the utility to have securities held by the utility or a third party custodian and rated within the highest or second highest rating category of a nationally recognized rating agency.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2016, investments held with issuers, each totaling more than 5 percent of the total portfolio, were concentrated as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	100%

It is the policy of the utility to diversify its investment portfolio. Assets are diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At December 31, 2016, the utility's investments were as follows:

Investment Type	Maturity In Years			
	Fair Value	Less than 1 Year	1 – 5 Years	Greater than 5 Years
US agencies	\$ 1,500,374	\$ 1,500,374	\$ -	\$ -

The utility's investment policy addresses maturity limitations by requiring operating funds to be invested in instruments that mature within 397 days. Non-operating funds may be invested in instruments with maturities longer than 397 days as long as the maturities are consistent with the needs and use of the utility. One of the investment policy's primary objectives is to maintain the necessary liquidity to match expected liabilities.

The utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2016, the utility had investments in US Agency Securities of \$1,500,374. These investments were valued using a matrix pricing model (Level 2 input).

### NOTE 3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2017 consist of the following:

		Due from/advance to							
Due to/Advance from		Nonmajor Governmental	Transfer Station	Refuse Collection	Airport	Nonmajor Enterprise	Internal Service	Fiduciary	Totals
	General	\$ 2,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,974
	Nonmajor governmental	107,307	-	-	-	-	-	-	107,307
	Other street improvements	-	-	-	-	-	-	-	-
	Water pollution control	-	480,831	343,833	12,797	-	-	-	837,461
	Nonmajor enterprise	-	-	-	-	5,344	-	-	5,344
	Internal service	-	-	-	-	-	1,288	34,514	35,802
	Total	\$ 110,281	\$ 480,831	\$ 343,833	\$ 12,797	\$ 5,344	\$ 1,288	\$ 34,514	\$ 988,888

The \$480,831 balance due from the Transfer Station is the result of a loan for working capital needs resulting from amounts in accounts receivable at year end. It is not expected that this amount will be eliminated in the subsequent year. The advance to the Refuse Collection fund is to finance a loan for a new refuse vehicle. It will not be eliminated in the subsequent year. The remaining balances result from (1) working capital for inventory in the enterprise and internal service funds, and (2) the time lag of receipts into various funds.

Interfund transfers for the year are as follows:

	Transfers from									
	General	Employee Benefits	Local Option Sales Tax	Road Use Tax	Nonmajor Governmental	Water Pollution Control	Refuse Collection	Nonmajor Enterprise	Internal Service	Totals
General	\$ -	\$ 3,760,223	\$ -	\$ 2,646,464	\$ 199,275	\$ -	\$ -	\$ 891,000	\$ 53,278	\$ 7,550,240
Debt service	-	-	-	-	203,050	-	-	-	-	203,050
Other street improvements	-	-	-	185,880	-	200,000	-	-	-	385,880
Nonmajor governmental	73,244	-	610,991	226,440	156,389	200,000	-	80,591	-	1,347,655
Water pollution control	-	-	2,570,642	-	-	-	-	-	-	2,570,642
Transfer station	-	-	-	-	-	-	43,490	-	-	43,490
Airport	20,272	-	-	-	-	-	-	-	-	20,272
Nonmajor enterprise	292,420	-	-	-	-	-	-	-	-	292,420
Total	\$ 385,936	\$ 3,760,223	\$ 3,181,633	\$ 3,058,784	\$ 558,714	\$ 400,000	\$ 43,490	\$ 971,591	\$ 53,278	\$ 12,413,649

Transfers are used to move revenues from the fund that State statutes or the budget requires them to be collected in to the fund that State statutes or the budget requires them to be expended.

#### NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

##### Primary government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 10,326,851	\$ 690,883	\$ -	\$ -	\$ 11,017,734
Art work	7,667,776	7,000	-	-	7,674,776
Construction in progress	1,606,863	7,511,037	(6,493,589)	-	2,624,311
Total capital assets, not being depreciated	19,601,490	8,208,920	(6,493,589)	-	21,316,821
Capital assets, being depreciated:					
Land improvements	18,086,607	-	-	-	18,086,607
Buildings	9,649,554	680,910	-	-	10,330,464
Building improvements	2,198,439	2,048,215	-	-	4,246,654
Equipment	5,849,823	195,323	(561,570)	-	5,483,576
Vehicles	5,309,244	625,063	(257,193)	165,302	5,842,416
Other Assets	29,312	-	-	-	29,312
Infrastructure	72,713,038	3,006,367	-	-	75,719,405
Total capital assets, being depreciated	113,836,017	6,555,878	(818,763)	165,302	119,738,434
Less accumulated depreciation for:					
Land improvements	(11,133,892)	(538,195)	-	-	(11,672,087)
Buildings	(5,797,497)	(185,415)	-	-	(5,982,912)
Building improvements	(1,212,959)	(150,308)	-	-	(1,363,267)
Equipment	(4,480,159)	(319,431)	551,081	-	(4,248,509)
Vehicles	(3,984,728)	(288,005)	257,193	(165,302)	(4,180,842)
Other Assets	(29,312)	-	-	-	(29,312)
Infrastructure	(36,630,864)	(2,476,711)	-	-	(39,107,575)
Total accumulated depreciation	(63,269,411)	(3,958,065)	808,274	(165,302)	(66,584,504)
Total capital assets, being depreciated, net	50,566,606	2,597,813	(10,489)	-	53,153,930
Governmental activities capital assets, net	\$ 70,168,096	\$ 10,806,733	\$ (6,504,078)	\$ -	\$ 74,470,751

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,887,375	\$ -	\$ -	\$ -	\$ 2,887,375
Construction in progress	4,650,608	2,966,132	(6,195,076)	-	1,421,664
	<u>\$ -</u>				
Total capital assets, not being depreciated	<u>7,537,983</u>	<u>2,966,132</u>	<u>(6,195,076)</u>	<u>-</u>	<u>4,309,039</u>
Capital assets, being depreciated:					
Land improvements	13,685,845	4,699,621	(576,270)	-	17,809,196
Buildings	65,660,364	-	-	-	65,660,364
Building improvements	4,269,394	28,802	(10,959)	-	4,287,237
Equipment	6,698,794	96,591	-	(181,297)	6,614,088
Vehicles	4,194,698	690,033	(381,613)	15,995	4,519,113
Sewer system	58,125,770	1,677,369	-	-	59,803,139
	<u>-</u>				
Total capital assets, being depreciated	<u>152,634,864</u>	<u>7,192,416</u>	<u>(968,842)</u>	<u>(165,302)</u>	<u>158,693,137</u>
Less accumulated depreciation for:					
Land improvements	(11,553,089)	(337,389)	576,270	-	(11,314,208)
Buildings	(36,003,138)	(1,238,007)	-	-	(37,241,145)
Building improvements	(2,967,168)	(177,786)	8,401	-	(3,136,553)
Equipment	(3,977,818)	(347,569)	-	-	(4,325,387)
Vehicles	(2,653,633)	(320,769)	381,613	165,302	(2,427,487)
Sewer system	(16,733,290)	(1,169,029)	-	-	(17,902,319)
	<u>(73,888,136)</u>	<u>(3,590,549)</u>	<u>966,284</u>	<u>165,302</u>	<u>(76,347,099)</u>
	<u>-</u>				
Total capital assets, being depreciated, net	<u>78,746,728</u>	<u>3,601,867</u>	<u>(2,558)</u>	<u>-</u>	<u>82,346,038</u>
Business type activities capital assets, net	<u>\$ 86,284,711</u>	<u>\$ 6,567,999</u>	<u>\$ (6,197,634)</u>	<u>\$ -</u>	<u>\$ 86,655,077</u>

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

Governmental activities:	
Public safety	\$ 303,055
Public works	2,730,612
Culture and recreation	853,820
Community and economic development	6,782
General government	57,792
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>6,004</u>
Total depreciation expense – governmental activities	<u>\$ 3,958,065</u>

Business-type activities:

Water pollution control	\$ 2,369,272
Refuse collection	103,418
Transfer station	245,198
Airport	295,879
Parking	40,390
Transit	87,412
Golf course	104,101
Boat harbor	6,546
Ambulance	111,053
Public housing	224,997
Convention and Visitors Bureau	<u>2,283</u>

Total depreciation expense –  
business-type activities \$ 3,590,549

### Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2017 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Construction in progress	-	30,881	-	30,881
Total capital assets, not being depreciated	<u>1,080,608</u>	<u>30,881</u>	<u>-</u>	<u>1,111,489</u>
Capital assets, being depreciated:				
Land improvements	1,873,587	17,600	-	1,891,187
Buildings	37,314	-	-	37,314
Equipment	31,317	-	-	31,317
Leachate collection system	<u>616,835</u>	<u>-</u>	<u>-</u>	<u>616,835</u>
Total capital assets, being depreciated	<u>2,559,053</u>	<u>17,600</u>	<u>-</u>	<u>2,576,653</u>
Less accumulated depreciation for:				
Land improvements	(1,705,011)	(129,904)	-	(1,834,915)
Buildings	(20,057)	(933)	-	(20,990)
Equipment	(21,749)	(1,472)	-	(23,221)
Leachate collection system	<u>(351,900)</u>	<u>(19,866)</u>	<u>-</u>	<u>(371,766)</u>
Total accumulated depreciation	<u>(2,098,717)</u>	<u>(152,175)</u>	<u>-</u>	<u>(2,250,892)</u>
Total capital assets, being depreciated, net	<u>460,336</u>	<u>(134,575)</u>	<u>-</u>	<u>325,761</u>
Solid Waste Agency capital assets, net	<u>\$ 1,540,944</u>	<u>\$ (103,694)</u>	<u>\$ -</u>	<u>\$ 1,437,250</u>



Activity for Muscatine Power & Water for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land and land rights	\$ 2,926,911	\$ -	\$ -	\$ -	\$ 2,926,911
Construction work in progress	4,050,006	8,333,494	(440,667)	(6,247,747)	5,695,086
Total capital assets, not being depreciated	6,976,917	8,333,494	(440,667)	(6,247,747)	8,621,997
Capital assets, being depreciated:					
Generation plant	331,667,647	32,800	(203,484)	3,448,071	334,945,034
Transmission and distribution plant	62,039,064	789,547	(503,318)	867,903	63,193,196
General plant	23,818,197	115,005	(516,370)	662,893	24,079,725
Source of supply	3,245,289	-	(28,086)	211,894	3,429,097
Pumping equipment	2,278,501	-	-	126,847	2,405,348
Purification equipment	1,532,521	11,703	-	-	1,544,224
Distribution system	19,034,954	98,563	(578,829)	747,558	19,302,246
Network operations plant	31,393,761	654,356	(344,876)	182,581	31,885,822
Total capital assets being depreciated	475,009,934	1,701,974	(2,174,963)	6,247,747	480,784,692
Less accumulated depreciation for:					
Generation plant	(268,892,113)	7,651,048	(203,484)	-	(276,339,677)
Transmission and distribution plant	(51,162,875)	2,394,638	(542,040)	-	(53,015,473)
General plant	(23,105,105)	209,737	(528,026)	-	(22,786,816)
Source of supply	(1,431,835)	108,176	(28,086)	-	(1,511,925)
Pumping equipment	(753,148)	72,287	-	-	(825,435)
Purification system	(909,036)	38,750	-	-	(947,786)
Distribution system	(6,150,342)	424,835	(579,540)	-	(5,995,637)
Network operations plant and general plant	(24,822,219)	1,556,232	(362,543)	-	(26,015,908)
Total accumulated depreciation	(377,226,673)	12,455,703	(2,243,719)	-	(387,438,657)
Total capital assets, being depreciated, net	97,783,261	14,157,677	(4,418,682)	6,247,747	93,346,035
Muscatine Power & Water capital assets, net	\$ 104,760,178	\$ 22,491,171	\$ (4,859,349)	\$ -	\$ 101,968,032

## NOTE 5. LONG-TERM DEBT

**General Obligation Bonds.** The general obligation bonds outstanding as of June 30, 2017 total \$13,047,619. These bonds bear interest at rates ranging from .75% to 3.125%.

General obligation bonds as of June 30, 2017 consist of the following individual issues:

	Issue Date	Amount Issued	Interest Rates	Balance 6/30/2017	Governmental Activities
General obligation bonds					
General corporate	6/1/2010	\$ 7,425,000	3.00-3.125	\$ 3,680,363	(1) \$ 3,680,363
General corporate	6/1/2012	4,715,000	.75-1.90	2,795,000	(2) 2,795,000
General corporate	6/1/2014	2,575,000	1.50-2.10	2,448,531	(3) 2,448,531
General corporate and refunding	5/26/2016	4,550,000	2.00-3.00	4,123,725	(4) 4,123,725
				<u>\$ 13,047,619</u>	<u>\$ 13,047,619</u>

1. Net of unamortized premium of \$10,363
2. No premium or discount
3. Net of unamortized premium of \$28,531
4. Net of unamortized premium of \$203,725

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,505,000	\$ 301,706
2019	2,405,000	238,066
2020	2,515,000	178,591
2021	1,360,000	115,053
2022	1,400,000	87,488
2023-2026	2,620,000	129,612
	<u>\$ 12,805,000</u>	<u>\$ 1,050,516</u>

**Tax Increment Revenue Bonds.** In June 2004 \$1,885,000 of tax increment bonds were issued to fund public improvements in the Southend Urban Renewal Area.

**TIF Revenues Pledged.** The City has pledged a portion of future urban renewal tax increment revenues to repay the Tax Increment Revenue Bonds noted above. The urban renewal tax increment revenues were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are \$647,425 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were \$163,705 and \$1,875,600, respectively.

Tax increment revenue bonds as of June 30, 2017 consist of the following:

	<u>Issue</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Interest</u> <u>Rates</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Tax Increment Revenue Bonds:</b>				
Urban Renewal Tax Increment	06/24/2004	\$ 1,885,000	5.40-5.80%	<u>\$ 565,000</u>

Annual debt service requirements to maturity for the tax increment revenue bond are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 130,000	\$ 31,955
2019	140,000	24,805
2020	145,000	16,965
2021	150,000	8,700
	<u>\$ 565,000</u>	<u>\$ 82,425</u>

**State Revolving Fund (SRF) Revenue Loan.** In November of 2008, the City entered into a State Revolving Fund Loan with the State of Iowa in the amount of \$16,500,000 to finance comprehensive improvements at the City's Water Pollution Control Plant. As of June 30, 2017, the loan balance is \$12,446,000. The Loan has an interest rate of 3% and a loan servicing fee of .25% per annum of the principal amount of the loan outstanding. Repayment of this loan is to come from future revenues of the Plant.

**State Revolving Fund Loan Revenues Pledged.** The City is required to establish, impose, adjust, and provide for the collection of fees to be charged to customers of the Water Pollution Control Plant to produce gross revenues at least sufficient to pay operating and maintenance costs of the plant and to leave a net balance equal to at least 110% of the principal and interest on all of the bonds and any other parity obligations due in such fiscal year as they become due. The City is also required to establish a Sewer Revenue Bond Sinking Fund into which there shall be set aside from net revenues, sufficient funds to pay interest on and principal of all of the bonds and any parity obligations as the same become due.

Annual debt service requirements for the state revolving fund revenue loan are as follows:

Year Ending June 30	Business-Type		
	Principal	Interest	Fees
2018	\$ 657,000	\$ 373,380	\$ 31,115
2019	678,000	353,670	29,473
2020	700,000	333,330	27,778
2021	723,000	312,330	26,028
2022	747,000	290,640	24,220
2023	771,000	268,230	22,353
2024	796,000	245,100	20,425
2025	822,000	221,220	18,435
2026	849,000	196,560	16,380
2027	876,000	171,090	14,258
2028	905,000	144,810	12,068
2029	934,000	117,660	9,805
2030	964,000	89,640	7,470
2031	996,000	60,720	5,060
2032	1,028,000	30,840	2,570
	<u>\$ 12,446,000</u>	<u>\$ 3,209,220</u>	<u>\$ 267,438</u>

Long-term liability activity for the year ended June 30, 2017 was as follows:

#### Primary government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 15,095,000	\$ -	\$ (2,290,000)	\$ 12,805,000	\$ 2,505,000
Tax increment revenue bonds	690,000	-	(125,000)	565,000	130,000
Premiums/discounts	307,985	-	(65,366)	242,619	-
Total bonds payable	16,092,985	-	(2,480,366)	13,612,619	2,635,000
Compensated absences	1,426,841	917,992	(825,739)	1,519,094	723,162
Net pension liability	11,371,084	3,244,163	-	14,615,247	-
Other post-employment benefits liability	400,471	84,955	-	485,426	-
Governmental activity long-term liabilities	<u>\$ 29,291,381</u>	<u>\$ 4,247,110</u>	<u>\$ (3,306,105)</u>	<u>\$ 30,232,386</u>	<u>\$ 3,358,162</u>
<b>Business-type activities:</b>					
Bonds payable:					
State revolving fund loan	\$ 13,082,000	\$ -	\$ (636,000)	\$ 12,446,000	\$ 657,000
Total bonds payable	13,082,000	-	(636,000)	12,446,000	657,000
Compensated absences	392,053	289,329	(290,280)	391,102	195,985
Net pension liability	2,352,411	607,317	-	2,959,728	-
Other post-employment benefits liability	140,260	12,983	-	153,243	-
Closure/post-closure obligation	38,395	-	(4,570)	33,825	-
Business-type activity long-term liabilities	<u>\$ 16,005,119</u>	<u>\$ 909,629</u>	<u>\$ (930,850)</u>	<u>\$ 15,983,898</u>	<u>\$ 852,985</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$53,203, of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and other post-employment benefits are generally liquidated by the general fund. Pension liability for the internal service funds of \$189,759 has also been included with governmental activities.

### Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 2,665	\$ 8,417	\$ (3,769)	\$ 7,313	\$ 1,937
Closure/post-closure obligation	<u>2,910,143</u>	<u>210,050</u>	<u>-</u>	<u>3,120,193</u>	<u>-</u>
Total liabilities	<u>\$ 2,912,808</u>	<u>\$ 218,467</u>	<u>\$ (3,769)</u>	<u>\$ 3,127,506</u>	<u>\$ 1,937</u>

Activity for Muscatine Power & Water for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net pension liability	\$ 12,063,461	\$ 4,208,828	\$ -	\$ 16,272,289
State revolving fund loan	161,000	-	(30,000)	131,000
Post-employment health benefit provision	<u>483,205</u>	<u>36,094</u>	<u>-</u>	<u>519,299</u>
Total long-term debt	12,707,666	<u>\$ 4,244,922</u>	<u>\$ (30,000)</u>	16,922,588
Less current installments	<u>30,000</u>			<u>31,000</u>
Long-term debt, net of current portion	<u>\$ 12,677,666</u>			<u>\$ 16,891,588</u>

On November 18, 2009, the utility closed on a loan from the Iowa Department of Natural Resources' State Drinking Water Revolving Loan Fund for the well motor control project. The loan is administered by the Iowa Finance Authority. The loan agreement provided for the borrowing of up to \$494,000; the total amount borrowed was \$399,000. The project qualified for ARRA (Stimulus Act) funding as a "green" water project and eligible for \$93,000 loan forgiveness. The interest rate on the loan is 3.0% interest, plus a 0.25% servicing fee, with a 10-year repayment term. Interest payments are payable semi-annually and began June 1, 2010; principal payments began June 1, 2011 and are due annually. The total outstanding loan payable at December 31, 2016 was \$131,000.

At December 31, 2016, the state revolving fund loan mature and bear interest as follows:

<u>Year Ending December 31</u>	<u>State Revolving Fund Loan</u>		
	<u>Principal</u>	<u>Servicing</u>	
	<u>Amount</u>	<u>Interest</u>	<u>Fee</u>
2017	\$ 31,000	\$ 3,465	\$ 328
2018	32,000	2,520	250
2019	33,000	1,545	170
2020	<u>35,000</u>	<u>525</u>	<u>87</u>
Totals	<u>\$ 131,000</u>	<u>\$ 8,055</u>	<u>\$ 835</u>

Water utility revenues, net of specified operating expenses, are pledged as security of the water debt until fully paid. Principal and interest paid in 2016 and water utility net revenues are as follows:

	<u>Water</u>
Principal and interest paid	\$ 39,144
Net revenues	1,482,667

Annual future principal and interest payments are expected to require 2% of the water utility net revenues.

#### **NOTE 6. LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the Muscatine County Solid Waste Management Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,120,193 reported as landfill closure and post closure care liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 71.2% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$1,262,935 as the remaining estimated capacity is filled over the 17 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2017. The Agency expects the currently-permitted landfill property to reach its capacity in 2034. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Financial assurances for closure and post-closure care is demonstrated through the Financial Test as specified in IAC 567 Chapter 113.14(6)f. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

#### **NOTE 7. RETIREMENT SYSTEMS**

##### **Iowa Public Employees Retirement System (IPERS) Pension Plan**

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

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

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the City contributed 8.93 percent of covered payroll, for a total rate of 14.88 percent. Protection occupation members contributed 6.56 percent of covered payroll and the City contributed 9.84 percent of covered payroll for a total rate of 16.40 percent.

The City's contributions to IPERS for the year ended June 30, 2017 were \$727,098.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$6,811,690 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.1082369 percent, which was a decrease of .002212 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$746,874. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,173	\$ 82,354
Changes of assumptions	103,875	14
Net difference between projected and actual earnings on pension plan investments	977,672	-
Changes in proportion and differences between City contributions and proportionate share of contributions	928	200,683
City contributions subsequent to the measurement date	727,098	-
Total	<u>\$ 1,869,746</u>	<u>\$ 283,051</u>

The \$727,098 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 66,349
2019	66,349
2020	465,867
2021	269,715
2022	(8,683)
Total	<u>\$ 859,597</u>

There were no non-employer contributing entities at IPERS.



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

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

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

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, 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 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.



1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
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City's proportionate share of the  
net pension liability

\$ 11,047,141    \$ 6,811,690    \$ 3,236,949

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

Payables to the Pension Plan – At June 30, 2017, the City reported payables to the defined benefit pension plan of \$12,944 for legally required employer contributions and \$8,625 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

### **Municipal Fire and Police Retirement System of Iowa (MFPRSI) Pension Plan**

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

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

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

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

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

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

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

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

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

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2017.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.92 percent for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 were \$1,354,626.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2017.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$10,763,285 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2016, the City's proportion was 1.721407 percent which was a decrease of 0.038182 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,472,935. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277,787	\$ 9,982
Changes of assumptions	456,098	149,094
Net difference between projected and actual earnings on pension plan investments	1,903,199	-
Changes in proportion and differences between City contributions and proportionate share of contributions	88,110	147,139
City contributions subsequent to the measurement date	1,354,626	-
Total	<u>\$ 4,079,820</u>	<u>\$ 306,215</u>

The \$1,354,626 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 382,164
2019	382,164
2020	1,076,916
2021	625,766
2022	(48,031)
Total	<u>\$ 2,418,979</u>

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

Rate of inflation	3.00 percent per annum
Salary increases	4.50 percent to 15.11 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on RP 2000 Blue Collar Combined Healthy Mortality Table with males set-back two years and females set-forward one year with no projection of future mortality improvement.

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 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-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 16,892,430	\$ 10,763,285	\$ 5,659,016

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

Payables to the Pension Plan - At June 30, 2017, the City reported payables to the defined benefit pension plan of \$18,818 for legally required employer contributions and \$6,888 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

Summary information of all pension plans as of June 30, 2017 is as follows:

	IPERS		
	Governmental	Business-type	Total
	Activities	Activities	
Net pension liability	\$ (3,903,253)	\$ (2,908,437)	\$ (6,811,690)
Deferred outflows of resources related to pensions	1,092,574	777,172	1,869,746
Deferred inflows of resources related to pensions	(161,451)	(121,600)	(283,051)
Pension expense	436,250	310,624	746,874
	MFPRSI		
	Governmental	Business-type	Total
	Activities	Activities	
Net pension liability	\$ (10,711,994)	\$ (51,291)	\$ (10,763,285)
Deferred outflows of resources related to pensions	4,021,598	58,222	4,079,820
Deferred inflows of resources related to pensions	(301,015)	(5,200)	(306,215)
Pension expense	1,465,916	7,019	1,472,935
	Total All Pensions		
	Governmental	Business-type	Total
	Activities	Activities	
Net pension liability	\$ (14,615,247)	\$ (2,959,728)	\$ (17,574,975)
Deferred outflows of resources related to pensions	5,114,172	835,394	5,949,566
Deferred inflows of resources related to pensions	(462,466)	(126,800)	(589,266)
Pension expense	1,902,166	317,643	2,219,809

### **Muscatine Power & Water – Single-Employer Defined Benefit Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the plan and additions to/deductions from Muscatine Water and Electric Employees' Pension Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments in separate accounts held at The Principal Financial Group (the plan administrator) are commingled pools, rather than individual securities; they are valued as of the December 31, 2015 measurement date at fair market value.

### **General Information About the Pension Plan**

MP&W provides and administers a single-employer defined benefit pension plan with benefits to eligible vested full-time utility and part-time utility employees at separation of service. Eligible employees are those who are not participants in the Iowa Public Employees' Retirement System (IPERS). Water utility employees can choose to participate in either IPERS or the Plan. Total covered valuation payroll for the years ended December 31, 2016 and December 31, 2015 were \$20,283,973 and \$20,144,834, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is approved and amended by the utilities' five-member Board of Trustees, who are appointed by

Muscatine's city council. There are no non-employer contributing entities, as defined by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for the Plan. The Plan currently does not issue a stand-alone financial report.

As of the measurement date, the following plan members (including Muscatine Area Geographical Information Consortium (MAGIC) employees) were covered by the benefit terms:

	<u>December 31, 2015</u>
Active plan members	284
Inactive plan members entitled to but not yet receiving benefits	91
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	<u>164</u>
Total	<u>539</u>

The pension plan provides for retirement, disability, and death benefits. There have been no changes in plan provisions during the measurement period and between the December 31, 2015 measurement date and the end of the December 31, 2016 reporting period.

The basis for determining contributions is an actuarially determined contribution (ADC) rate that is calculated in the plan's Actuarial Valuation Report dated December 31, 2015. The ADC rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The ADC for the measurement period ending December 31, 2016 is \$2,781,411, equal to 13.7% of covered valuation payroll; the ADC for the measurement period ending December 31, 2015 is \$2,682,242, equal to 13.3% of covered valuation payroll. Employer contributions, for the years ending December 31, 2016, December 31, 2015, and December 31, 2014 equaled \$2,781,411, \$2,683,000 and \$2,619,320, respectively.

#### Actuarial Assumptions

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected service.

A measurement period of December 31, 2014 to December 31, 2015 has been used for the plan year ending December 31, 2015 for GASB 67 reporting and for the fiscal year ending December 31, 2016 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2016 was measured as of December 31, 2015, using the pension liability that was determined by an actuarial valuation as of December 31, 2015. In 2015, the plan administrator did a comprehensive review of the economic and demographic assumptions and the following were revised as a result:

Inflation	2.25%
Investment rate of return	6.75%
Salary increases (age-based)	Age 25-6.18%; Age 40-4.72%; Age 55-3.88%
Wage base	3.25%
Marriage rate	75%



Active and inactive participants are assumed to retire at normal retirement age, or current age if later. This assumption is based on the results of recent experience analysis and anticipated future experience.

Mortality rates were updated in 2015 and are based on the total mortality rates as of 2007 from the 2014 Society of Actuary's retirement plan, SOA RP-2014, study with mortality improvement based on the Society of Actuary's Retirement Plans Experience Committee, RPEC-2014, model beyond 2007.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity - Large Cap	32.1%	8.80%
US Equity - Mid Cap	3.9%	9.10%
US Equity - Small Cap	4.0%	9.55%
Non - US Equity	11.9%	9.20%
REITs	4.6%	8.35%
Real Estate (direct property)	6.1%	6.30%
Core Bond	33.4%	4.25%
High Yield	4.0%	6.30%
Total	<u>100.0%</u>	

The discount rate used to determine the end of period total pension liability is 6.75%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2015 to 2115. Benefit payments after 2115 are projected to be \$0. The long-term rate of return of 6.75% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.98% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2015 measurement date. This discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2016 and December 31, 2015, the utility recognized pension expense of \$3,693,929 and \$2,659,617, respectively. At December 31, 2016, the utility reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,838,119	\$ 101,753
Difference between actual and expected experience	538,239	676,570
Difference between projected and actual earnings	3,950,878	-
Contributions subsequent to measurement date	2,781,410	-
Total	<u>\$ 10,108,646</u>	<u>\$ 778,323</u>

At December 31, 2015, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,399,012	
Difference between actual and expected experience	-	\$ 810,280
Difference between projected and actual earnings	707,257	-
Contributions subsequent to measurement date	2,683,000	-
Total	<u>\$ 6,789,269</u>	<u>\$ 810,280</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Fiscal Year ending 12/31</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,707,335	\$ 155,359
2018	1,707,335	155,359
2019	1,707,336	155,359
2020	1,530,520	155,359
2021	641,056	148,864
Thereafter	33,654	8,023
Total	<u>\$ 7,327,236</u>	<u>\$ 778,323</u>

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability 12/31/2016	\$ 26,299,105	\$ 16,047,702	\$ 7,450,565



Schedule of Changes in Net Pension Liability

	12/31/2016
<u>Total Pension Liability</u>	
Service cost	\$ 1,293,507
Interest	4,857,025
Benefit payments	(2,672,730)
Difference between expected and actual experience	652,758
Change in assumptions	(123,402)
Change in benefit terms	-
Net Change in Total Pension Liability	4,007,158
Total Pension Liability, beginning of period	72,059,721
Total Pension Liability, end of period	<u>\$ 76,066,879</u>
 <u>Fiduciary Net Position</u>	
Employer contributions	\$ 2,683,000
Net investment income	(266,965)
Benefit payments	(2,672,730)
Administration expenses	-
Net Change in Fiduciary Net Position	(256,695)
Fiduciary Net Position, beginning of period	60,275,872
Fiduciary Net Position, end of period	<u>60,019,177</u>
 Net Pension Liability	<u>16,047,702</u>

Net Pension Liability Schedule - 2016

Single-Employer Defined

Benefit Pension Plan

Electric	\$ 13,000,669
Water	915,157
Communications	2,013,125
MAGIC	118,751
Total	<u>\$ 16,047,702</u>

Deferred Outflows of Resources Schedule - 2016

Single-Employer Defined

Benefit Pension Plan

Electric	\$ 8,177,423
Water	585,543
Communications	1,269,389
MAGIC	76,291
Total	<u>\$ 10,108,646</u>

Deferred Inflows of Resources Schedule - 2016

Single-Employer Defined

Benefit Pension Plan

Electric	\$ 633,159
Water	42,317
Communications	97,343
MAGIC	5,504
Total	<u>\$ 778,323</u>

Pension Expense Schedule - 2016

Single-Employer Defined

Benefit Pension Plan

Electric	\$ 2,977,676
Water	222,375
Communications	465,066
Magic	28,812
Total	<u>\$ 3,693,929</u>

**NOTE 8. DEFICIT FUND EQUITY**

Two of the City's funds had a fund balance/net position deficit as of June 30, 2017. The funds and the amounts of the deficits are as follows:

<u>Funds</u>	<u>Deficit Amounts</u>
Non-major capital projects:	
Community development improvements	\$ 57,818
Internal service fund:	
Equipment services	90,956

These deficits are not considered a violation of any law, and are expected to be eliminated through future operations.

**NOTE 9. OTHER POST EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS (OPEB)**

**Plan description:** The City sponsors a single-employer health care plan for its active and retired employees. Upon normal retirement, employees have the option of continuing health and dental insurance coverage at their cost until the age of 65.

In 1986, Congress approved the Consolidated Omnibus Budget Reconciliation Act of 1986 which includes the provision for the continuation of group insurance coverage to either the employee or dependents depending upon the circumstances. For the City, this coverage includes health insurance and dental insurance. The death of a covered employee, a divorce or legal separation of the covered employee from the employee's spouse, the covered employee's commencement of Medicare coverage, the cessation of a dependent child's coverage under the terms of the plan, the termination of employment other than by reason of gross misconduct of the covered employee, or the reduction of hours of the employee are events which would allow for such continuation. The continuation period is thirty-six months except for the termination of employment or reduction of hours, which allows for only an eighteen-month period. The premium for coverage during the continuation period is to be paid by the employee or the employee's dependent to the City on a monthly basis. It is the employee's responsibility to notify the employer of any change in status which might involve the continuation of coverage.

The plan does not issue separate financial statements.

**Funding policy:** The City establishes and amends contribution requirements. The current funding policy of the City is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB reporting.

The required contribution is based on projected pay-as-you-go financing. Employer contributions made for self-insured plans, is the difference between actual retiree claims and actual retire contributions for the retirees covered. For the year ended June 30, 2017, the City contributed (\$8,728), which was net of retiree premiums received of \$164,236.

**Annual OPEB Cost and Net OPEB Obligation:** The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the postemployment health plan:

Annual required contribution	\$	97,349
Interest on net OPEB obligation		27,037
Adjustment to annual required contribution		<u>(35,176)</u>
Annual OPEB cost (expense)		89,210
Contributions and payments made		<u>(8,728)</u>
Decrease in net OPEB obligation		97,938
Net OPEB obligation – July 1, 2016		<u>540,731</u>
Net OPEB obligation – June 30, 2017	\$	<u>638,669</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 90,980	176.11%	\$ 531,810
June 30, 2016	92,022	90.31%	540,731
June 30, 2017	89,210	(9.78%)	638,669

**Funded status and funding progress:** As of July 1, 2016 the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$881,200 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$881,200. The covered payroll (annual payroll of active employees covered by the plan) was \$11,180,907 and the ratio of the UAAL to the covered payroll was 7.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial methods and assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included 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.

In the actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3% general inflation, 3 percent salary increase, 5 percent investment rate of return (net of administrative expenses) which is based on the expected long-term investment return of the employer's own investments used to pay plan benefits, and an annual health care cost trend rate of 5 percent per year. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years.

#### **NOTE 10. INDUSTRIAL REVENUE BONDS**

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately \$2,890,000 as of June 30, 2017.

#### **NOTE 11. RISK MANAGEMENT**

The City and the Muscatine County Solid Waste Agency are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

The City has established Health and Dental Insurance Funds for insuring benefits provided to City employees and covered dependents which are included in the Internal Service Funds. Health benefits were self-insured up to a specific stop loss amount of \$100,000, and an aggregate stop loss of 125% of expected paid claims. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third party claims

administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. The estimated liability does not include any allocated or unallocated claims adjustment expense. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

All funds of the City participate in the programs and make payments to the Health and Dental Insurance Funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$204,592 reported as accounts payable and accruals in the Health and Dental Insurance Funds is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2017 and 2016 are summarized as follows:

Liabilities at July 1, 2015	\$ 170,440
Claims and changes in estimates during fiscal year 2016	2,924,354
Claim payments	<u>(2,690,527)</u>
Liabilities at June 30, 2016	\$ 404,267
Claims and changes in estimates during fiscal year 2017	2,609,945
Claim payments	<u>(2,809,620)</u>
Liabilities at June 30, 2017	<u>\$ 204,592</u>

## NOTE 12. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2017, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control, Transfer Station, and Airport funds. The remaining commitment on these contracts as of June 30, 2017, is \$12,249,590. The Solid Waste Agency has \$65,640 of outstanding contract commitments as of June 30, 2017.

As a member of the Muscatine Area Geographic Information Consortium (MAGIC), the City is responsible for one-third of the operating expenses incurred by MAGIC. The City's contribution for fiscal year 2018 is set at \$117,350.

Muscatine Power & Water has a power purchase agreement for wind energy which was originally entered into in December 2013. An amended and restated agreement was executed in June 2016. It is a 20-year agreement that commenced fourth quarter 2016 with the wind farm's actual commercial operation date. The wind farm is located in Jackson County, Minnesota, which is in the utility's MISO local resource zone. Its projected annual output is 48,968 MWH, approximately 5.6% of native system needs. Terms include a fixed first year rate for delivered energy, with a 2.2% annual escalation over the 20-year agreement. The utility is subject to market risk; however, the contract includes a cost floor provision to protect against this risk. The contract also includes a revenue/margin sharing provision if the net financial benefit goes above a certain level.

The utility has committed to purchasing 319,000 tons of coal in 2017 under a contract with one supplier.

The utility has rail transportation agreements with two separate companies for the delivery of coal. The utility's first agreement is for coal shipped from the Powder River Basin (PRB), Wyoming to an interchange with the local delivery carrier. The original contract term is from July 1, 2011 through December 31, 2017. In 2016, this agreement was extended by amendment to December 31, 2022 where the rate is fixed annually plus fuel surcharges. The utility's minimum requirement is 100% of the tons shipped from the PRB up to the utility's annual tonnage nomination. In the event the utility does not meet their nominated tons, the utility has agreed to pay a per ton fee as compensation for lost traffic.

The agreement with the Canadian Pacific Railway for the shipment of coal from the interchange point to the utility's generating station expired December 31, 2016. A new agreement is in negotiation and expected to be in place well before the scheduled start of coal shipments in May of 2017. It will be a one year agreement.

In anticipation of future emissions reduction requirements, in 2013 the utility entered into contracts with a coal refining company for the company to apply additives to the utility's coal. These additives change the combustion characteristics of the coal such that Mercury and NOx emissions are reduced. The contracts include a facilities lease, a contract for the sale of the utility's coal to the refining company and a contract for the purchase of the refined coal by the utility for burning in the utility's generation units. The refined coal will reduce the overall delivered coal costs for the utility because the coal refining company is taking advantage of a tax incentive program and the utility will share in their tax savings. The agreement is in effect until December 2019.

In October 2016, the utility contracted to sell steam to a local customer through April 2017. The agreement includes a minimum flow rate, adjusted as necessary to accommodate operational circumstances.

#### **NOTE 13. URBAN RENEWAL DEVELOPMENT AGREEMENTS AND TAX ABATEMENTS**

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

The City of Muscatine has two programs that provide tax abatements. These are (1) Urban Renewal Tax Increment Fund (TIF) Development/Rebate Agreements and (2) qualifying improvements in Urban Revitalization Areas.

The City has entered into various development agreements for urban renewal projects as provided for in Chapters 15A and 403 of the State Code of Iowa. The agreements require the City to rebate portions of the incremental property taxes paid by the developer in exchange for infrastructure improvements, rehabilitation, or development of industrial, commercial, or multi-residential projects. As of June 30, 2017 the City had fourteen development agreements in place. These include agreements for projects currently under construction with rebates to begin in future years. In the current year payments were made to developers for nine projects which totaled \$1,128,816. A detailed listing of these agreements is in the following table:

<u>Developer</u>	<u>Type of Development/Purpose</u>	<u>Fiscal Years of Rebates</u>		<u>Taxes Rebated/</u>
		<u>First Year</u>	<u>Final Year</u>	<u>Abated</u> <u>Current Year</u>
Musco Sports Lighting - 67% for 15 Years	Industrial/Economic Development	2005/2006	2019/2020	\$ 84,404
Cedar Development - 50% for 10 Years	Commercial/Economic Development	2009/2010	2018/2019	235,257
Muscatine Mall - 50% for 20 Years (Terminated in 2016/2017)	Commercial/Economic Development	2009/2010	2016/2017	18,781 -
Curry's Transportation - 50% for 10 Years (Suspended Beginning in 2015/2016)	Commercial/Economic Development	2010/2011	2019/2020	-
Newcomb Properties - 50% for 10 Years	Commercial/Economic Development	2010/2011	2019/2020	6,928
A & E Convenience - 50% for 10 Years	Commercial/Economic Development	2012/2013	2021/2022	4,011
The Villas at MCC, LLC - 50% for 10 Years	Commercial/Student Housing	2013/2014	2022/2023	18,958
R.L. Fridley Theatres Inc. - 15 Years (Declining Percentages)	Commercial/Economic Development	2015/2016	2029/2030	72,525
Wal-View Developments #1 - 10 Years (Declining Percentages)	Warehousing/Economic Development	2015/2016	2024/2025	658,952
H.J. Heinz - 5 Years Declining Percentages	Industrial/Economic Development	2016/2017	2020/2021	19,000
Wal-View Developments #2 - 10 Years (Declining Percentages)	Warehousing/Economic Development	2017/2018	2026/2027	-
Riverview Hotel Development - 20 years (Declining Percentages)	Hotel/Economic Development	2019/2020	2038/2039	-
Union Tank Car - 10 Years 50%	Industrial/Economic Development	2017/2018	2026/2027	-
Harrison Lofts LLC - Grant	Commercial/Affordable Housing	2016/2017	2016/2017	10,000
Harrison Lofts LLC - 15 years (Varying Percentages)	Commercial/Affordable Housing	2019/2020	2033/2034	-
HNI Corporation - 50% for 10 Years	Industrial/Economic Development	2019/2020	2028/2029	-
Total				<u>\$ 1,128,816</u>

Actual incremental tax rebates are computed based on the taxable valuations of these properties, the incremental property tax rate each year, and the provisions of the development agreements. Each agreement, however, includes a maximum total amount of rebates that may be paid over the term of the agreement. The maximum total of rebates to be paid by the City under the agreements in effect as of June 30, 2017 is in an amount not to exceed \$27,495,000. This amount includes \$10,636,000 for projects still under construction at the end of the current year.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements may be subject to the constitutional debt limitation of the City.

Certain agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements that do not include an annual appropriation clause is subject to the constitutional debt limitation. Of the \$23,523,313 maximum total of rebates outstanding at the end of the year, \$20,341,294 is subject to annual appropriations, and only the succeeding year's payments on those agreements are subject to the debt limit.

The City has created five Urban Revitalization areas as provided for in Chapter 404 of the State Code of Iowa. The Urban Revitalization Plans for each area provide for full or partial tax abatements for qualifying improvements in each of the areas. In the current year \$65,958 of property taxes were abated for qualifying improvements in the Urban Revitalization areas. A summary of the abatements is in the following table:



<u>Tax Abatement Program</u>	<u>Number of Properties</u>	<u>Taxes Abated</u>
New Residential Homes	16	\$ 48,780
New Multi-Residential Development	1	15,244
New Garages	2	719
Residential Home Improvements	1	1,215
Totals	20	\$ 65,958

The tax rebates and Urban Revitalization Area tax abatements total \$1,194,774 in taxes abated in the current year.

#### **NOTE 14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

The City adopted the following statements during the year ended June 30, 2017:

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans:* This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

*GASB Statement No. 77, Tax Abatement Disclosures:* This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the City's financial position and results of operations, including the City's ability to raise revenue sources in the futures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

*GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans:* The objective of this Statement is to address the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provided defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate state or local government employer.

*GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14:* This Statement amends the blending requirements for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

The implementation of the above statements did not have a material impact to the City's financial statements.

As of June 30, 2017, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City are as follows:



GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the City beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, will be effective for the City beginning with its year ending June 30, 2018. 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 November 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the identification criteria established by the Statement 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 as a fiduciary fund in the basic financial statements. 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.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill,

fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for in substance defeasance by providing guidance in transactions in which cash and other monetary assets acquired with only existing resources, resources other than those from proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also provides guidance on prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is deceased in substance.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**City of Muscatine, Iowa**

**Budgetary Comparison Schedule of  
Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - Budgetary Basis  
Budgeted Governmental and Proprietary Funds**

**Required Supplementary Information**

**For the Year Ended June 30, 2017**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total Actual</b>	<b>Budgeted Amounts</b>		<b>Final Budget to Actual Variance</b>
				<b>Original</b>	<b>Final</b>	
Revenues:						
Taxes:						
Property	\$ 13,086,357	\$ -	\$ 13,086,357	\$ 13,063,348	\$ 13,063,348	\$ 23,009
Tax increment financing	1,875,600	-	1,875,600	1,879,000	1,875,400	200
Other city taxes	3,715,827	-	3,715,827	3,384,509	3,642,609	73,218
Licenses and permits	426,847	20,234	447,081	372,400	416,400	30,681
Use of money and property	274,770	889,279	1,164,049	1,138,870	1,125,945	38,104
Intergovernmental	8,073,336	2,188,459	10,261,795	11,846,805	10,702,895	(441,100)
Charges for services	579,213	13,881,308	14,460,521	13,861,350	14,195,740	264,781
Miscellaneous	5,919,416	3,670,979	9,590,395	5,142,350	8,567,200	1,023,195
Total revenues	33,951,366	20,650,259	54,601,625	50,688,632	53,589,537	1,012,088
Expenditures:						
Public safety	9,215,450	-	9,215,450	9,391,400	9,325,000	(109,550)
Public works	2,751,312	-	2,751,312	2,610,800	2,885,600	(134,288)
Health and social service	45,000	-	45,000	45,000	45,000	-
Culture and recreation	3,456,490	-	3,456,490	3,391,450	3,653,100	(196,610)
Community and economic development	3,924,561	-	3,924,561	4,167,170	4,156,732	(232,171)
General government	2,658,719	-	2,658,719	2,499,500	2,759,095	(100,376)
Debt service	2,815,755	-	2,815,755	2,834,152	2,817,255	(1,500)
Capital projects	7,956,627	3,412,646	11,369,273	10,918,700	12,848,400	(1,479,127)
Business type activities	-	16,352,754	16,352,754	22,454,515	22,126,825	(5,774,071)
Total expenditures	32,823,914	19,765,400	52,589,314	58,312,687	60,617,007	(8,027,693)
Revenues over (under) expenditures	1,127,452	884,859	2,012,311	(7,624,055)	(7,027,470)	9,039,781
Other financing sources (uses):						
Proceeds of capital asset sales	-	2,518	2,518	-	-	2,518
Transfers in	9,726,825	5,999,198	15,726,023	15,956,899	16,797,203	(1,071,180)
Transfers out	(11,185,290)	(4,540,733)	(15,726,023)	(15,956,899)	(16,797,203)	1,071,180
Total other financing sources (uses)	(1,458,465)	1,460,983	2,518	-	-	2,518
Net change in fund balances	(331,013)	2,345,842	2,014,829	(7,624,055)	(7,027,470)	9,042,299
Fund balances, June 30, 2016	23,803,524	10,620,188	34,423,713	31,979,811	34,416,681	4,728,621
Fund balances, June 30, 2017	\$ 23,472,511	\$ 12,966,030	\$ 36,438,542	\$ 24,355,756	\$ 27,389,211	\$ 13,770,920

See notes to Required Supplementary Information.

**City of Muscatine, Iowa**  
**Budget to GAAP Reconciliation**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2017**

	<b>Governmental Funds</b>			<b>Proprietary Funds</b>		
	<b>Budget Basis</b>	<b>Adjustments</b>	<b>GAAP Basis</b>	<b>Enterprise and Budgeted Internal Service Funds Budget Basis</b>	<b>Adjustments</b>	<b>Enterprise and Internal Service Funds GAAP Basis</b>
Revenues	\$ 33,951,366	\$ -	\$ 33,951,366	\$ 20,650,259	\$ (159,362)	\$ 20,490,897
Expenditures/expenses	32,823,914	(7,246)	32,816,668	19,765,400	(558,041)	19,207,359
Net	1,127,452	7,246	1,134,698	884,859	398,679	1,283,538
Other financing sources (uses), net	(1,458,465)	-	(1,458,465)	1,460,983	(2,518)	1,458,465
Beginning fund balances/net position	23,803,524	204,324	24,007,848	10,620,188	68,715,039	79,335,227
Ending fund balances/net position	<u>\$ 23,472,511</u>	<u>\$ 211,570</u>	<u>\$ 23,684,081</u>	<u>\$ 12,966,030</u>	<u>\$ 69,111,200</u>	<u>\$ 82,077,230</u>

See notes to Required Supplementary Information.

City of Muscatine, Iowa

Other Postemployment Benefit Plan

Required Supplementary Information

Schedule of Funding Progress							
Fiscal Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	7-1-2012	\$ -	\$ 850,500	\$ 850,500	0%	\$ 10,143,280	8.4%
2014	7-1-2012	-	850,500	850,500	0%	10,461,062	8.1%
2015	7-1-2014	-	829,900	829,900	0%	10,807,859	7.7%
2016	7-1-2014	-	829,900	829,900	0%	11,027,533	7.5%
2017	7-1-2016	-	881,200	881,200	0%	11,180,907	7.9%

See Note 9 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 Muscatine, Iowa**

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

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	2017*	2016*	2015*
City's proportion of the net pension liability	0.1082369%	0.11044860%	0.11542338%
City's proportionate share of the net pension liability	\$ 6,811,690	\$ 5,456,694	\$ 4,577,583
City's covered-employee payroll	\$ 7,817,478	\$ 7,667,711	\$ 7,653,736
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.13%	71.16%	59.81%
Plan fiduciary net pension as a percentage of the total pension liability	81.82%	85.19%	87.61%

\* The amounts presented for each fiscal year were determined as of the prior June 30 year-end.

**Note 1:** 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 Muscatine, Iowa**

**Required Supplementary Information  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Years**

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	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 727,098	\$ 698,589	\$ 685,356	\$ 683,964	\$ 649,682
Contributions in relation to the statutorily required contribution	(727,098)	(698,589)	(685,356)	(683,964)	(649,682)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 8,136,539	\$ 7,817,478	\$ 7,667,711	\$ 7,653,736	\$ 7,481,151
Contributions as a percentage of covered-employee payroll	8.94%	8.94%	8.94%	8.94%	8.68%

See Notes to Required Supplementary Information

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2012	2011	2010	2009	2008
\$ 596,712	\$ 507,528	\$ 470,940	\$ 424,711	\$ 390,058
(596,712)	(507,528)	(470,940)	(424,711)	(390,058)
\$ -	\$ -	\$ -	\$ -	\$ -

\$ 7,369,945   \$ 7,256,425   \$ 7,067,957   \$ 6,675,798   \$ 6,440,504

8.10%   6.99%   6.66%   6.36%   6.06%

**City of Muscatine, Iowa**

**Required Supplementary Information  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Municipal Fire and Police Retirement System  
Last Three Fiscal Years**

	2017*	2016*	2015*
City's proportion of the net pension liability	1.721407%	1.759589%	1.755039%
City's proportionate share of the net pension liability	\$ 10,763,285	\$ 8,266,801	\$ 6,361,984
City's covered-employee payroll	\$ 4,703,400	\$ 4,623,077	\$ 4,500,650
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	228.84%	178.82%	141.36%
Plan fiduciary net pension as a percentage of the total pension liability	78.20%	83.04%	86.27%

\* The amounts presented for each fiscal year were determined as of the prior June 30 year-end.

**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

**Schedule of City Contributions**  
**Municipal Fire and Police Retirement System**  
**Last Ten Fiscal Years**

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	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 1,354,626	\$ 1,295,439	\$ 1,400,892	\$ 1,356,118	\$ 1,138,474
Contributions in relation to the statutorily required contribution	(1,354,626)	(1,295,439)	(1,400,892)	(1,356,118)	(1,138,474)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 5,028,590	\$ 4,703,400	\$ 4,623,077	\$ 4,500,650	\$ 4,333,916
Contributions as a percentage of covered-employee payroll	26.94%	27.54%	30.30%	30.13%	26.27%

See Notes to Required Supplementary Information

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2012	2011	2010	2009	2008
\$ 1,029,442	\$ 778,181	\$ 654,034	\$ 689,566	\$ 864,972
(1,029,442)	(778,181)	(654,034)	(689,566)	(864,972)
\$ -	\$ -	\$ -	\$ -	\$ -

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\$ 4,149,554   \$ 3,881,771   \$ 3,829,781   \$ 3,686,057   \$ 3,414,505

24.81%   20.05%   17.08%   18.71%   25.33%

## Muscatine Power & Water

### Required Supplementary Information - Single Employer Defined Benefit Pension Plan Schedule of Changes in Net Pension Liability Last Two Fiscal Years (Unaudited)

#### Total Pension Liability

Measurement Date	12/31/2015	12/31/2014
Fiscal Year	12/31/2016	12/31/2015
Service cost	\$ 1,293,507	\$ 1,397,201
Interest	4,857,025	4,743,318
Benefit payments	(2,672,730)	(2,370,911)
Difference between expected and actual experience	652,758	(943,990)
Change in assumptions	(123,402.0)	3,959,905.0
Net change in total pension liability	4,007,158	6,785,523
Total pension liability, beginning of period	72,059,721	65,274,198
Total pension liability, end of period	<u>76,066,879</u>	<u>72,059,721</u>

#### Plan Fiduciary Net Position

Employer contributions	\$ 2,683,000	\$ 2,619,320
Net investment income	(266,965)	3,183,800
Benefit payments	(2,672,730)	(2,370,911)
Administration expenses	-	(1,950.00)
Net change in plan fiduciary net position	(256,695)	3,430,259
Plan fiduciary net position, beginning of period	60,275,872	56,845,613
Plan fiduciary net position, end of period	<u>60,019,177</u>	<u>60,275,872</u>
Net pension liability	<u>\$ 16,047,702</u>	<u>\$ 11,783,849</u>
Plan fiduciary net position as a percentage of the total pension liability	78.9%	83.6%
Covered valuation payroll	\$ 20,144,834	\$ 20,059,886
Net pension liability as a percentage of covered valuation payroll	79.7%	58.7%

**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, MP&W will present information for those years for which information is available.

## Muscatine Power & Water

### Required Supplementary Information - Single Employer Defined Benefit Pension Plan For the Year Ended December 31, 2016 (Unaudited)

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#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Method
Asset valuation method	Market Value
Investment rate of return	6.75%
Inflation	2.25%
Salary increases (age-based)	Age 25 - 6.18%; Age 40 - 4.72%; Age 55 - 3.88%
Wage base	3.25%
Marriage rate	75%
Mortality	SOA RP-2014 and RPEC-2014



## **CITY OF MUSCATINE, IOWA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**

#### **NOTE 1. Budget Preparation and Adoption**

The State of Iowa requires the annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The budget must include the amount to be raised by property taxation, income from sources other than property taxation, and expenditures for each of the functional areas described in Note 3.

Preliminary budget review of all operating department requests is conducted by the City Administrator. The budget proposal as presented to the City Council by the City Administrator is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the City Administrator, Finance Director, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for the operations of the City.

After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council.

The City Council also approves a five-year capital improvement program. This capital improvement program is reviewed and revised annually by the City Council; a public hearing also is held in regard to proposed capital improvements for the City.

#### **NOTE 2. Basis of Budgeting**

Annual budgets are adopted following required public notice and hearings for all funds with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances represent purchases on order related to unperformed contracts for goods or services with the exception of capital projects fund contracts. For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriation in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. In the preceding budget schedules, expenditures include current fiscal year encumbrances and exclude the payment of prior year encumbrances.

#### **NOTE 3. Budget Functions**

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds and certain Permanent and Internal Service Funds. Although the City's budget document presents expenditures by fund, the legal level of control is at the aggregated

function level, not by fund. During the year, two budget amendments increased budgeted disbursements in total by \$2,304,320. The most significant increase of \$1,930,200 was in the capital projects funds primarily due to changes in capital project construction schedules. The general fund budgeted expenditures also increased by \$522,300 primarily due to increased legal services, increased public works capital outlay and winter salt purchases, and increases for repairs to several park facilities due to the spring 2017 wind storm. These budget amendments as well as amendments in the other functional areas are reflected in the final budgeted amounts.

During the year ended June 30, 2017 expenditures did not exceed the budgeted amounts in any of the nine functions.

#### **NOTE 4. Pension Liability**

##### **IPERS**

###### *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.

###### *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.

## **MFPRSI**

### *Changes of benefit terms:*

There were no significant changes of benefit terms.

### *Changes of assumptions:*

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

# NON-MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds are utilized to account for revenues derived from specific sources which are accounted for as separate funds. These funds are as follows:

**COMMUNITY DEVELOPMENT BLOCK GRANT** - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

**1ST TIME HOME OWNERS PROGRAM** - Accounts for funds received to provide education and counseling services to assist persons interested in purchasing their own homes.

**SECTION 8 HOUSING PROGRAM** - Accounts for the operations of the City's Section 8 Housing Program which provides rental assistance to low income individuals and families in the City.

**SUNSET PARK EDUCATION PROGRAM** - Accounts for the children's after school education program at the Sunset Park public housing apartment complex.

**POLICE FORFEITURES** - Accounts for funds received by the police department from seized and forfeited properties under guidelines established by the U.S. Department of Justice and the State of Iowa and must be expended for police department programs.

**DOWNTOWN TAX INCREMENT** - Accounts for the incremental taxes from the expanded Downtown Urban Renewal Area and the debt service requirements on the bond issues which financed improvements in the downtown area.

**SOUTHEND TAX INCREMENT** - Accounts for the incremental taxes from the Southend Urban Renewal Area which funded economic development incentives for expanding businesses in this area, other improvements in the southend area, and the debt requirements on the tax increment revenue bonds which financed improvements in the southend area.

**CEDAR DEVELOPMENT TAX INCREMENT** - Accounts for incremental taxes from the Cedar Development Urban Renewal Area.

**MUSCATINE MALL TAX INCREMENT** - Accounts for incremental taxes from the Muscatine Mall Urban Renewal Area.

**HIGHWAY 38 NORTHEAST TAX INCREMENT** - Accounts for incremental taxes from the expanded Highway 38 Northeast Urban Renewal Area.

**HEINZ TAX INCREMENT** - Accounts for incremental taxes from the Industrial/Heinz Urban Renewal Area.

**FRIDLEY THEATER TAX INCREMENT** - Accounts for incremental taxes which funded economic development incentives for this ten-plex movie theater and related developments in that area.

**SMALL BUSINESS FORGIVABLE LOAN PROGRAM** - This program provides for forgivable loans to private businesses for the promotion of in-fill, redevelopment, and facilities enhancements in designated portions of the community.

**ART CENTER SPECIAL FUNDS** - Accounts for the Alice Dodge Schaeffer Trust, the principal and interest of which is used for the conservation of furnishings, which accompanied this trust. Also accounts for the General Donations Trust which is used for cash donations to the Art Center either for specific purchases or general donations to be used to fund acquisitions designated by the Board of Trustees of the Art Center. Also accounts for funds received from the estate of Brad Burns which must be used for art center purchases.

**LIBRARY SPECIAL FUND** - Accounts for the Library Gift and Memorial Trust used for general donations to the Musser Public Library.

## **CAPITAL PROJECTS FUNDS**

The Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital facilities and other major capital assets, with the exception of those that are financed by Enterprise and Internal Service Funds. The project funds reflect the nature of the capital projects and are as follows:

**COMMUNITY DEVELOPMENT IMPROVEMENTS FUND** - Accounts for urban renewal improvements, housing rehabilitation, and building demolition projects in designated areas of the City.

**STREET AND SIDEWALK IMPROVEMENTS FUND** - Accounts for the City's pavement management program including ongoing maintenance of the improved streets.

**RIVERFRONT IMPROVEMENT PROJECTS FUND** - Accounts for riverfront and levee improvement projects.

**OTHER PUBLIC IMPROVEMENTS FUND** - Accounts for construction and improvements to City buildings, improvements of City park facilities, and equipment and technology acquisitions.

## **PERMANENT FUNDS**

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that benefit the City's programs and services.

**MCWHIRTER-GILMORE TRUST** - Accounts for funds received which accompanied the gift of the Musser Mansion museum facility. Interest earnings on this trust are used for the maintenance of the museum building.

**PERPETUAL CARE TRUST** - Accounts for the portion of cemetery lot sales designated for perpetual care.

**PERPETUAL CARE INTEREST TRUST** - Accounts for interest earned on cemetery perpetual care funds which is required to be used for the operation and maintenance of the cemetery facility.

**CEMETERY SPECIAL TRUSTS** - Accounts for funds received, the interest earnings of which are designated to be used to maintain specific cemetery lots or to provide floral arrangements for these lots.

**City of Muscatine, Iowa**

**Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2017**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals</b>
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,738,729	\$ 1,515,238	\$ 55,724	\$ 3,309,691
Investments	227,206	-	972,000	1,199,206
Receivables (net of allowance for uncollectibles):				
Interest	470	-	3,207	3,677
Taxes	2,136,039	-	-	2,136,039
Intergovernmental	22,021	382,673	-	404,694
Accounts	1,084	65,087	440	66,611
Advances to other funds	-	107,307	-	107,307
Total assets	<u>4,125,549</u>	<u>2,070,305</u>	<u>1,031,371</u>	<u>7,227,225</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	39,388	456,702	-	496,090
Retainages payable	-	94,381	-	94,381
Escrow liability	38,365	-	-	38,365
Advances from other funds	-	107,307	2,974	110,281
Total liabilities	<u>77,753</u>	<u>658,390</u>	<u>2,974</u>	<u>739,117</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	2,135,000	-	-	2,135,000
Unavailable revenue - intergovernmental	-	177,762	-	177,762
Total deferred inflows of resources	<u>2,135,000</u>	<u>177,762</u>	<u>-</u>	<u>2,312,762</u>
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Permanent fund principal	-	-	1,007,853	1,007,853
<b>Restricted for:</b>				
Grant purposes	46,485	-	-	46,485
Housing assistance payments	66,901	-	-	66,901
Tax levy purposes	1,085,581	-	-	1,085,581
Housing and community development	187,262	-	-	187,262
Law enforcement	13,209	-	-	13,209
Art center	372,458	-	70	372,528
Library	140,900	-	-	140,900
Cemetery	-	-	20,474	20,474
Street and sidewalk projects	-	5,771	-	5,771
Railroad quiet zone project	-	745,201	-	745,201
Building improvement projects	-	534,244	-	534,244
Parks and recreation projects	-	6,755	-	6,755
<b>Unassigned</b>	<u>-</u>	<u>(57,818)</u>	<u>-</u>	<u>(57,818)</u>
Total fund balances	<u>1,912,796</u>	<u>1,234,153</u>	<u>1,028,397</u>	<u>4,175,346</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,125,549</u>	<u>\$ 2,070,305</u>	<u>\$ 1,031,371</u>	<u>\$ 7,227,225</u>

**City of Muscatine, Iowa**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2017**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,875,600	\$ -	\$ -	\$ 1,875,600
Intergovernmental	2,015,906	611,539	-	2,627,445
Use of money and property	8,536	3,117	16,038	27,691
Other	95,685	1,826,188	4,021	1,925,894
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	3,995,727	2,440,844	20,059	6,456,630
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>				
Current:				
Public safety	121	-	-	121
Culture and recreation	117,170	-	5,940	123,110
Community and economic development	3,157,631	-	-	3,157,631
Debt service:				
Principal	125,000	-	-	125,000
Interest	38,705	-	-	38,705
Capital outlay:				
Public safety	19,935	5,992	-	25,927
Public works	-	861,652	-	861,652
Culture and recreation	129,686	539,040	4,000	672,726
Community and economic development	-	619,633	-	619,633
General government	-	1,695,962	-	1,695,962
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,588,248	3,722,279	9,940	7,320,467
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	407,479	(1,281,435)	10,119	(863,837)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	102,183	1,245,472	-	1,347,655
Transfers out	(530,317)	(14,040)	(14,357)	(558,714)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(428,134)	1,231,432	(14,357)	788,941
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(20,655)	(50,003)	(4,238)	(74,896)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, June 30, 2016	1,933,451	1,284,156	1,032,635	4,250,242
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, June 30, 2017	<u>\$ 1,912,796</u>	<u>\$ 1,234,153</u>	<u>\$ 1,028,397</u>	<u>\$ 4,175,346</u>



City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2017

	Community Development Block Grant	1st Time Home Owners Program	Section 8 Housing Program	Sunset Park Education Program	Police Forfeitures	Downtown Tax Increment	Southend Tax Increment
<b>ASSETS</b>							
Cash and pooled investments	\$ 30,734	\$ 71,460	\$ 121,753	\$ 3,504	\$ 13,209	\$ 49,015	\$ 917,349
Investments	-	-	47,206	-	-	-	-
Receivables (net of allowance for uncollectibles):							
Interest	-	-	3	-	-	-	-
Taxes	-	-	-	-	-	205,000	1,551,012
Accounts	-	773	311	-	-	-	-
Intergovernmental	-	4,085	10,837	55	-	-	-
Total assets	30,734	76,318	180,110	3,559	13,209	254,015	2,468,361
<b>LIABILITIES</b>							
Accounts payable and accruals	-	3,745	28,359	1,394	-	-	-
Escrow liability	-	-	38,365	-	-	-	-
Total liabilities	-	3,745	66,724	1,394	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	-	-	-	-	-	205,000	1,550,000
<b>FUND BALANCES</b>							
<b>Restricted for:</b>							
Grant purposes	-	-	46,485	-	-	-	-
Housing assistance payments	-	-	66,901	-	-	-	-
Tax levy purposes	-	-	-	-	-	49,015	918,361
Housing and community development	30,734	72,573	-	2,165	-	-	-
Law enforcement	-	-	-	-	13,209	-	-
Art center	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Total fund balances	30,734	72,573	113,386	2,165	13,209	49,015	918,361
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,734	\$ 76,318	\$ 180,110	\$ 3,559	\$ 13,209	\$ 254,015	\$ 2,468,361

<b>Cedar Development Tax Increment</b>	<b>Muscatine Mall Tax Increment</b>	<b>Highway 38 Northeast Tax Increment</b>	<b>Heinz Tax Increment</b>	<b>Fridley Theater Tax Increment</b>	<b>Small Business Forgivable Loan Program</b>	<b>Art Center Special Funds</b>	<b>Library Special Funds</b>	<b>Total</b>
\$ 55,546	\$ 32,139	\$ 14,542	\$ 5,865	\$ 10,086	\$ 81,790	\$ 185,242 180,000	\$ 146,495	\$ 1,738,729 227,206
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	467	-	470
274,000	-	15,027	16,000	75,000	-	-	-	2,136,039
-	-	-	-	-	-	-	-	1,084
-	-	-	-	-	-	7,044	-	22,021
<u>329,546</u>	<u>32,139</u>	<u>29,569</u>	<u>21,865</u>	<u>85,086</u>	<u>81,790</u>	<u>372,753</u>	<u>146,495</u>	<u>4,125,549</u>
-	-	-	-	-	-	295	5,595	39,388
-	-	-	-	-	-	-	-	38,365
-	-	-	-	-	-	295	5,595	77,753
<u>274,000</u>	<u>-</u>	<u>15,000</u>	<u>16,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,135,000</u>
-	-	-	-	-	-	-	-	46,485
-	-	-	-	-	-	-	-	66,901
55,546	32,139	14,569	5,865	10,086	-	-	-	1,085,581
-	-	-	-	-	81,790	-	-	187,262
-	-	-	-	-	-	-	-	13,209
-	-	-	-	-	-	372,458	-	372,458
-	-	-	-	-	-	-	140,900	140,900
<u>55,546</u>	<u>32,139</u>	<u>14,569</u>	<u>5,865</u>	<u>10,086</u>	<u>81,790</u>	<u>372,458</u>	<u>140,900</u>	<u>1,912,796</u>
<u>\$ 329,546</u>	<u>\$ 32,139</u>	<u>\$ 29,569</u>	<u>\$ 21,865</u>	<u>\$ 85,086</u>	<u>\$ 81,790</u>	<u>\$ 372,753</u>	<u>\$ 146,495</u>	<u>\$ 4,125,549</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2017

	Community Development Block Grant	1st Time Home Owners Program	Section 8 Housing Program	Sunset Park Education Program	Police Forfeitures	Downtown Tax Increment	Southend Tax Increment
<b>REVENUES</b>							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,587	\$ 1,227,883
Intergovernmental:							
HUD grants	-	19,125	1,937,969	-	-	-	-
State grants	-	-	-	-	-	-	-
Local grants	-	17,470	-	4,000	-	-	-
Commercial and industrial state reimbursement		-	-	-	-	4,243	1,480
Interest	98	224	167	9	25	401	3,521
Other:							
Donations	-	4,000	-	22,698	-	-	-
Miscellaneous	-	2	5,221	-	-	-	-
Total revenues	98	40,821	1,943,357	26,707	25	214,231	1,232,884
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	-	-	121	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	52,802	1,894,043	29,270	-	-	754,294
Capital outlay:							
Public safety	-	-	-	-	19,935	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	125,000
Interest	-	-	-	-	-	-	38,705
Total expenditures	-	52,802	1,894,043	29,270	20,056	-	917,999
Revenues over (under) expenditures	98	(11,981)	49,314	(2,563)	(20,031)	214,231	314,885
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(203,050)	(280,100)
Total other financing sources (uses)	-	-	-	-	-	(203,050)	(280,100)
Net change in fund balances	98	(11,981)	49,314	(2,563)	(20,031)	11,181	34,785
Fund balances, June 30, 2016	30,636	84,554	64,072	4,728	33,240	37,834	883,576
Fund balances, June 30, 2017	\$ 30,734	\$ 72,573	\$ 113,386	\$ 2,165	\$ 13,209	\$ 49,015	\$ 918,361

<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Highway 38 Northeast Tax Increment</u>	<u>Heinz Tax Increment</u>	<u>Fridley Tax Increment</u>	<u>Small Business Forgivable Loan Program</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Total</u>
\$ 244,518	\$ 37,926	\$ 59,873	\$ 20,959	\$ 74,854	\$ -	\$ -	\$ -	\$ 1,875,600
-	-	-	-	-	-	-	-	1,957,094
-	-	-	-	-	-	7,044	24,575	31,619
-	-	-	-	-	-	-	-	21,470
-	-	-	-	-	-	-	-	5,723
212	61	183	18	27	-	3,080	510	8,536
-	-	-	-	-	3,000	25,754	29,170	84,622
-	-	-	-	-	70	-	5,770	11,063
<u>244,730</u>	<u>37,987</u>	<u>60,056</u>	<u>20,977</u>	<u>74,881</u>	<u>3,070</u>	<u>35,878</u>	<u>60,025</u>	<u>3,995,727</u>
-	-	-	-	-	-	-	-	121
-	-	-	-	-	-	51,413	65,757	117,170
235,257	18,781	18,959	19,000	72,525	62,700	-	-	3,157,631
-	-	-	-	-	-	-	-	19,935
-	-	-	-	-	-	129,686	-	129,686
-	-	-	-	-	-	-	-	125,000
-	-	-	-	-	-	-	-	38,705
<u>235,257</u>	<u>18,781</u>	<u>18,959</u>	<u>19,000</u>	<u>72,525</u>	<u>62,700</u>	<u>181,099</u>	<u>65,757</u>	<u>3,588,248</u>
<u>9,473</u>	<u>19,206</u>	<u>41,097</u>	<u>1,977</u>	<u>2,356</u>	<u>(59,630)</u>	<u>(145,221)</u>	<u>(5,732)</u>	<u>407,479</u>
-	-	-	-	-	100,000	2,183	-	102,183
-	-	(47,167)	-	-	-	-	-	(530,317)
-	-	(47,167)	-	-	100,000	2,183	-	(428,134)
9,473	19,206	(6,070)	1,977	2,356	40,370	(143,038)	(5,732)	(20,655)
<u>46,073</u>	<u>12,933</u>	<u>20,639</u>	<u>3,888</u>	<u>7,730</u>	<u>41,420</u>	<u>515,496</u>	<u>146,632</u>	<u>1,933,451</u>
<u>\$ 55,546</u>	<u>\$ 32,139</u>	<u>\$ 14,569</u>	<u>\$ 5,865</u>	<u>\$ 10,086</u>	<u>\$ 81,790</u>	<u>\$ 372,458</u>	<u>\$ 140,900</u>	<u>\$ 1,912,796</u>

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Balance Sheet  
June 30, 2017**

	<b>Community Development Improvements</b>	<b>Street and Sidewalk Improvements</b>	<b>Riverfront Improvement Projects</b>	<b>Other Public Improvements</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ -	\$ 745,938	\$ -	\$ 769,300	\$ 1,515,238
Receivables:					
Intergovernmental	-	-	79,911	302,762	382,673
Accounts	-	-	19,978	45,109	65,087
Advances to other funds	-	-	-	107,307	107,307
Total assets	-	745,938	99,889	1,224,478	2,070,305
<b>LIABILITIES</b>					
Accounts payable	33,645	104	10,000	412,953	456,702
Retainages payable	-	-	-	94,381	94,381
Advances from other funds	24,173	-	83,134	-	107,307
Total liabilities	57,818	104	93,134	507,334	658,390
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	177,762	177,762
<b>FUND BALANCES (DEFICITS)</b>					
<b>Restricted for:</b>					
Street and sidewalk projects	-	633	-	5,138	5,771
Railroad quiet zone project	-	745,201	-	-	745,201
Building improvement projects	-	-	-	534,244	534,244
Parks and recreation projects	-	-	6,755	-	6,755
<b>Unassigned</b>	(57,818)	-	-	-	(57,818)
Total fund balances (deficits)	(57,818)	745,834	6,755	539,382	1,234,153
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ -	\$ 745,938	\$ 99,889	\$ 1,224,478	\$ 2,070,305

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2017**

	<b>Community Development Improvements</b>	<b>Street and Sidewalk Improvements</b>	<b>Riverfront Improvement Projects</b>	<b>Other Public Improvements</b>	<b>Total</b>
<b>REVENUES</b>					
Intergovernmental:					
Federal grants	\$ 406,628	\$ -	\$ -	\$ -	\$ 406,628
State grants	-	-	79,911	125,000	204,911
Interest	159	203	110	2,645	3,117
Other:					
Contributions	-	769,220	29,978	927,000	1,726,198
Reimbursement of costs	28,000	-	-	71,990	99,990
Total revenues	<u>434,787</u>	<u>769,423</u>	<u>109,999</u>	<u>1,126,635</u>	<u>2,440,844</u>
<b>EXPENDITURES</b>					
Capital outlay:					
Public safety	-	-	-	5,992	5,992
Public works	-	861,652	-	-	861,652
Culture and recreation	-	-	42,786	496,254	539,040
Community and economic development	474,945	-	99,888	44,800	619,633
General government	-	-	-	1,695,962	1,695,962
Total expenditures	<u>474,945</u>	<u>861,652</u>	<u>142,674</u>	<u>2,243,008</u>	<u>3,722,279</u>
Revenues over (under) expenditures	<u>(40,158)</u>	<u>(92,229)</u>	<u>(32,675)</u>	<u>(1,116,373)</u>	<u>(1,281,435)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	14,774	837,432	16,732	376,534	1,245,472
Transfers out	(9,592)	-	(4,448)	-	(14,040)
Total other financing sources (uses)	<u>5,182</u>	<u>837,432</u>	<u>12,284</u>	<u>376,534</u>	<u>1,231,432</u>
Net change in fund balances	(34,976)	745,203	(20,391)	(739,839)	(50,003)
Fund balances (deficits), June 30, 2016	<u>(22,842)</u>	<u>631</u>	<u>27,146</u>	<u>1,279,221</u>	<u>1,284,156</u>
Fund balances (deficits), June 30, 2017	<u>\$ (57,818)</u>	<u>\$ 745,834</u>	<u>\$ 6,755</u>	<u>\$ 539,382</u>	<u>\$ 1,234,153</u>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds  
Combining Balance Sheet  
June 30, 2017**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 39,914	\$ 15,713	\$ -	\$ 97	\$ 55,724
Investments	60,000	859,700	-	52,300	972,000
Receivables:					
Interest	156	-	2,974	77	3,207
Accounts	-	440	-	-	440
Total assets	<u>100,070</u>	<u>875,853</u>	<u>2,974</u>	<u>52,474</u>	<u>1,031,371</u>
<b>LIABILITIES</b>					
Advances from other funds	-	-	2,974	-	2,974
Total liabilities	<u>-</u>	<u>-</u>	<u>2,974</u>	<u>-</u>	<u>2,974</u>
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
Permanent fund principal	100,000	875,853	-	32,000	1,007,853
<b>Restricted for:</b>					
Cemetery	-	-	-	20,474	20,474
Art center	70	-	-	-	70
Total fund balances	<u>100,070</u>	<u>875,853</u>	<u>-</u>	<u>52,474</u>	<u>1,028,397</u>
Total liabilities and fund balances	<u>\$ 100,070</u>	<u>\$ 875,853</u>	<u>\$ 2,974</u>	<u>\$ 52,474</u>	<u>\$ 1,031,371</u>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2017**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>REVENUES</b>					
Cemetery perpetual care	\$ -	\$ 4,021	\$ -	\$ -	\$ 4,021
Interest	875	-	14,357	806	16,038
Total revenues	875	4,021	14,357	806	20,059
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	2,600	-	-	3,340	5,940
Capital outlay:					
Culture and recreation	4,000	-	-	-	4,000
Total expenditures	6,600	-	-	3,340	9,940
Revenues over (under) expenditures	(5,725)	4,021	14,357	(2,534)	10,119
<b>OTHER FINANCING (USES)</b>					
Transfers out	-	-	(14,357)	-	(14,357)
Net change in fund balances	(5,725)	4,021	-	(2,534)	(4,238)
Fund balances, June 30, 2016	105,795	871,832	-	55,008	1,032,635
Fund balances, June 30, 2017	<u>\$ 100,070</u>	<u>\$ 875,853</u>	<u>\$ -</u>	<u>\$ 52,474</u>	<u>\$ 1,028,397</u>



## **NON-MAJOR ENTERPRISE FUNDS**

The Enterprise Funds are utilized to account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the cost of providing goods and services to the general public on a continuing basis is expected to be recovered primarily through user charges. The City has also established Enterprise Funds when the determination has been made that it is advantageous to segregate revenues earned, expenses incurred, and net income for purposes of capital maintenance, public policy, management control, or accountability.

**PARKING OPERATIONS** - Accounts for the operations of "on" and "off-street" parking meters and parking in designated lots. All activities necessary to provide for such services are accounted for in this fund including, but not limited to, meter enforcement, maintenance, and administration.

**TRANSIT OPERATIONS** - Accounts for the operations of the municipal transit system. The system is funded from user fees, grants, and property taxes from a special levy.

**GOLF COURSE** - Accounts for the operation and maintenance of the Municipal Golf Course. This includes activities necessary to provide for the operation of the course as well as capital improvements.

**BOAT HARBOR** - Accounts for the operation and maintenance of the municipal boat harbor in addition to capital improvements to the harbor.

**MARINA OPERATIONS** - Accounts for the operation of the City's gas barge which provides fuel sales to boaters on the Mississippi River.

**CONVENTION AND VISITORS BUREAU** – The former non-profit Convention and Visitors Bureau was dissolved as of June 30, 2015 with its assets and liabilities transferred to the City as of that date. This function is now provided by the City and is accounted for as an enterprise fund.

**AMBULANCE OPERATIONS** - Accounts for the Fire Department Ambulance Service which began providing service July 1, 2000.

**PUBLIC HOUSING** - Accounts for the operations of the City's public housing program which includes a 100-unit elderly housing facility and a 50-unit family facility.

**City of Muscatine, Iowa**

**Non-Major Enterprise Funds  
Combining Statement of Net Position  
June 30, 2017**

	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>	<b>Boat Harbor</b>	<b>Marina Operations</b>
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 129,372	\$ 568,298	\$ 24,351	\$ -	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	1,842	18,940	984	-	155
Intergovernmental:					
Federal	-	328,428	-	-	-
Due from other funds	5,344	-	-	-	-
Inventories	-	-	33,334	-	3,630
Prepaid items	-	-	4,400	-	-
Total current assets	136,558	915,666	63,069	-	3,785
Noncurrent assets:					
Capital assets:					
Land	579,686	-	80,000	-	-
Land improvements	1,288,350	-	1,348,305	301,823	-
Buildings and building improvements	-	20,426	785,943	-	-
Equipment	42,370	6,054	443,893	-	-
Vehicles	-	1,078,539	16,534	-	-
Less accumulated depreciation	(821,508)	(636,173)	(1,811,460)	(153,993)	-
Total capital assets net of accumulated depreciation	1,088,898	468,846	863,215	147,830	-
Total noncurrent assets	1,088,898	468,846	863,215	147,830	-
Total assets	1,225,456	1,384,512	926,284	147,830	3,785
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	27,834	133,386	56,872	-	-
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	6,152	293,111	42,599	1,651	1,336
Compensated absences payable	8,591	16,983	10,633	1,319	-
Due to other funds	-	-	-	2,895	2,449
Deposits	-	-	-	-	-
Unearned revenue	26,045	992	3,683	-	-
Total current liabilities	40,788	311,086	56,915	5,865	3,785
Noncurrent liabilities:					
Compensated absences	12,983	11,923	3,528	1,019	-
Other post-employment benefits	4,404	3,775	9,438	-	-
Net pension obligation	102,127	495,670	138,097	-	-
Total noncurrent liabilities	119,514	511,368	151,063	1,019	-
Total liabilities	160,302	822,454	207,978	6,884	3,785
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	4,229	20,523	6,378	-	-
<b>NET POSITION</b>					
Net investment in capital assets	1,088,898	468,846	863,215	147,830	-
Unrestricted	(139)	206,075	(94,415)	(6,884)	-
Total net position	\$ 1,088,759	\$ 674,921	\$ 768,800	\$ 140,946	\$ -

<b>Convention and Visitors Bureau</b>	<b>Ambulance Operations</b>	<b>Public Housing</b>	<b>Total</b>
\$ 122,563	\$ 146,371	\$ 23,965	\$ 1,014,920
-	-	200,146	200,146
-	197,452	3,424	222,797
-	-	3,968	332,396
-	-	-	5,344
-	-	-	36,964
-	-	-	4,400
122,563	343,823	231,503	1,816,967
-	-	105,000	764,686
-	-	206,873	3,145,351
-	-	8,108,377	8,914,746
11,412	410,665	111,847	1,026,241
-	546,414	74,149	1,715,636
(10,271)	(468,947)	(7,460,337)	(11,362,689)
1,141	488,132	1,145,909	4,203,971
1,141	488,132	1,145,909	4,203,971
123,704	831,955	1,377,412	6,020,938
6,620	70,886	61,710	357,308
4,475	39,084	98,320	486,728
-	6,672	14,906	59,104
-	-	-	5,344
-	-	48,587	48,587
-	-	6,606	37,326
4,475	45,756	168,419	637,089
-	9,757	3,427	42,637
-	3,146	14,944	35,707
26,765	109,666	225,085	1,097,410
26,765	122,569	243,456	1,175,754
31,240	168,325	411,875	1,812,843
1,194	8,538	9,497	50,359
1,141	488,132	1,145,909	4,203,971
96,749	237,846	(128,159)	311,073
\$ 97,890	\$ 725,978	\$ 1,017,750	\$ 4,515,044

City of Muscatine, Iowa

Non-Major Enterprise Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2017

	Parking Operations	Transit Operations	Golf Course	Boat Harbor	Marina Operations
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Parking fees	217,742	-	-	-	-
Transit fees	-	373,600	-	-	-
Golf course fees	-	-	725,121	-	-
Boat harbor fees	-	-	-	15,243	-
Rents	-	-	-	-	-
Other	-	10	22,852	-	6,266
Total operating revenues	217,742	373,610	747,973	15,243	6,266
Operating expenses:					
Cost of sales and services:					
Personal services	164,487	688,832	342,173	14,839	1,868
Commodities	6,960	74,204	159,695	958	4,899
Contractual services	14,040	185,675	124,284	3,395	723
Administration	23,200	18,600	54,600	6,000	-
Depreciation	40,390	87,412	104,101	6,546	-
Total operating expenses	249,077	1,054,723	784,853	31,738	7,490
Operating income (loss)	(31,335)	(681,113)	(36,880)	(16,495)	(1,224)
Non-operating revenues (expenses):					
Federal, state and local grants	-	651,357	-	-	-
Interest revenue	368	1,365	433	1	-
Gain (loss) on sale of capital assets	-	-	-	-	-
Non-operating revenues (expenses), net	368	652,722	433	1	-
Income (loss) before capital contributions and transfers	(30,967)	(28,391)	(36,447)	(16,494)	(1,224)
Capital contributions - grants	-	226,639	-	-	-
Capital contributions - government	-	-	-	129,484	-
Transfers in	-	200,745	-	-	1,224
Transfers out	-	-	-	-	-
Change in net position	(30,967)	398,993	(36,447)	112,990	-
Net position, June 30, 2016	1,119,726	275,928	805,247	27,956	-
Net position, June 30, 2017	\$ 1,088,759	\$ 674,921	\$ 768,800	\$ 140,946	\$ -

<b>Convention and Visitors Bureau</b>	<b>Ambulance Operations</b>	<b>Public Housing</b>	<b>Total</b>
\$ -	\$ 1,506,662	\$ -	\$ 1,506,662
-	-	-	217,742
-	-	-	373,600
-	-	-	725,121
-	-	-	15,243
-	-	382,200	382,200
4,727	31,400	43,254	108,509
4,727	1,538,062	425,454	3,329,077
25,257	184,275	343,898	1,765,629
61	105,159	62,064	414,000
60,461	202,313	425,293	1,016,184
4,000	37,700	-	144,100
2,283	111,053	224,997	576,782
92,062	640,500	1,056,252	3,916,695
(87,335)	897,562	(630,798)	(587,618)
1,000	9,899	366,542	1,028,798
409	544	280	3,400
-	-	(2,557)	(2,557)
1,409	10,443	364,265	1,029,641
(85,926)	908,005	(266,533)	442,023
-	-	-	226,639
-	-	-	129,484
90,451	-	-	292,420
-	(971,591)	-	(971,591)
4,525	(63,586)	(266,533)	118,975
93,365	789,564	1,284,283	4,396,069
\$ 97,890	\$ 725,978	\$ 1,017,750	\$ 4,515,044

**City of Muscatine, Iowa**  
**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2017**

	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>	<b>Boat Harbor</b>	<b>Marina Operations</b>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 218,404	\$ 390,202	\$ 732,408	\$ 15,243	\$ 6,731
Payments to suppliers	(24,788)	(45,415)	(282,754)	(3,669)	(5,512)
Payments to employees	(120,332)	(573,139)	(272,415)	(12,577)	(1,847)
Payments for employee benefits	(41,986)	(120,617)	(81,343)	(2,583)	(201)
Payments for interfund services used	(23,200)	(242,203)	(56,842)	(6,000)	-
Net cash provided (used) by operating activities	<u>8,098</u>	<u>(591,172)</u>	<u>39,054</u>	<u>(9,586)</u>	<u>(829)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	-	200,745	-	-	1,224
Advances from other funds	-	-	-	2,895	2,449
Advances to other funds	(5,344)	-	-	-	-
Repayment of advances from other funds	-	-	-	-	(2,844)
Repayment of advances to other funds	-	-	-	2,844	-
Subsidies from federal, state and local grants	-	618,826	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(5,344)</u>	<u>819,571</u>	<u>-</u>	<u>5,739</u>	<u>829</u>
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	-	-	(32,248)	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(32,248)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	368	1,365	433	1	-
Net cash provided (used) by investing activities	<u>368</u>	<u>1,365</u>	<u>433</u>	<u>1</u>	<u>-</u>
Net increase (decrease) in cash and pooled investments	3,122	229,764	7,239	(3,846)	-
Cash and pooled investments, June 30, 2016	<u>126,250</u>	<u>338,534</u>	<u>17,112</u>	<u>3,846</u>	<u>-</u>
Cash and pooled investments, June 30, 2017	<u>\$ 129,372</u>	<u>\$ 568,298</u>	<u>\$ 24,351</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (31,335)	\$ (681,113)	\$ (36,880)	\$ (16,495)	\$ (1,224)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	40,390	87,412	104,101	6,546	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(837)	16,272	76	-	465
Prepaid expenses	-	-	2,135	-	-
Inventories	-	-	5,033	-	1,376
Deferred outflows of resources	(1,678)	(6,092)	(15,045)	-	-
Increase (decrease) in:					
Accounts payable and accruals	(4,791)	(17,202)	(22,697)	223	(1,446)
Compensated absences payable	2,193	406	974	140	-
Other post-employment benefits	674	578	1,446	-	-
Deferred revenue	1,499	320	(15,641)	-	-
Deposits	-	-	-	-	-
Net pension liability	20,171	96,820	33,618	-	-
Deferred inflows of resources	(18,188)	(88,573)	(18,066)	-	-
Total adjustments	<u>39,433</u>	<u>89,941</u>	<u>75,934</u>	<u>6,909</u>	<u>395</u>
Net cash provided (used) by operating activities	<u>\$ 8,098</u>	<u>\$ (591,172)</u>	<u>\$ 39,054</u>	<u>\$ (9,586)</u>	<u>\$ (829)</u>
<b>Non-cash capital and related financing activities:</b>					
Contribution of capital assets from government	\$ -	\$ -	\$ -	\$ 129,484	\$ -

Convention and Visitors Bureau	Ambulance Operations	Public Housing	Total
\$ 4,727	\$ 1,593,439	\$ 432,621	\$ 3,393,775
(87,519)	(260,298)	(444,988)	(1,154,943)
(1,511)	(137,223)	(256,884)	(1,375,928)
(1,068)	(47,014)	(107,835)	(402,647)
(4,000)	(73,250)	(36,833)	(442,328)
<u>(89,371)</u>	<u>1,075,654</u>	<u>(413,919)</u>	<u>17,929</u>
-	(971,591)	-	(971,591)
90,451	-	-	292,420
-	-	-	5,344
-	-	-	(5,344)
-	-	-	(2,844)
-	-	-	2,844
<u>1,000</u>	<u>9,899</u>	<u>366,542</u>	<u>996,267</u>
<u>91,451</u>	<u>(961,692)</u>	<u>366,542</u>	<u>317,096</u>
<u>-</u>	<u>(30,963)</u>	<u>(9,500)</u>	<u>(72,711)</u>
<u>-</u>	<u>(30,963)</u>	<u>(9,500)</u>	<u>(72,711)</u>
-	-	441,090	441,090
-	-	(365,547)	(365,547)
409	544	280	3,400
<u>409</u>	<u>544</u>	<u>75,823</u>	<u>78,943</u>
2,489	83,543	18,946	341,257
<u>120,074</u>	<u>62,828</u>	<u>5,019</u>	<u>673,663</u>
<u>\$ 122,563</u>	<u>\$ 146,371</u>	<u>\$ 23,965</u>	<u>\$ 1,014,920</u>
<u>\$ (87,335)</u>	<u>\$ 897,562</u>	<u>\$ (630,798)</u>	<u>\$ (587,618)</u>
2,283	111,053	224,997	576,782
-	55,377	4,746	76,099
-	-	-	2,135
-	-	-	6,409
1,846	(32,718)	(1,183)	(54,870)
(2,749)	6,437	(18,856)	(61,081)
(354)	181	(1,609)	1,931
(2,664)	482	2,450	2,966
-	-	3,421	(10,401)
-	-	(1,000)	(1,000)
4,034	54,636	43,031	252,310
(4,432)	(17,356)	(39,118)	(185,733)
<u>(2,036)</u>	<u>178,092</u>	<u>216,879</u>	<u>605,547</u>
<u>\$ (89,371)</u>	<u>\$ 1,075,654</u>	<u>\$ (413,919)</u>	<u>\$ 17,929</u>
\$ -	\$ -	\$ -	\$ 129,484

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are established to finance and account for services and commodities furnished by one department or agency of the City to other departments or agencies of the City. Internal Service Funds are as follows:

**EQUIPMENT SERVICES FUND** - Accounts for the operations and maintenance of the central garage. All costs incurred for the maintenance of City vehicles and operation of the facility are charged to departments on a cost reimbursement basis.

**CENTRAL SUPPLIES FUND** - Accounts for the central inventory of office supplies which are provided to City departments on a cost reimbursement basis.

**HEALTH INSURANCE FUND** - Accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to employees.

**DENTAL INSURANCE FUND** – Accounts for the costs related to the City's self-insurance plan which provides dental insurance benefits to employees.



**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Net Position  
June 30, 2017**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 55,895	\$ -	\$ 1,553,340	\$ 31,644	\$ 1,640,879
Receivables:					
Accounts	6,816	-	30,757	-	37,573
Due from fiduciary funds	-	-	34,514	-	34,514
Due from other funds	-	-	1,288	-	1,288
Inventories	105,552	2,225	-	-	107,777
Total current assets	168,263	2,225	1,619,899	31,644	1,822,031
Capital assets:					
Equipment	117,956	-	-	-	117,956
Vehicles	98,233	-	-	-	98,233
Less accumulated depreciation	(205,503)	-	-	-	(205,503)
Total capital assets net of accumulated depreciation	10,686	-	-	-	10,686
Total assets	178,949	2,225	1,619,899	31,644	1,832,717
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	50,683	-	-	-	50,683
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	57,274	233	201,380	3,572	262,459
Compensated absences payable	17,934	-	-	-	17,934
Due to other funds	-	1,288	-	-	1,288
Total current liabilities	75,208	1,521	201,380	3,572	281,681
Noncurrent liabilities:					
Compensated absences payable	35,269	-	-	-	35,269
Other post employment benefits	12,584	-	-	-	12,584
Net pension liability	189,759	-	-	-	189,759
Total noncurrent liabilities	237,612	-	-	-	237,612
Total liabilities	312,820	1,521	201,380	3,572	519,293
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	7,768	-	-	-	7,768
<b>NET POSITION</b>					
Investment in capital assets	10,686	-	-	-	10,686
Unrestricted	(101,642)	704	1,418,519	28,072	1,345,653
Total net position	\$ (90,956)	\$ 704	\$ 1,418,519	\$ 28,072	\$ 1,356,339

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2017**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services:					
Services	\$ 737,776	\$ -	\$ -	\$ -	\$ 737,776
Fuel	306,875	-	-	-	306,875
Supply charges	-	1,968	-	-	1,968
Employer contributions	-	-	2,768,052	72,982	2,841,034
Employee contributions	-	-	192,032	75,925	267,957
Other contributions	-	-	157,526	6,710	164,236
Other operating revenue	<u>4,481</u>	<u>-</u>	<u>766</u>	<u>-</u>	<u>5,247</u>
Total operating revenues	<u>1,049,132</u>	<u>1,968</u>	<u>3,118,376</u>	<u>155,617</u>	<u>4,325,093</u>
Operating expenses:					
Cost of sales and services:					
Personal services	337,070	-	-	-	337,070
Commodities	406,960	2,240	-	-	409,200
Contractual services	264,230	-	2,770,201	140,187	3,174,618
Administration	17,300	-	3,000	-	20,300
Depreciation	<u>6,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,004</u>
Total operating expenses	<u>1,031,564</u>	<u>2,240</u>	<u>2,773,201</u>	<u>140,187</u>	<u>3,947,192</u>
Operating income (loss)	17,568	(272)	345,175	15,430	377,901
Non-operating revenues:					
Interest revenue	<u>-</u>	<u>-</u>	<u>4,625</u>	<u>107</u>	<u>4,732</u>
Income (loss) before capital contributions and transfers	17,568	(272)	349,800	15,537	382,633
Capital contributions - government	3,823	-	-	-	3,823
Transfers out	<u>-</u>	<u>-</u>	<u>(53,278)</u>	<u>-</u>	<u>(53,278)</u>
Change in net position	21,391	(272)	296,522	15,537	333,178
Net position, June 30, 2016	<u>(112,347)</u>	<u>976</u>	<u>1,121,997</u>	<u>12,535</u>	<u>1,023,161</u>
Net position, June 30, 2017	<u><u>\$ (90,956)</u></u>	<u><u>\$ 704</u></u>	<u><u>\$ 1,418,519</u></u>	<u><u>\$ 28,072</u></u>	<u><u>\$ 1,356,339</u></u>

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2017**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ 1,048,910	\$ 1,968	\$ 3,087,619	\$ 155,617	\$ 4,294,114
Payments to suppliers	(667,067)	(1,899)	(2,957,971)	(151,732)	(3,778,669)
Payments to employees	(223,521)	-	-	-	(223,521)
Payments for employee benefits	(113,338)	-	-	-	(113,338)
Payments for interfund services used	(17,300)	-	(3,000)	-	(20,300)
Net cash provided (used) by operating activities	<u>27,684</u>	<u>69</u>	<u>126,648</u>	<u>3,885</u>	<u>158,286</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	(53,278)	-	(53,278)
Advances from other funds	-	1,288	-	-	1,288
Advances to other funds	-	-	(1,288)	-	(1,288)
Advances to fiduciary funds	-	-	(34,514)	-	(34,514)
Repayment of advances from other funds	-	(1,357)	-	-	(1,357)
Repayment of advances to other funds	-	-	26,858	-	26,858
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(69)</u>	<u>(62,222)</u>	<u>-</u>	<u>(62,291)</u>
<b>Cash flows from investing activities</b>					
Interest received	-	-	4,625	107	4,732
Net increase (decrease) in cash and pooled investments	27,684	-	69,051	3,992	100,727
Cash and pooled investments, June 30, 2016	<u>28,211</u>	<u>-</u>	<u>1,484,289</u>	<u>27,652</u>	<u>1,540,152</u>
Cash and pooled investments, June 30, 2017	<u>\$ 55,895</u>	<u>\$ -</u>	<u>\$ 1,553,340</u>	<u>\$ 31,644</u>	<u>\$ 1,640,879</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	<u>\$ 17,568</u>	<u>\$ (272)</u>	<u>\$ 345,175</u>	<u>\$ 15,430</u>	<u>\$ 377,901</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,004	-	-	-	6,004
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(222)	-	(30,757)	-	(30,979)
Inventories	2,899	108	-	-	3,007
Deferred outflows of resources	(3,349)	-	-	-	(3,349)
Increase (decrease) in:					
Accounts payable and accruals	(6,767)	233	(187,770)	(11,545)	(205,849)
Compensated absences payable	6,399	-	-	-	6,399
Other post employment benefits payable	1,928	-	-	-	1,928
Net pension liability	37,652	-	-	-	37,652
Deferred inflows of resources	(34,428)	-	-	-	(34,428)
Total adjustments	<u>10,116</u>	<u>341</u>	<u>(218,527)</u>	<u>(11,545)</u>	<u>(219,615)</u>
Net cash provided (used) by operating activities	<u>\$ 27,684</u>	<u>\$ 69</u>	<u>\$ 126,648</u>	<u>\$ 3,885</u>	<u>\$ 158,286</u>
<b>Non-cash capital and related financing activities:</b>					
Capital assets contributed by government	\$ 3,823	-	-	-	\$ 3,823

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

Agency Funds are those used to account for assets held by a government as an agent for individuals, private organizations, or other governments.

**PAYROLL CLEARING FUND** – Account for the collection and payment of miscellaneous payroll-related items.

**HOUSING REVOLVING FUND** - Accounts for general City expenditures allocated to the City's Housing Programs, which are reimbursed by the Housing Programs.

**City of Muscatine, Iowa**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2017**

	<b><u>Payroll Clearing</u></b>	<b><u>Housing Revolving</u></b>	<b><u>Totals</u></b>
Assets:			
Accounts receivable	<u>\$     2,681</u>	<u>\$    54,969</u>	<u>\$    57,650</u>
Liabilities:			
Accounts payable and accruals	-	23,136	23,136
Due to primary government	<u>2,681</u>	<u>31,833</u>	<u>34,514</u>
Total liabilities	<u>\$     2,681</u>	<u>\$    54,969</u>	<u>\$    57,650</u>

**City of Muscatine, Iowa**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year Ended June 30, 2017**

	<b>Balance June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
<b><u>Payroll Clearing Fund</u></b>				
Assets:				
Accounts receivable	\$ 1,424	\$ 1,257	\$ -	\$ 2,681
Total assets	<u>\$ 1,424</u>	<u>\$ 1,257</u>	<u>\$ -</u>	<u>\$ 2,681</u>
Liabilities:				
Due to primary government	\$ 1,424	\$ 1,257	\$ -	\$ 2,681
Total liabilities	<u>\$ 1,424</u>	<u>\$ 1,257</u>	<u>\$ -</u>	<u>\$ 2,681</u>
<b><u>Housing Revolving Fund</u></b>				
Assets:				
Accounts receivable	\$ 62,033	\$ -	\$ 7,064	\$ 54,969
Liabilities:				
Accounts payable and accruals	\$ 37,956	\$ -	\$ 14,820	\$ 23,136
Due to primary government	24,077	7,756	-	31,833
Total liabilities	<u>\$ 62,033</u>	<u>\$ 7,756</u>	<u>\$ 14,820</u>	<u>\$ 54,969</u>
<b><u>Total</u></b>				
Assets:				
Accounts receivable	\$ 63,457	\$ 1,257	\$ 7,064	\$ 57,650
Total assets	<u>\$ 63,457</u>	<u>\$ 1,257</u>	<u>\$ 7,064</u>	<u>\$ 57,650</u>
Liabilities:				
Accounts payable and accruals	\$ 37,956	\$ -	\$ 14,820	\$ 23,136
Due to primary government	25,501	9,013	-	34,514
Total liabilities	<u>\$ 63,457</u>	<u>\$ 9,013</u>	<u>\$ 14,820</u>	<u>\$ 57,650</u>

## **MUSCATINE COUNTY SOLID WASTE AGENCY COMPONENT UNIT**

**Muscatine County Solid Waste Agency (Agency).** The Agency has been organized as a joint venture under Chapter 28E of the Code of Iowa between the City of Muscatine; Muscatine County; and the municipalities of Fruitland, Stockton, West Liberty, Atalissa, Nichols, and Conesville, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Net Position  
June 30, 2017**

**ASSETS**

Current:	
Cash and pooled investments	<u>\$ 1,096,053</u>
Restricted assets:	
Cash and pooled investments	<u>1,838,629</u>
Capital assets:	
Land	1,080,608
Land improvements	2,508,022
Buildings	37,314
Equipment	31,317
Construction in progress	30,881
Less accumulated depreciation	<u>(2,250,892)</u>
Total capital assets (net of accumulated depreciation)	<u>1,437,250</u>
Total assets	<u><u>4,371,932</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accruals	94,081
Compensated absences payable	<u>1,937</u>
Total current liabilities	<u>96,018</u>
Noncurrent liabilities:	
Closure/post-closure obligation	3,120,193
Compensated absences payable	<u>5,376</u>
Total noncurrent liabilities	<u>3,125,569</u>
Total liabilities	<u>3,221,587</u>

**NET POSITION**

Net investment in capital assets	1,437,250
Unrestricted	<u>(286,905)</u>
Total net position	<u><u>\$ 1,150,345</u></u>



**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2017**

Operating revenues:	
Charges for services	\$ 1,246,501
Other operating revenues	<u>10,000</u>
Total operating revenues	<u>1,256,501</u>
Operating expenses:	
Cost of services:	
Personal services	69,675
Commodities	7,826
Contractual services	923,879
Administration	54,300
Depreciation	<u>152,175</u>
Total operating expenses	<u>1,207,855</u>
Operating income	<u>48,646</u>
Non-operating revenue:	
Intergovernmental revenue	117,177
Interest revenue	<u>8,601</u>
Total non-operating revenues	<u>125,778</u>
Change in net position	174,424
Net position, June 30, 2016	<u>975,921</u>
Net position, June 30, 2017	<u><u>\$ 1,150,345</u></u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Cash Flows  
Year Ended June 30, 2017**

**Cash flows from operating activities**

Receipts from customers and users	\$ 1,256,501
Payments to suppliers	(744,989)
Payments to employees	(44,976)
Payments for employee benefits	(20,384)
Payments for interfund services used	(54,300)
Net cash provided by operating activities	<u>391,852</u>

**Cash flows from noncapital financing activities**

Subsidies from federal, state and local governments	<u>117,177</u>
Net cash provided (used) by noncapital financing activities	<u>117,177</u>

**Cash flows from capital and related financing activities**

Purchase of capital assets	<u>(48,481)</u>
Net cash provided (used) by capital and related financing activities	<u>(48,481)</u>

**Cash flows from investing activities**

Interest received	<u>8,601</u>
Net cash provided by investing activities	<u>8,601</u>

Net increase in cash and pooled investments 469,149

Cash and pooled investments, June 30, 2016 2,465,533

Cash and pooled investments, June 30, 2017 \$ 2,934,682

**Reconciliation of operating income to net cash  
provided by operating activities:**

Cash flows from operating activities:	
Operating income	<u>\$ 48,646</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	152,175
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts payable and accruals	(23,667)
Compensated absences payable	4,648
Closure/post-closure liability	<u>210,050</u>
Total adjustments	<u>343,206</u>
Net cash provided by operating activities	<u><u>\$ 391,852</u></u>

# STATISTICAL SECTION

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

Contents	Page
<b><u>Financial Trends (Schedules 1 – 5)</u></b>	124-130
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
<b><u>Revenue Capacity (Schedules 6 – 9)</u></b>	131-134
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
<b><u>Debt Capacity (Schedules 10 – 13)</u></b>	135-138
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
<b><u>Demographic and Economic Information (Schedules 14 – 15)</u></b>	139-140
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
<b><u>Operating Information (Schedules 16 – 18)</u></b>	141-143
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

**City of Muscatine, Iowa**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year									
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Governmental activities										
Net investment in capital assets	\$ 50,833,005	\$ 50,303,012	\$ 48,735,481	\$ 50,534,706	\$ 49,843,849	\$ 51,062,032	\$ 52,468,351	\$ 55,396,862	\$ 55,770,714	\$ 60,958,092
Restricted	5,644,659	2,989,872	2,899,555	4,914,742	8,626,783	6,614,924	6,449,451	4,360,077	5,254,231	5,110,781
Unrestricted	6,272,247	7,330,802	7,905,068	2,910,113	2,485,584	2,852,152	1,650,177	6,461,002	6,851,290	8,250,964
Total governmental activities net position	<u>\$ 62,749,911</u>	<u>\$ 60,623,686</u>	<u>\$ 59,540,104</u>	<u>\$ 58,359,561</u>	<u>\$ 60,956,216</u>	<u>\$ 60,529,108</u>	<u>\$ 60,567,979</u>	<u>\$ 66,217,941</u>	<u>\$ 67,876,235</u>	<u>\$ 74,319,837</u>
Business-type activities										
Net investment in capital assets	\$ 53,255,999	\$ 57,286,029	\$ 60,488,326	\$ 63,959,885	\$ 64,583,715	\$ 67,867,972	\$ 71,207,184	\$ 69,764,910	\$ 73,202,711	\$ 74,209,077
Restricted	-	190,093	413,321	135,331	178,360	136,888	107,422	108,024	108,677	110,475
Unrestricted	7,796,532	7,105,081	7,500,477	8,340,770	7,798,823	6,931,260	5,580,730	4,303,188	5,022,028	6,560,437
Total business-type activities net position	<u>\$ 61,052,531</u>	<u>\$ 64,581,203</u>	<u>\$ 68,402,124</u>	<u>\$ 72,435,986</u>	<u>\$ 72,560,898</u>	<u>\$ 74,936,120</u>	<u>\$ 76,895,336</u>	<u>\$ 74,176,122</u>	<u>\$ 78,333,416</u>	<u>\$ 80,879,989</u>
Primary government										
Net investment in capital assets	\$ 104,089,004	\$ 107,589,041	\$ 109,223,807	\$ 114,494,591	\$ 114,427,564	\$ 118,930,004	\$ 123,675,535	\$ 125,161,772	\$ 128,973,425	\$ 135,167,169
Restricted	5,644,659	3,179,965	3,312,876	5,050,073	8,805,143	6,751,812	6,556,873	4,468,101	5,362,908	5,221,256
Unrestricted	14,068,779	14,435,883	15,405,545	11,250,883	10,284,407	9,783,412	7,230,907	10,764,190	11,873,318	14,811,401
Total primary government net position	<u>\$ 123,802,442</u>	<u>\$ 125,204,889</u>	<u>\$ 127,942,228</u>	<u>\$ 130,795,547</u>	<u>\$ 133,517,114</u>	<u>\$ 135,465,228</u>	<u>\$ 137,463,315</u>	<u>\$ 140,394,063</u>	<u>\$ 146,209,651</u>	<u>\$ 155,199,826</u>

**City of Muscatine, Iowa**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fical Year									
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 6,972,493	\$ 7,136,808	\$ 6,038,292	\$ 7,231,247	\$ 7,933,672	\$ 8,106,891	\$ 8,701,457	\$ 8,122,038	\$ 8,797,894	\$ 9,349,247
Public works	3,498,689	5,262,061	4,392,189	6,104,574	4,603,469	4,111,389	4,576,539	4,665,507	5,021,386	5,631,914
Health and social services	16,660	16,660	17,100	17,800	17,800	20,000	20,000	20,000	45,000	45,000
Culture and recreation	3,773,895	3,970,285	4,393,742	3,991,705	4,072,299	4,018,788	4,030,522	3,955,373	3,963,354	4,420,009
Community and economic development	2,757,190	2,656,737	2,918,941	3,232,025	3,063,468	3,099,380	3,269,232	3,324,446	3,835,492	4,520,932
General government	1,880,724	1,967,161	2,877,107	2,088,819	2,129,477	2,352,743	2,385,047	2,564,538	2,667,443	3,101,457
Interest and fees on long-term debt	391,759	473,916	439,305	570,313	504,515	496,578	423,211	426,846	379,115	328,466
Total governmental activities expense	19,291,410	21,483,628	21,076,676	23,236,483	22,324,700	22,205,769	23,406,008	23,078,748	24,709,684	27,397,025
Business-type activities:										
Water pollution control	4,649,437	4,992,317	5,413,555	5,083,681	5,757,128	6,088,562	6,898,082	7,189,980	6,628,762	6,289,874
Transfer station	2,486,114	1,519,980	2,240,614	2,174,384	2,302,385	2,140,480	2,292,207	2,466,385	2,400,592	2,218,056
Refuse collection	1,390,113	2,228,048	1,798,493	1,827,138	2,015,577	2,068,419	2,156,260	2,235,480	2,333,812	2,203,986
Airport	561,312	605,009	709,883	566,129	462,094	551,499	501,897	494,037	421,115	531,974
Parking	244,774	201,409	228,674	247,292	244,115	237,933	236,762	228,917	240,745	245,558
Transit	872,252	907,562	1,028,876	1,016,663	1,077,339	1,121,524	1,091,925	1,023,229	999,884	1,048,924
Golf course	778,125	825,757	798,587	818,018	871,848	864,167	827,963	774,271	790,351	777,639
Boat harbor	33,015	34,648	31,605	29,041	31,036	27,878	29,463	28,210	28,205	31,738
Marina	12,461	10,961	19,451	12,802	19,507	13,873	8,589	12,623	12,061	7,490
Convention and visitors bureau	-	-	-	-	-	-	-	-	83,397	92,062
Ambulance	428,659	483,223	390,308	426,829	473,350	500,046	558,157	539,780	624,785	636,805
Public housing	924,183	975,076	994,013	1,120,421	1,164,215	1,089,036	1,173,841	1,078,474	1,058,502	1,040,688
Total business-type activities expense	12,380,445	12,783,990	13,654,059	13,322,398	14,418,594	14,703,417	15,775,146	16,071,386	15,622,211	15,124,794
Total primary government expense	<u>\$ 31,671,855</u>	<u>\$ 34,267,618</u>	<u>\$ 34,730,735</u>	<u>\$ 36,558,881</u>	<u>\$ 36,743,294</u>	<u>\$ 36,909,186</u>	<u>\$ 39,181,154</u>	<u>\$ 39,150,134</u>	<u>\$ 40,331,895</u>	<u>\$ 42,521,819</u>

(Continued)

	Fical Year									
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>(Continued)</b>										
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 421,978	\$ 438,932	\$ 339,786	\$ 530,879	\$ 1,230,430	\$ 1,137,537	\$ 1,024,538	\$ 1,136,430	\$ 1,152,410	\$ 1,031,206
Public works	151,785	319,112	231,564	262,393	634,870	224,263	290,158	486,680	156,247	125,198
Culture and recreation	598,707	494,131	448,271	478,394	545,297	488,456	485,838	541,931	565,515	535,939
Community and economic development	405,832	358,812	480,137	430,574	426,917	456,674	418,418	492,972	458,379	519,157
General government	410,042	473,567	506,364	545,322	529,471	747,062	721,830	725,488	722,068	813,198
Operating grants and contributions	4,229,961	4,736,388	5,211,201	4,861,170	4,915,000	4,922,364	5,028,968	5,177,955	5,744,949	6,267,606
Capital grants and contributions	963,114	108,213	1,726,091	3,398,652	1,398,288	767,392	2,014,424	2,250,427	561,749	6,583,878
Total governmental activities program revenues	<u>7,181,419</u>	<u>6,929,155</u>	<u>8,943,414</u>	<u>10,507,384</u>	<u>9,680,273</u>	<u>8,743,748</u>	<u>9,984,174</u>	<u>10,811,883</u>	<u>9,361,317</u>	<u>15,876,182</u>
Business-type activities:										
Charges for services:										
Water pollution control	4,259,343	4,518,700	4,627,301	4,748,558	4,947,231	5,399,757	5,445,722	5,606,425	5,738,763	6,037,872
Transfer station	2,090,391	1,498,300	1,822,105	1,806,445	1,958,817	1,850,428	1,992,637	2,190,403	2,125,064	2,247,965
Refuse collection	1,462,820	1,555,388	1,905,643	1,961,389	2,110,442	2,137,772	2,164,865	2,172,876	2,192,597	2,204,645
Airport	41,023	39,523	37,647	37,833	42,124	69,136	69,495	69,189	74,379	77,015
Parking	204,733	194,821	176,103	175,691	182,220	177,415	190,844	204,458	218,424	217,742
Transit	183,586	185,653	175,505	169,004	177,055	179,622	184,755	189,163	240,930	373,610
Golf course	719,281	764,679	821,005	773,938	874,501	740,694	761,256	763,269	770,450	747,973
Boat harbor	23,899	23,359	29,104	27,338	39,814	28,665	22,633	20,081	21,293	15,243
Marina	10,721	6,599	19,623	13,473	18,757	13,079	8,080	12,223	11,441	6,266
Convention and visitors bureau	-	-	-	-	-	-	-	-	4,360	4,727
Ambulance	968,157	1,048,722	1,038,306	1,360,650	1,167,042	1,351,714	1,305,347	1,367,422	1,511,905	1,538,062
Public housing	424,905	420,104	557,631	444,151	542,721	475,486	473,576	465,212	488,197	425,454
Operating grants and contributions	1,017,826	1,008,488	961,896	924,856	659,185	820,150	920,279	963,100	1,045,579	1,207,303
Capital grants and contributions	353,324	1,317,819	919,232	349,116	661,419	561,426	532,157	497,661	3,463,587	1,018,914
Total business-type activities program revenues	<u>11,760,009</u>	<u>12,582,155</u>	<u>13,091,101</u>	<u>12,792,442</u>	<u>13,381,328</u>	<u>13,805,344</u>	<u>14,071,646</u>	<u>14,521,482</u>	<u>17,906,969</u>	<u>16,122,791</u>
Total primary government program revenues	<u>\$ 18,941,428</u>	<u>\$ 19,511,310</u>	<u>\$ 22,034,515</u>	<u>\$ 23,299,826</u>	<u>\$ 23,061,601</u>	<u>\$ 22,549,092</u>	<u>\$ 24,055,820</u>	<u>\$ 25,333,365</u>	<u>\$ 27,268,286</u>	<u>\$ 31,998,973</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (12,109,991)	\$ (14,554,473)	\$ (12,133,262)	\$ (12,729,099)	\$ (12,644,427)	\$ (13,462,021)	\$ (13,421,834)	\$ (12,266,865)	\$ (15,348,367)	\$ (11,520,843)
Business-type activities	(620,436)	(201,835)	(562,958)	(529,956)	(1,037,266)	(898,073)	(1,703,500)	(1,549,904)	2,284,758	997,997
Total primary government net expense	<u>\$ (12,730,427)</u>	<u>\$ (14,756,308)</u>	<u>\$ (12,696,220)</u>	<u>\$ (13,259,055)</u>	<u>\$ (13,681,693)</u>	<u>\$ (14,360,094)</u>	<u>\$ (15,125,334)</u>	<u>\$ (13,816,769)</u>	<u>\$ (13,063,609)</u>	<u>\$ (10,522,846)</u>

(Continued)

	Fical Year									
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 12,141,875	\$ 12,040,376	\$ 12,114,066	\$ 12,478,438	\$ 12,861,006	\$ 13,117,510	\$ 13,427,094	\$ 13,675,667	\$ 14,432,728	\$ 14,997,905
Utility taxes	67,703	64,358	63,449	52,274	58,048	57,576	56,387	52,923	58,665	47,357
Local option sales tax	2,688,049	2,864,582	2,471,108	2,533,919	2,543,654	2,567,849	2,750,000	2,810,233	2,789,212	2,921,698
Hotel/motel taxes	366,261	344,354	302,273	363,664	347,771	335,701	415,041	353,869	361,803	441,079
Cable franchise taxes	239,812	239,039	236,192	236,253	225,902	222,288	212,286	191,331	189,044	176,095
Utility franchise taxes	-	-	-	227,680	170,225	103,931	113,660	96,810	81,308	81,399
Intergovernmental, unrestricted	150,424	149,913	151,270	154,551	156,229	150,031	115,185	13,418,365	808,792	663,441
Unrestricted investment income	399,317	267,227	45,999	22,297	16,177	13,582	14,256	130,276	136,940	143,193
Contributions to endowments	7,980	6,620	5,550	7,850	6,373	6,958	5,726	4,178	11,654	4,021
Transfers	(2,911,195)	(3,548,221)	(4,340,227)	(4,528,370)	(1,144,303)	(3,392,510)	(3,648,930)	(1,258,250)	(1,863,485)	(1,511,743)
Total governmental activities	<u>13,150,226</u>	<u>12,428,248</u>	<u>11,049,680</u>	<u>11,548,556</u>	<u>15,241,082</u>	<u>13,182,916</u>	<u>13,460,705</u>	<u>29,475,402</u>	<u>17,006,661</u>	<u>17,964,445</u>
Business-type activities:										
Unrestricted investment income	256,849	182,286	43,652	24,232	17,875	9,379	10,222	10,057	9,051	36,833
Gain (loss) on sale of capital assets	-	-	-	11,216	-	19,874	3,564	-	-	-
Transfers	2,911,195	3,548,221	4,340,227	4,528,370	1,144,303	3,392,510	3,648,930	1,258,250	1,863,485	1,511,743
Dissolution of component unit	-	-	-	-	-	-	-	56,616	-	-
Total business-type activities	<u>3,168,044</u>	<u>3,730,507</u>	<u>4,383,879</u>	<u>4,563,818</u>	<u>1,162,178</u>	<u>3,421,763</u>	<u>3,662,716</u>	<u>1,324,923</u>	<u>1,872,536</u>	<u>1,548,576</u>
Total primary government	<u>\$ 16,318,270</u>	<u>\$ 16,158,755</u>	<u>\$ 15,433,559</u>	<u>\$ 16,112,374</u>	<u>\$ 16,403,260</u>	<u>\$ 16,604,679</u>	<u>\$ 17,123,421</u>	<u>\$ 30,800,325</u>	<u>\$ 18,879,197</u>	<u>\$ 19,513,021</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 1,040,235	\$ (2,126,225)	\$ (1,083,582)	\$ (1,180,543)	\$ 2,596,655	\$ (279,105)	\$ 38,871	\$ 17,208,537	\$ 1,658,294	\$ 6,443,602
Business-type activities	<u>2,547,608</u>	<u>3,528,672</u>	<u>3,820,921</u>	<u>4,033,862</u>	<u>124,912</u>	<u>2,523,690</u>	<u>1,959,216</u>	<u>(224,981)</u>	<u>4,157,294</u>	<u>2,546,573</u>
Total primary government	<u>\$ 3,587,843</u>	<u>\$ 1,402,447</u>	<u>\$ 2,737,339</u>	<u>\$ 2,853,319</u>	<u>\$ 2,721,567</u>	<u>\$ 2,244,585</u>	<u>\$ 1,998,087</u>	<u>\$ 16,983,556</u>	<u>\$ 5,815,588</u>	<u>\$ 8,990,175</u>

Schedule 3

City of Muscatine, Iowa  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Unaudited)

	2007/08	2008/09	2009/10	2010/11 (1)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
General Fund										
Reserved	\$ 11,833	\$ 119,222	\$ 155,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,733,810	1,641,489	1,720,635	-	-	-	-	-	-	-
Nonspendable	-	-	-	15,637	5,221	88,328	40,843	2,974	117,190	64,944
Assigned	-	-	-	382,877	256,263	506,407	430,858	396,519	445,593	343,057
Unassigned	-	-	-	2,141,534	3,319,319	3,073,412	3,388,877	3,984,638	4,035,533	4,328,414
Total General Fund	<u>\$ 1,745,643</u>	<u>\$ 1,760,711</u>	<u>\$ 1,875,767</u>	<u>\$ 2,540,048</u>	<u>\$ 3,580,803</u>	<u>\$ 3,668,147</u>	<u>\$ 3,860,578</u>	<u>\$ 4,384,131</u>	<u>\$ 4,598,316</u>	<u>\$ 4,736,415</u>
All other governmental funds										
Reserved	\$ 4,162,323	\$ 2,349,556	\$ 3,659,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	8,589,873	7,606,228	7,026,552	-	-	-	-	-	-	-
Capital projects funds	(4,856)	(1,564,725)	(565,270)	-	-	-	-	-	-	-
Nonspendable	-	-	-	2,437,508	1,314,714	1,226,852	988,000	992,178	1,003,832	1,007,853
Assigned	-	-	-	-	-	-	-	13,160,939	12,715,352	12,963,012
Restricted	-	-	-	4,062,133	7,651,467	5,632,650	5,608,054	3,438,043	5,713,190	5,034,619
Unassigned	-	-	-	(1,538,918)	(232,181)	(208,308)	(190,622)	(473,188)	(22,842)	(57,818)
Total all other governmental funds	<u>\$ 12,747,340</u>	<u>\$ 8,391,059</u>	<u>\$ 10,120,934</u>	<u>\$ 4,960,723</u>	<u>\$ 8,734,000</u>	<u>\$ 6,651,194</u>	<u>\$ 6,405,432</u>	<u>\$ 17,117,972</u>	<u>\$ 19,409,532</u>	<u>\$ 18,947,666</u>

1. In 2010/2011 the City implemented GASB Statement 54. Under this Statement several former special revenue funds were re-classified and are now considered part of the City's general fund. This Statement also provided for new classifications of governmental fund balances: nonspendable, restricted, committed, assigned, and unassigned.



## Schedule 4

**City of Muscatine, Iowa**  
**Changes of Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>Revenues</b>										
Taxes	\$ 15,503,700	\$ 15,484,709	\$ 15,235,088	\$ 15,792,228	\$ 16,318,451	\$ 16,361,663	\$ 16,901,816	\$ 17,166,787	\$ 17,910,556	\$ 18,677,783
Licenses and permits	319,931	324,492	285,956	271,372	308,385	390,491	354,747	349,228	389,596	426,847
Fines and forfeitures	203,136	177,324	183,714	393,340	1,029,833	895,789	815,217	1,011,189	997,069	862,417
Intergovernmental	4,247,598	4,830,706	6,461,868	6,031,516	6,449,297	4,967,887	6,743,559	19,630,123	6,498,820	8,073,335
Charges for services	437,472	480,659	449,346	444,456	556,802	527,813	560,435	560,286	573,758	579,213
Use of money and property	620,396	453,027	232,725	205,724	226,243	207,593	179,505	250,866	265,333	274,773
Other	1,201,473	1,174,617	1,112,327	1,249,691	1,526,397	1,308,325	1,015,792	1,305,093	1,301,347	5,056,998
Total revenues	<u>22,533,706</u>	<u>22,925,534</u>	<u>23,961,024</u>	<u>24,388,327</u>	<u>26,415,408</u>	<u>24,659,561</u>	<u>26,571,071</u>	<u>40,273,572</u>	<u>27,936,479</u>	<u>33,951,366</u>
<b>Expenditures</b>										
Public safety	6,704,267	6,887,993	6,687,695	6,818,872	7,414,924	7,703,992	8,074,534	8,197,707	8,313,401	8,867,219
Public works	1,821,559	2,021,234	2,017,868	2,092,212	1,998,400	1,829,551	2,226,055	2,146,395	2,037,427	2,262,483
Health and social services	16,660	16,660	17,100	17,800	17,800	20,000	20,000	20,000	45,000	45,000
Culture and recreation	2,632,617	2,708,935	2,823,824	2,815,312	2,834,621	2,784,267	2,803,820	2,876,002	2,940,980	3,086,488
Community and economic development	2,548,056	2,646,867	2,889,973	3,003,602	3,109,089	3,120,334	3,086,391	3,266,613	3,811,936	3,921,777
General government	1,803,850	1,869,708	1,846,437	1,936,768	1,981,756	2,049,017	2,211,147	2,100,678	2,295,600	2,574,045
Capital outlay	4,127,296	5,629,604	7,539,211	5,162,510	5,648,873	3,655,151	5,095,332	6,319,416	4,731,052	9,243,901
Debt service:										
Principal	1,361,385	1,520,837	1,620,615	1,977,932	1,675,000	2,735,000	1,695,000	2,455,000	3,840,000	2,415,000
Interest	378,304	475,087	422,906	579,145	508,615	508,706	430,422	445,161	389,568	398,755
Paying agent	2,800	1,600	1,800	2,250	2,700	2,800	2,250	2,000	2,500	2,000
Bond issuance costs	6,962	-	-	-	28,329	15,021	-	-	17,355	-
Total expenditures	<u>21,403,756</u>	<u>23,778,525</u>	<u>25,867,429</u>	<u>24,406,403</u>	<u>25,220,107</u>	<u>24,423,839</u>	<u>25,644,951</u>	<u>27,828,972</u>	<u>28,424,819</u>	<u>32,816,668</u>
Excess of revenues over (under) expenditures	<u>1,129,950</u>	<u>(852,991)</u>	<u>(1,906,405)</u>	<u>(18,076)</u>	<u>1,195,301</u>	<u>235,722</u>	<u>926,120</u>	<u>12,444,600</u>	<u>(488,340)</u>	<u>1,134,698</u>
Other financing sources (uses)										
General obligation bonds issued	5,120,000	-	7,425,000	-	4,496,400	-	2,575,000	-	3,250,879	-
General obligation bond premium (discount)	2,655	-	21,741	-	-	-	48,595	-	211,712	-
Refunding bonds issued	1,714,384	-	-	-	218,600	1,115,000	-	-	1,299,121	-
Refunding bond premium	2,220	-	-	-	-	-	-	-	44,328	-
Payment of refunded bonds	(1,680,000)	-	-	-	-	-	-	-	-	-
Insurance recoveries	379,589	-	-	-	-	-	-	-	-	-
Transfers in	6,431,380	5,819,738	6,377,061	6,585,087	7,139,163	7,029,778	7,285,804	8,775,997	8,784,455	9,486,825
Transfers out	(9,295,371)	(9,307,960)	(10,072,466)	(11,062,941)	(8,235,432)	(10,375,962)	(10,888,850)	(9,984,504)	(10,596,410)	(10,945,290)
Total other financing sources (uses)	<u>2,674,857</u>	<u>(3,488,222)</u>	<u>3,751,336</u>	<u>(4,477,854)</u>	<u>3,618,731</u>	<u>(2,231,184)</u>	<u>(979,451)</u>	<u>(1,208,507)</u>	<u>2,994,085</u>	<u>(1,458,465)</u>
Net change in fund balances	<u>\$ 3,804,807</u>	<u>\$ (4,341,213)</u>	<u>\$ 1,844,931</u>	<u>\$ (4,495,930)</u>	<u>\$ 4,814,032</u>	<u>\$ (1,995,462)</u>	<u>\$ (53,331)</u>	<u>\$ 11,236,093</u>	<u>\$ 2,505,745</u>	<u>\$ (323,767)</u>
Debt service as a percentage of non-capital expenditures	9.6%	9.8%	9.9%	11.6%	10.7%	15.2%	10.0%	12.9%	17.0%	11.0%

## Schedule 5

**City of Muscatine, Iowa**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>General Property Tax</b>	<b>Incremental Property Tax (TIF Districts)</b>	<b>Utility Excise Tax</b>	<b>Mobile Home Tax</b>	<b>Hotel/Motel Tax</b>	<b>Cable Franchise Tax</b>	<b>Utility Franchise Tax (1)</b>	<b>Local Option Sales Tax</b>	<b>Total</b>
2007/2008	\$ 11,131,690	\$ 990,255	\$ 67,703	\$ 19,930	\$ 366,261	\$ 239,812	\$ -	\$ 2,688,049	\$ 15,503,700
2008/2009	11,350,093	671,050	64,358	19,233	344,354	239,039	-	2,796,582	15,484,709
2009/2010	11,332,799	763,184	63,449	18,083	302,273	236,192	-	2,519,108	15,235,088
2010/2011	11,689,172	771,639	52,274	17,627	363,664	236,253	227,680	2,433,919	15,792,228
2011/2012	12,031,835	810,293	58,049	18,878	347,771	225,902	170,225	2,655,498	16,318,451
2012/2013	12,260,308	837,307	57,576	19,895	335,701	222,288	103,931	2,524,657	16,361,663
2013/2014	12,528,822	874,512	56,387	23,760	415,041	212,286	113,660	2,677,348	16,901,816
2014/2015	12,564,572	1,075,970	52,923	35,125	353,869	191,331	96,810	2,796,187	17,166,787
2015/2016	12,434,982	1,961,342	58,665	36,404	361,803	189,044	81,308	2,787,008	17,910,556
2016/2017	13,086,357	1,875,600	47,357	35,948	441,079	176,095	81,399	2,933,948	18,677,783
Change 2007/2008 to 2016/2017	17.6%	89.4%	-30.1%	80.4%	20.4%	-26.6%	-	9.1%	20.5%

1. A Utility Franchise Fee on the provider of natural gas services was implemented in 2010/2011 at the rate of 2%. This rate was reduced to 1% for the 2012/2013 budget.

**City of Muscatine, Iowa**  
**Taxable Value and Estimated Actual Value of Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Tax Collection Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Multi- Residential (1)</b>	<b>Railroads and Utilities</b>	<b>Less: Military Exemption</b>	<b>Total Taxable Value</b>	<b>Total Direct Tax Rate (per \$1,000 of Valuation)</b>	<b>Estimated Actual Value</b>	<b>Taxable Value as a Percentage of Estimated Actual Value</b>
2007/2008	\$336,495,971	\$211,504,406	\$115,798,968	N/A	\$ 6,652,746	\$ 2,376,768	\$668,075,323	\$ 16.52992	\$ 1,076,411,985	62.1%
2008/2009	339,854,784	233,055,584	121,374,018	N/A	6,926,265	2,278,038	698,932,613	16.15095	1,136,242,003	61.5%
2009/2010	357,670,553	238,025,912	124,706,905	N/A	7,312,791	2,215,335	725,500,826	15.55353	1,157,482,324	62.7%
2010/2011	372,746,348	239,793,310	119,283,095	N/A	7,233,428	2,126,455	736,929,726	15.77146	1,163,419,885	63.3%
2011/2012	397,168,357	235,275,621	118,497,883	N/A	7,339,282	2,070,643	756,210,500	15.77146	1,182,251,155	64.0%
2012/2013	418,570,988	236,549,608	117,483,923	N/A	7,085,446	2,001,533	777,688,432	15.67209	1,187,559,428	65.5%
2013/2014	439,988,430	233,677,171	116,856,275	N/A	6,629,974	1,946,036	795,205,814	15.67209	1,191,824,137	66.7%
2014/2015	450,842,402	232,698,429	106,765,755	N/A	5,786,469	1,871,992	794,221,063	15.67209	1,195,115,199	66.5%
2015/2016	461,629,813	218,659,686	97,565,025	N/A	5,032,917	1,812,242	781,075,199	15.67209	1,193,627,101	65.4%
2016/2017	476,813,707	201,892,371	108,073,772	\$ 33,837,709	4,669,990	1,721,595	823,565,954	15.67209	1,253,806,921	65.7%

1. Multi-residential properties were included with commercial properties until January 1, 2015. These properties include mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, and properties with three or more separate living quarters. These properties were rolled back from 90% to 86.25% for January 1, 2015 and will continue to be rolled back over the next seven years until the rollback is equal to the rollback for residential properties.

Source: Muscatine County Auditor's Office

City of Muscatine, Iowa  
Direct and Overlapping Property Tax Rates  
(Rates per \$1,000 of Valuation)  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	City Direct Rates									Overlapping Rates			Totals by School District	
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Emergency Management	Total Direct Rate	County Consolidated	School Districts		Muscatine Community	Louisa-Muscatine Community
											Muscatine Community	Louisa-Muscatine Community		
2007/2008	\$8.10000	\$4.46685	\$2.78130	\$0.49418	\$0.35009	\$0.06750	\$0.27000	\$ -	\$ 16.52992	\$ 8.79042	\$ 15.15328	\$ 14.95807	\$ 40.47362	\$ 40.27841
2008/2009	8.10000	4.07576	2.95759	0.22751	0.31040	0.06750	0.27000	0.14219	16.15095	8.64189	14.86671	15.03328	39.65955	39.82612
2009/2010	8.10000	3.55524	2.90101	0.31516	0.34462	0.06750	0.27000	-	15.55353	9.18309	14.90569	13.78199	39.64231	38.51861
2010/2011	8.10000	3.79446	3.14336	0.24310	0.34304	0.06750	0.08000	-	15.77146	9.60976	14.90920	14.08973	40.29042	39.47095
2011/2012	8.10000	4.06191	2.85051	0.39489	0.29665	0.06750	-	-	15.77146	9.51343	15.36192	13.78625	40.64681	39.07114
2012/2013	8.10000	3.87206	2.90388	0.40950	0.31915	0.06750	-	-	15.67209	9.12600	15.35345	11.97595	40.15154	36.77404
2013/2014	8.10000	3.80682	2.89226	0.47582	0.32969	0.06750	-	-	15.67209	9.09395	15.27597	10.58609	40.04201	35.35213
2014/2015	8.10000	3.85118	2.89056	0.36764	0.39521	0.06750	-	-	15.67209	9.09808	15.42605	11.20916	40.19622	35.97933
2015/2016	8.10000	4.11611	2.79677	0.30282	0.28889	0.06750	-	-	15.67209	9.36435	15.80950	12.39496	40.84594	37.43140
2016/2017	8.10000	4.25714	2.78470	0.23071	0.28031	0.01923	-	-	15.67209	9.44359	15.53914	12.84927	40.65482	37.96495

Notes - Per State statutes maximum tax rates apply to the General Fund, Transit, Levee and Emergency levies. The City has been at the maximum rate of \$8.10 for the General Fund, and \$0.0675 for the Levee as shown above. A maximum rate of \$.95 applies to the Transit tax and a maximum rate of \$.27 applies to the Emergency tax; the City's Transit and Emergency levies are less than the maximum allowed.

Source: Muscatine County Auditor's Office

City of Muscatine, Iowa  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
(Unaudited)

<u>Taxpayer</u>	<u>January 1, 2015 Valuation (for 2016/2017 Tax Levy)</u>			<u>January 1, 2006 Valuation (for 2007/2008 Tax Levy)</u>		
	<u>Taxable Valuation (1)</u>	<u>Rank</u>	<u>Percent of Total Taxable Value</u>	<u>Taxable Valuation (1)</u>	<u>Rank</u>	<u>Percent of Total Taxable Value</u>
Grain Processing/Kent Feeds	\$ 38,508,885	1	4.7%	\$ 40,579,160	1	6.1%
HNI Corporation (HON Industries/HON Financial)	30,066,719	2	3.7%	36,790,640	2	5.5%
Wal-View Developments	19,721,340	3	2.4%			
Heinz, U.S.A.	9,797,778	4	1.2%	11,055,680	4	1.7%
Wal-Mart Stores, Inc.	9,200,286	5	1.1%	7,846,540	6	1.2%
Menard Inc.	9,111,348	6	1.1%			
Bridgestone Bandag LLC / Bandag, Inc.	8,397,225	7	1.0%	15,002,970	3	2.2%
GRIDCO, LLC	6,783,666	8	0.8%	5,910,190	11	0.9%
LHV Muscatine LLC/Hy-Vee Inc	6,288,849	9	0.8%	5,593,210	13	0.8%
Muscatine Downtown Investors	5,755,930	10	0.7%			
First National Bank of Muscatine	5,718,807	11	0.7%	6,341,240	9	0.9%
Sodarak Properties, LLC (Property formerly owned by Riverbend Leasing, LLC)	5,628,197	12	0.7%	9,444,540	5	1.4%
SECO Investment Co. (Stanley Engineering Co.)	5,533,218	13	0.7%	5,108,910	14	0.8%
W I D, Inc.	5,328,045	14	0.6%	5,043,010	15	0.8%
Central State Bank	5,130,923	15	0.6%	6,485,290	7	1.0%
Muscatine Mall Associates LLP	5,089,428	16	0.6%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	5,007,447	17	0.6%	6,121,320	10	0.9%
BT Prime Mover	4,894,308	18	0.6%	5,859,680	12	0.9%
ARHC SMMTEIA01 LLC (Multi-Residential Diana Queen Drive)	4,288,505	19	0.5%			
Cobblestone Apartments	4,016,474	20	0.5%			
TJD, LLC (CAM II) (Warehousing)				4,232,290	16	0.6%
Warehouse Distributing LLC				6,377,570	8	1.0%
	<u>\$ 194,267,378</u>		<u>23.6%</u>	<u>\$ 177,792,240</u>		<u>26.7%</u>

1. Commercial and industrial taxable valuations were rolled back to 90% of assessed values for the January 1, 2015 valuations used for the 2016/2017 tax levy. In 2007/2008 these properties were taxed at 100% of assessed valuations. Multi-residential properties were included with commercial properties until January 1, 2015. These properties were rolled back from 90% to 86.25% for January 1, 2015. In 2007/2008 these properties were taxed at 100% of assessed value.

Source: Muscatine County Auditor's Office

**City of Muscatine, Iowa**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (2)	Total Tax Collections (2)	Ratio of Total Tax Collections to Total Tax Levy (3)
		Amount (1)	Percent of Levy Collected (3)			
2007/2008	\$ 11,122,293	\$ 11,122,888	100.01%	\$ 8,802	\$ 11,131,690	100.08%
2008/2009	11,348,069	11,345,388	99.98%	4,705	11,350,093	100.02%
2009/2010	11,350,546	11,325,483	99.78%	7,316	11,332,799	99.84%
2010/2011	11,692,917	11,681,035	99.90%	8,138	11,689,173	99.97%
2011/2012	11,993,253	12,001,729	100.07%	30,106	12,031,835	100.32%
2012/2013	12,258,743	12,258,496	100.00%	1,812	12,260,308	100.01%
2013/2014	12,539,510	12,532,857	99.95%	(4,035) (4)	12,528,822	99.91%
2014/2015	12,541,759	12,551,289	100.08%	13,283	12,564,572	100.18%
2015/2016	12,404,951	12,432,618	100.22%	2,364	12,434,982	100.24%
2016/2017	13,063,348	13,084,633	100.16%	1,724	13,086,357	100.18%

1. Current tax collections reflect payments received by the Muscatine County Treasurer's office from July 1 through June 30 of each year. Taxes levied for the current year are classified as delinquent if not paid by June 30 each year.
2. Delinquent tax collections reflect the amounts of delinquent taxes the City received during the year. Information is not available from the County Treasurer's Office as to the year(s) for which the delinquent tax collections apply.
3. Collection percentages are close to 100% each year since the State of Iowa provides for "tax sales" in June of each year for properties with unpaid taxes. Substantially all of the taxes are paid by investors purchasing tax certificates from the "tax sales". Collections in excess of 100% are due to rounding differences when tax rates are applied to property valuations, differences in tax credits reimbursed by the State of Iowa, or changes in taxable valuations by the County Assessor after the City's budget is certified.
4. Delinquent property tax is a negative amount in 2013/2014 due to a successful appeal of a prior year taxable valuation. This resulted in the county refunding a portion of prior year property taxes paid by the commercial business.

**City of Muscatine, Iowa**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Bonds</b>	<b>General Obligation Bonds</b>	<b>State Revolving Fund Loan</b>			
2007/2008	\$ 10,462,294	\$ 2,415,000	\$ 4,587,029	\$ 606,783	\$ 18,071,106	2.2%	\$ 796
2008/2009	9,254,498	2,115,000	3,554,215	3,598,195	18,521,908	2.2%	816
2009/2010	15,452,533	1,805,000	2,897,277	13,289,062	33,443,872	4.2%	1,473
2010/2011	13,953,147	1,330,000	2,197,656	15,609,360	33,090,163	3.9%	1,446
2011/2012	17,177,089	1,140,000	1,490,103	15,479,565	35,286,757	3.9%	1,542
2012/2013	15,658,732	1,035,000	800,955	14,873,000	32,367,687	3.1%	1,359
2013/2014	16,687,974	925,000	-	14,295,000	31,907,974	3.4%	1,340
2014/2015	14,332,162	810,000	-	13,698,000	28,840,162	2.9%	1,211
2015/2016	15,402,985	690,000	-	13,082,000	29,174,985	2.8%	1,225
2016/2017	13,047,619	565,000	-	12,446,000	26,058,619	N/A	1,094

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics (Table14) for personal income and population data.

**City of Muscatine, Iowa**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Estimated Actual Value of Property (1)</b>	<b>Percentage of Actual Valuation</b>	<b>Population (2)</b>	<b>Per Capita</b>
2007/2008	\$ 15,049,323	\$ 1,076,411,985	1.4%	22,697	\$ 663
2008/2009	12,808,713	1,136,242,003	1.1%	22,697	564
2009/2010	18,349,810	1,157,482,324	1.6%	22,697	808
2010/2011	16,150,803	1,163,419,885	1.4%	22,886	706
2011/2012	18,667,192	1,182,251,155	1.6%	22,886	816
2012/2013	16,459,687	1,187,559,428	1.4%	23,819	691
2013/2014	16,687,974	1,191,824,137	1.4%	23,819	701
2014/2015	14,332,162	1,195,115,199	1.2%	23,819	602
2015/2016	15,402,985	1,193,627,101	1.3%	23,819	647
2016/2017	13,047,619	1,253,806,921	1.0%	23,819	548

Note - Net position restricted for debt service is restricted for future interest payments. Further details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Sources:**

1. Muscatine County Auditor's Office
2. United States Census Bureau. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013.



**City of Muscatine, Iowa**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2017**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Muscatine County	\$ 14,110,000	44.54%	\$ 6,284,594
Eastern Iowa Community College (EICC)	13,030,000	6.31%	822,193
<b>Other debt</b>			
Eastern Iowa Community College (EICC)	32,245,000	6.31%	<u>2,034,660</u>
Subtotal, overlapping debt			\$ 9,141,447
<b>City direct debt (2)</b>		100.00%	<u>13,612,619</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 22,754,066</u></u>

1. The percentage of overlapping debt applicable to the City is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the other governmental unit's taxable assessed value that is within the City of Muscatine's boundaries and dividing it by each governmental unit's total taxable value. These estimates were used for both debt to be repaid with property taxes as well as debt for the EICC to be repaid from sources other than property tax.
2. Excludes general obligation bonds reported in business-type activities.

**Sources:**

Muscatine County Auditor's Office  
Eastern Iowa Community College

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

**City of Muscatine, Iowa**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
Debt limit (1)	\$ 53,820,599	\$ 56,812,100	\$ 57,874,116	\$ 58,170,994	\$ 60,567,395	\$ 60,902,264	\$ 61,240,458	\$ 61,883,416	\$ 63,163,995	\$ 66,030,776
Total debt applicable to limit	<u>17,770,000</u>	<u>15,170,000</u>	<u>20,275,000</u>	<u>17,555,000</u>	<u>19,845,000</u>	<u>17,450,000</u>	<u>17,530,000</u>	<u>15,075,000</u>	<u>15,785,000</u>	<u>13,370,000</u>
Legal debt margin	<u>\$ 38,150,199</u>	<u>\$ 36,050,599</u>	<u>\$ 41,642,100</u>	<u>\$ 40,615,994</u>	<u>\$ 40,722,395</u>	<u>\$ 43,452,264</u>	<u>\$ 43,710,458</u>	<u>\$ 46,808,416</u>	<u>\$ 47,378,995</u>	<u>\$ 52,660,776</u>
Total debt applicable to the limit as a percentage of debt limit	33.02%	26.70%	35.03%	30.18%	32.77%	28.65%	28.62%	24.36%	24.99%	20.25%

**Legal Debt Margin Calculation for Fiscal Year 2016/2017**

Total assessed valuation as of January 1, 2015	\$ 1,320,615,512
Debt limit - 5% of assessed valuation	<u>\$ 66,030,776</u>
Amount of debt applicable to debt limit:	
General obligation bonds	\$ 12,805,000
Tax increment revenue bonds	<u>565,000</u>
Total debt applicable to debt limit	<u>13,370,000</u>
Legal debt margin	<u>\$ 52,660,776</u>

1. Under state law the City's debt may not exceed 5% of the total actual valuation of property.

**City of Muscatine, Iowa  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Popula- tion (1)</b>	<b>Personal Income (2)</b>	<b>Personal Per Capita Income (2)</b>	<b>Median Age (1)</b>	<b>Percent High School Graduates or Higher (1)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (4)</b>
2007/2008	22,697	\$ 819,180,124	\$ 36,092	35.8	80.3%	5,403	3.5%
2008/2009	22,697	834,886,448	36,784	35.8	80.3%	5,247	4.6%
2009/2010	22,697	804,449,771	35,443	35.8	80.3%	5,395	8.1%
2010/2011	22,886	839,092,304	36,664	38.2	85.2%	5,293	7.6%
2011/2012	22,886	915,897,720	40,020	38.2	85.2%	5,305	6.4%
2012/2013	23,819	1,042,295,621	43,759	38.2	85.2%	5,300	5.5%
2013/2014	23,819	949,925,539	39,881	38.2	85.2%	5,341	5.2%
2014/2015	23,819	1,008,520,279	42,341	38.2	85.2%	5,171	4.5%
2015/2016	23,819	1,030,505,216	43,264	38.2	85.2%	5,170	3.9%
2016/2017	23,819	N/A	N/A	38.2	85.2%	5,084	3.9%

**Sources:**

1. United States Census Bureau. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013.
2. Bureau of Economic Analysis. Per capita income for the City of Muscatine is not available. The amounts shown are for Muscatine County and reflect average per capita income for the calendar years which end midway through the fiscal years shown. Personal income for the City has been estimated using the per capita income for Muscatine County multiplied by the City's population. Personal income information is not yet available for 2016.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

**City of Muscatine, Iowa  
Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>
HNI Corporation//The HON Company, Allsteel	3,800	1	15.9%	3,900	1	16.3%
Grain Processing/Kent Feeds	950	2	4.0%	1,033	2	4.3%
Muscatine Community School District	850	3	3.5%	900	3	3.8%
Trinity Muscatine (Formerly Unity Health Care)	472	4	2.0%	520	4	2.2%
Monsanto Company	442	5	1.8%	400	5	1.7%
Hy-Vee Food Store	385	6	1.6%	380	6	1.6%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	385	7	1.6%	200	15	0.8%
Heinz, U.S.A.	373	8	1.6%	350	8	1.5%
Wal-Mart Superstore	347	9	1.4%	325	10	1.4%
Musco Sports Lighting	320	10	1.3%	375	7	1.6%
Muscatine Power & Water	280	11	1.2%	300	12	1.3%
SECO Investment Co. (Stanley Engineering Co.)	233	12	1.0%	340	9	1.4%
City of Muscatine	222	13	0.9%	221	13	0.9%
Muscatine County	209	14	0.9%	210	14	0.9%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	191	15	0.8%	300	11	1.3%
	<u>9,459</u>		<u>39.5%</u>	<u>9,754</u>		<u>41.0%</u>

**Sources:**

1. Muscatine Chamber of Commerce & Industry provided the 2017 employment figures. The 2008 figures were from City of Muscatine historical records and may be on a basis which differs from the data provided by the Muscatine Chamber of Commerce & Industry.
2. Iowa Workforce Development. Employment data for the City of Muscatine is not available. Employers listed are the largest in the immediate area of the City of Muscatine. Percentages shown are based on total employment in Muscatine County. The average monthly employment in Muscatine County was 23,949 in 2017 and 23,950 in 2008.

**City of Muscatine, Iowa**  
**Full-Time Equivalent Employees by Function**  
**(Excludes Seasonal Employees)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Function</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
General government	17.35	17.35	17.05	16.00	16.00	16.00	16.05	16.05	17.05	17.05
Public Safety:										
Police										
Officers	38.00	39.00	40.00	39.00	41.00	42.00	42.00	41.00	41.00	41.00
Civilians	3.88	3.88	3.88	3.88	3.88	3.88	3.88	3.73	3.73	3.73
Fire										
Firefighters and officers (1)	36.00	36.00	36.00	36.00	36.00	37.00	37.00	37.00	37.00	41.00
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library (2)	15.75	15.75	15.93	15.91	15.74	15.51	14.95	14.71	14.33	13.76
Art center	4.33	4.34	4.04	4.57	4.54	4.25	4.25	4.52	4.70	4.70
Parks and recreation	12.75	12.75	12.75	11.83	11.75	11.75	11.75	11.75	11.75	11.75
Community and economic development	6.50	6.50	6.17	6.67	6.72	6.92	6.92	6.93	7.44	7.42
Public works	16.84	16.50	16.51	16.51	16.51	16.51	16.66	16.66	16.66	16.66
Business-type:										
Parking	3.60	3.10	3.10	3.10	3.10	3.10	2.90	2.90	2.90	2.90
Golf course	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Boat harbor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Transit	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Refuse collection (3)	10.30	10.30	11.33	10.45	10.66	10.66	9.56	9.56	9.56	8.98
Landfill (3)	0.33	0.33	0.33	0.30	0.25	0.25	0.25	0.25	0.25	0.60
Transfer station (3)	3.67	3.67	3.67	3.58	3.42	3.42	3.42	3.42	3.42	3.15
Water pollution control	29.70	31.00	30.33	29.61	29.61	29.61	28.61	27.61	26.61	26.61
Ambulance	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Housing (4)	10.50	10.50	10.75	12.50	12.13	12.25	11.50	12.25	11.77	10.71
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals	<u>221.53</u>	<u>223.00</u>	<u>223.87</u>	<u>221.94</u>	<u>223.34</u>	<u>225.14</u>	<u>221.73</u>	<u>220.37</u>	<u>220.20</u>	<u>222.05</u>

- Beginning in 2007/2008 all firefighter positions are being charged to the Fire Department budget with a portion of the overall personnel costs allocated to the Ambulance Fund. In FY 2016/2017 four additional firefighter positions were added.
- Library staff reorganizations resulted in a .57 FTE reduction in 2016/2017.
- The 2016/2017 refuse budget reflects one less full time driver for half of the fiscal year. This reduction was due to the automated refuse truck being placed in operation. Personnel allocations were also adjusted between Refuse Collection, Landfill, and Transfer Station in 2016/2017.
- The 2016/2017 housing budget includes a reorganization that resulted in an overall decrease in staff. The full-time Housing Maintenance Supervisor position was eliminated in December of 2017 as part of the reorganization.

Source: City of Muscatine records

**City of Muscatine, Iowa**  
**Operating Indicators by Function/Department**  
**Last Ten Calendar or Fiscal Years**  
**(Unaudited)**

**Calendar Year Indicators**

<b>Function/Department</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Public Safety:										
Police										
Calls for service	21,437	20,066	22,011	18,667	20,312	22,795	21,954	22,535	22,626	21,798
Traffic enforcement	4,616	3,425	4,066	3,406	3,247	3,840	3,484	3,645	3,094	3,715
Arrests	2,114	2,195	2,111	1,827	1,885	1,916	1,506	1,611	1,400	1,324
Parking tickets issued	1,710	1,721	1,438	1,280	1,329	1,607	1,595	2,060	2,030	1,886
Fire (includes ambulance)										
Calls for service	3,530	3,650	3,414	3,711	3,916	3,864	4,022	4,433	4,526	4,706
Culture and recreation:										
Parks and recreation										
Aquatic Center attendance (1)	41,076	46,649	33,462	39,813	41,620	43,810	36,664	31,827	37,355	41,382
Adult program participants	376	408	499	532	634	817	1,510	1,688	1,550	1,558
Children's program participants	1,602	1,610	1,590	2,006	2,066	2,274	2,827	2,779	1,712	2,294
Community and economic development:										
Building-related permits	1,195	915	902	925	1,021	1,016	929	980	993	1,034
Business-type:										
Golf course										
Rounds played	29,748	32,687	34,767	33,374	31,491	34,036	28,557	28,024	28,796	28,180

**Fiscal Year Indicators**

<b>Function/Department</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Culture and recreation:										
Library										
Registered borrowers	16,504	16,415	17,671	17,512	18,639	19,877	20,204	20,620	19,861	20,581
Circulation (2)	332,355	336,210	357,897	311,425	355,993	381,942	399,874	359,032	484,583	465,965
Art center										
Attendance (3)	22,582	19,704	26,054	27,522	29,552	23,070	13,868	13,194	14,186	9,346
Cemetery burials	110	96	97	121	112	77	91	95	95	91
Public works:										
Miles of streets maintained	140	140	140	140	140	140	140	144	144	144
Business-type activities:										
Transit										
Total passengers	180,382	188,303	172,306	172,580	188,277	175,548	179,919	180,390	168,712	167,689
Parking (4)										
Tickets issued	13,204	9,704	8,465	8,684	11,212	11,499	12,270	12,162	12,210	10,759
Refuse collection										
Tons of refuse collected	8,731	8,129	8,391	8,180	7,765	7,957	8,215	8,280	8,400	8,235
Tons recycled (curbside) (5)	N/A	N/A	N/A	294	1,284	1,327	1,309	1,251	1,225	1,419
Transfer station										
Tons of waste processed	49,263	41,320	29,915	31,492	32,004	32,896	35,366	38,939	40,652	41,419
Water pollution control										
Cubic feet of wastewater treated (in millions)	279.03	289.79	301.01	314.76	201.15	224.80	218.50	279.00	261.40	234.90

1. Weed Park Aquatic Center attendance varies with summer temperatures and rain days.
2. Significant increase in Library circulation in 2015/2016 is due to increased use of Library databases and increased E-music downloading and streaming.
3. Art Center attendance down due to construction of HVAC and building envelope improvements.
4. In 2007/2008, parking was reconfigured in the downtown area. Parking meters were removed from Second Street and free 3-hour parking was established. The number of parking tickets issued decreased significantly with this change.
5. The Curbside recycling collection program began April 1, 2011.

Source: City of Muscatine records

**City of Muscatine, Iowa**  
**Capital Asset Statistics by Function/Department**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Function/Department</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	9	9	9	9	12	12	13	13	13	13
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1
Fire pumps	4	4	4	4	4	4	4	4	4	4
Water Tender	0	0	0	0	0	1	1	1	1	1
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	4	4	4	4	5	5	5	5	5	5
Culture and recreation:										
Library	1	1	1	1	1	1	1	1	1	1
Art center and museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks	14	14	14	14	14	14	14	15	15	15
Park acreage	254	254	254	254	254	254	254	254	254	254
Swimming pools	2	2	2	2	2	1	1	1	1	1
Softball and baseball diamonds	20	20	20	20	20	20	20	20	20	20
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	8	8	10	10	10	8	8	8	8	8
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	80	80	80	80	80	80	80	80	80	80
Public works:										
Miles of streets	140	140	140	140	140	140	140	144	144	144
Business-type activities										
Transit:										
Buses	10	10	11	11	11	11	11	11	11	11
Golf course	1	1	1	1	1	1	1	1	1	1
Airport:										
Airport	1	1	1	1	1	1	1	1	1	1
Primary runway length (in feet)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Solid waste:										
Transfer station/recycling center	1	1	1	1	1	1	1	1	1	1
Refuse collection vehicles	5	5	5	5	5	5	5	5	5	5
Water pollution control:										
Plants	1	1	1	1	1	1	1	1	1	1
Daily capacity (in gallons)	15 million	15 million	15 million	15 million	16.4 million	16.4 million	16.9 million	16.9 million	16.9 million	16.9 million

Source: City of Muscatine records

# **COMPLIANCE SECTION**





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 13, 2017. Our report includes a reference to other auditors who audited the financial statements of Muscatine Power & Water, a discretely presented component unit, as described in our report on City of Muscatine, Iowa's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Purpose of this Report**

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

*Bohnsack & Frommelt LLP*

Moline, Illinois  
November 13, 2017



**Independent Auditor's Report on Compliance For  
Each Major Federal Program and On Internal Control  
Over Compliance Required By the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Muscatine, Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Muscatine, Iowa's major federal programs for the year ended June 30, 2017. City of Muscatine, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the Muscatine Power & Water discretely presented component unit which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2017. Our audit, described below, did not include this organization as it did not receive federal awards and they engaged other auditors to perform their audit.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Muscatine, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Muscatine, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Muscatine, Iowa's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, City of Muscatine, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of City of Muscatine, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Muscatine, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Muscatine, Iowa's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bohnsack & Frommelt LLP*

Moline, Illinois  
November 13, 2017

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
Housing Voucher Program Cluster:				
Section 8 Housing Choice Vouchers	14.871	IA049VO	\$ - \$	1,669,305
Section 8 Housing Choice Vouchers	14.871	IA049AF	-	203,635
Section 8 Housing Choice Vouchers	14.871	IA049FSH565A015	-	27,481
Section 8 Housing Choice Vouchers	14.871	IA049FSH193A014	-	6,107
Section 8 Housing Choice Vouchers	14.871	IA049FSH175A016	-	31,441
Subtotal Housing Voucher Program Cluster			-	1,937,969
Public and Indian Housing Operating Subsidy	14.850	IA04900000116D	-	201,974
Public Housing Capital Funds Program	14.872	IA05P049501-15	-	163,243
Housing Counseling Grant	14.169	HC160821003	-	19,125
Subtotal U.S. Department of Housing and Urban Development Direct Programs			-	2,322,311
Indirect:				
Pass-through Iowa Economic Development Authority Community Development Block Grant States Program				
	14.228	13-DTR-001	-	406,628
<b>Total U.S. Department of Housing and Urban Development</b>			-	2,728,939
<b>U.S. Department of Transportation</b>				
Indirect:				
Pass-through Iowa Department of Transportation				
Formula Grants for Rural Areas	20.509	2016-018-533-17	-	381,844
Formula Grants for Rural Areas	20.509	TF 2017-023	-	207
Formula Grants for Rural Areas	20.509	TF 2017-025	-	404
Formula Grants for Rural Areas	20.509	TF 2017-088	-	227
			-	382,682
Transit Services Program Cluster:				
Job Access and Reverse Commute Program	20.516	37-X023-533-17	-	27,672
New Freedom Program	20.521	37-X008-533-17	-	5,840
Subtotal Transit Services Program Cluster			-	33,512
Federal Transit Cluster, Bus and Bus Facilities				
Formula and Discretionary Programs	20.526	2017-002-533-17	-	226,639
Highway Planning and Construction Program Cluster:				
Highway Planning and Construction Program	20.205	STP-U-5330(626)--70-70	-	1,128,079
Highway Planning and Construction Program	20.205	STP-U-5330(614)--27-70	-	2,235
Highway Planning and Construction Program	20.205	2012-EDP-103	-	177,762
Subtotal Highway Planning and Construction Program Cluster			-	1,308,076

(Continued)

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Pass-through Iowa Department of Public Safety				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PAP 16-405d-M6OT, Task 35	-	2,975
State and Community Highway Safety	20.600	PAP 17-405d-M6OT, Task 37	-	11,437
Subtotal Highway Safety Cluster			-	14,412
<b>Total U.S. Department of Transportation</b>			-	1,965,321
<b>Federal Aviation Administration</b>				
Direct:				
Airport Improvement Program	20.106	3-19-0063-020-2015	-	635,804
Airport Improvement Program	20.106	3-19-0063-021-2016	-	122,978
<b>Total Federal Aviation Administration</b>			-	758,782
<b>U.S. Department of Justice</b>				
Direct:				
Edward Byrne Memorial Justice Assistance	16.738	2016-DJ-BX-0678	9,807	19,613 *
Bulletproof Vest Partnership Program	16.607	N/A	-	1,212
Subtotal U.S. Department of Justice Direct Programs			9,807	20,825
Indirect:				
Pass-through Iowa Governor's Office of Drug Control Policy and Muscatine County				
Edward Byrne Memorial Justice Assistance	16.738	14-JAG-157291	-	16,681 *
Public Safety Partnership and Community Policing Grants	16.710	14-HotSpots-12	-	3,164
Public Safety Partnership and Community Policing Grants	16.710	15-CAMP-09	-	2,987
			-	6,151
Pass-through Iowa Department of Justice Violence Against Women Formula Grants	16.588	VW-17-09-CJ	-	2,156
Subtotal U.S. Department of Justice Indirect Programs			-	24,988
<b>Total U.S. Department of Justice</b>			9,807	45,813
<b>Office of National Drug Control Policy</b>				
Indirect:				
Pass-through Iowa Department of Public Safety				
High Intensity Drug Trafficking Area Grant	07.G17MW0002A	G17MW0002A	-	54,832
High Intensity Drug Trafficking Area Grant	07.G16MW0002A	G16MW0002A	-	27,968
High Intensity Drug Trafficking Area Grant	07.G15MW0002A	G15MW0002A	-	11,303
<b>Total Office of National Drug Control Policy</b>			-	94,103
<b>Total Expenditures of Federal Awards</b>			\$ 9,807	\$ 5,592,958

\*Total CFDA 16.738 expenditures \$36,294.

See Notes to Schedule of Expenditures of Federal Awards.

**City of Muscatine, Iowa**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the entity.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and has met the eligibility criteria of the federal grant.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to the revenue. In the governmental funds, revenue from federal grants is recognized when the revenue is both measureable and available. In proprietary funds, revenue from federal grants is recognized when it is earned.

Pass-through entity identifying numbers are presented where available.

**Note 3. Indirect Cost Rate**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Muscatine, Iowa

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

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Findings	Status	Corrective Action Plan or Other Explanation
<b>Other Findings Related to Required Statutory Reporting</b>		
<b>IV-A-16</b> Expenditures exceeded budget in the debt service function.	Corrected.	



City of Muscatine, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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**I. Summary of the Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency identified?
- Noncompliance material to financial statements noted?

☐ Yes ☒ No  
☐ Yes ☒ None Reported  
☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency identified?

☐ Yes ☒ No  
☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

**Identification of major programs:**

CFDA Number	Name of Federal Program or Cluster
20.205	Highway and Planning Construction Cluster: Highway and Planning Construction Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

(Continued)

**City of Muscatine, Iowa**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

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**II. Findings Relating to the Basic Financial Statements as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Internal Control**

No matters reported.

**B. Instances of Noncompliance**

No matters reported.

**III. Findings and Questioned Costs for Federal Awards**

**A. Internal Control for Federal Awards**

No matters reported.

**B. Instances of Noncompliance**

No matters reported.

**IV. Other Findings Related to Required Statutory Reporting**

**IV-A-17**

Certified Budget – Expenditures for the year ended June 30, 2017 did not exceed the amounts budgeted.

**IV-B-17**

Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**IV-C-17**

Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

**IV-D-17**

Business Transactions – No business transactions between the City and City officials or employees were noted except as follows:

Name and Business Connection	Transaction	Amount
Hutmacher's Nuisance Service	Animal removal	
Owned by Eric Hutmacher, employee	services	\$ 1,043

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

**IV-E-17**

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**IV-F-17**

Council Minutes – No transactions requiring Council approval which had not been approved by the Council were noted.

**City of Muscatine, Iowa**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

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**IV-G-17**

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

**IV-H-17**

Revenue Notes – There were no instances of noncompliance with revenue note provisions.

**IV-I-17**

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

**IV-J-17**

Payment of General Obligation Bonds – The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.

**City of Muscatine, Iowa**

**Corrective Action Plan  
Year Ended June 30, 2017**

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Findings	Corrective Action Plan	Anticipated Date of Completion
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**None Reported.**