



**City Hall, 215 Sycamore St.  
Muscatine, IA 52761-3899  
(563) 264-1550  
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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<br>of Net Position.....   | 34 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds.....   | 35 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>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<br>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<br>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<br>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 Positon –             |  |  |     |
| 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<br>Matters Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 144 |
| Report on Compliance for each Major Federal Program and on Internal<br>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

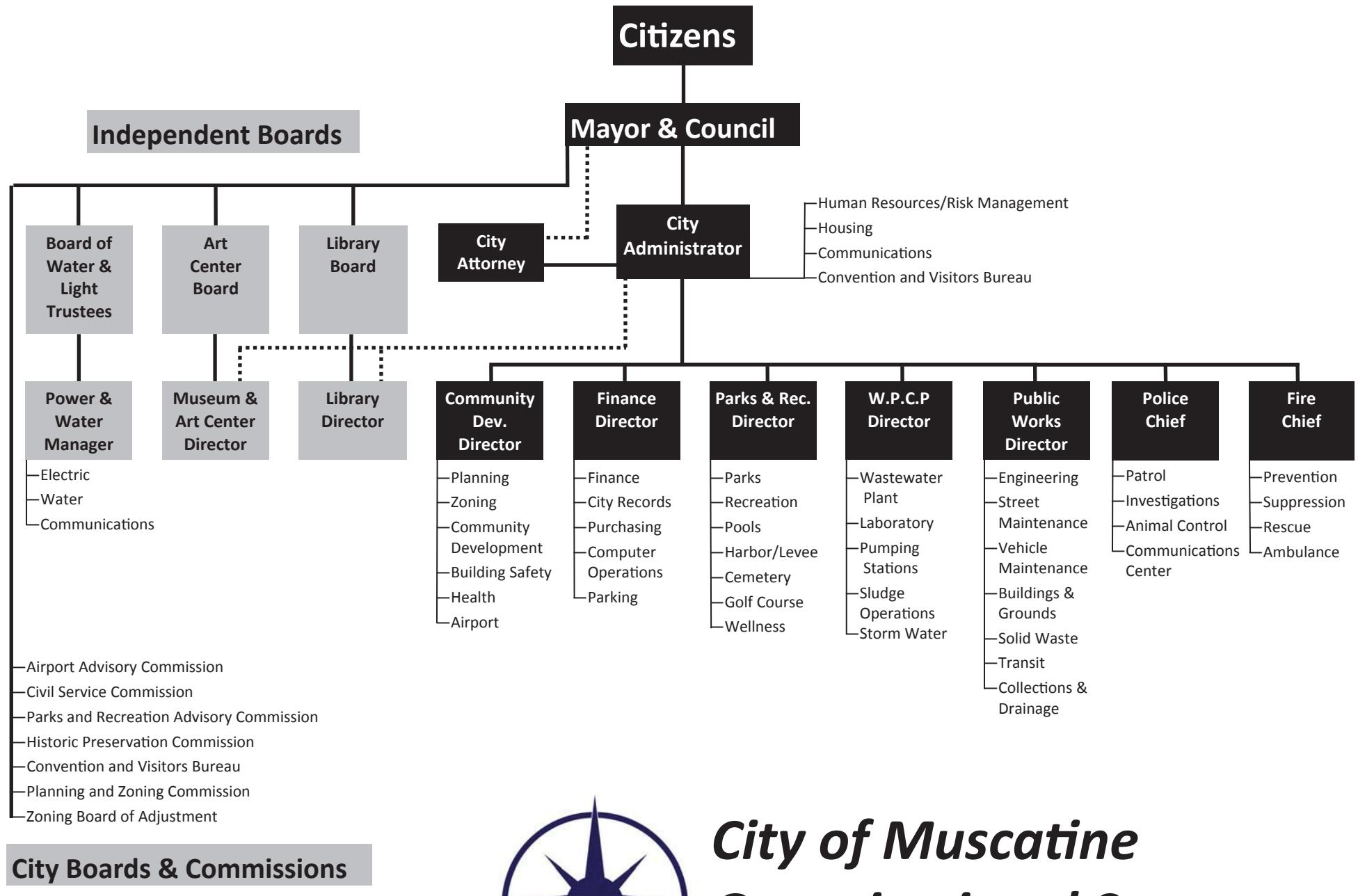
**City of Muscatine  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

A handwritten signature in black ink that reads "Jeffrey P. Emmer". The signature is fluid and cursive, with "Jeffrey" on top and "P. Emmer" on the line below.

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.

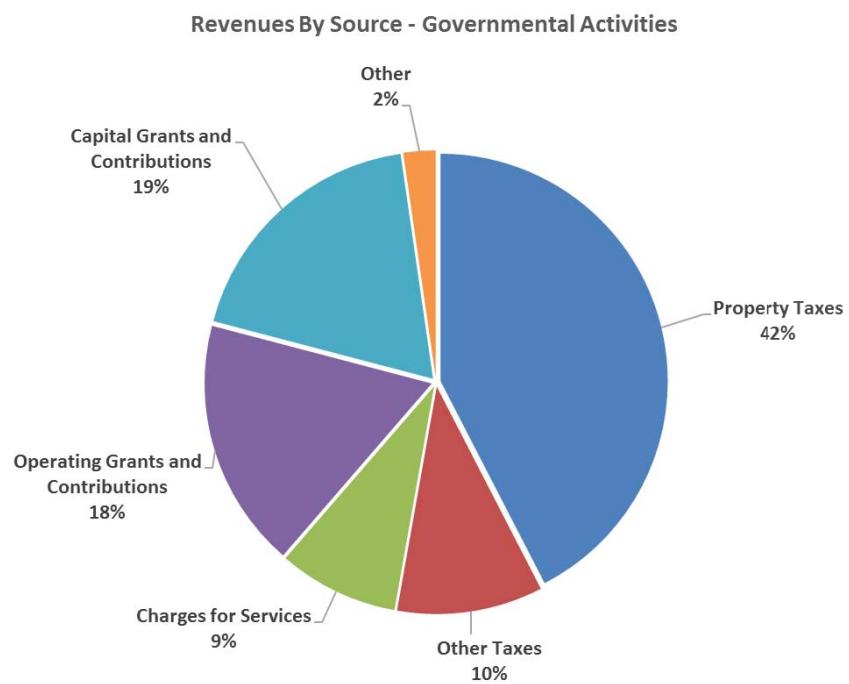
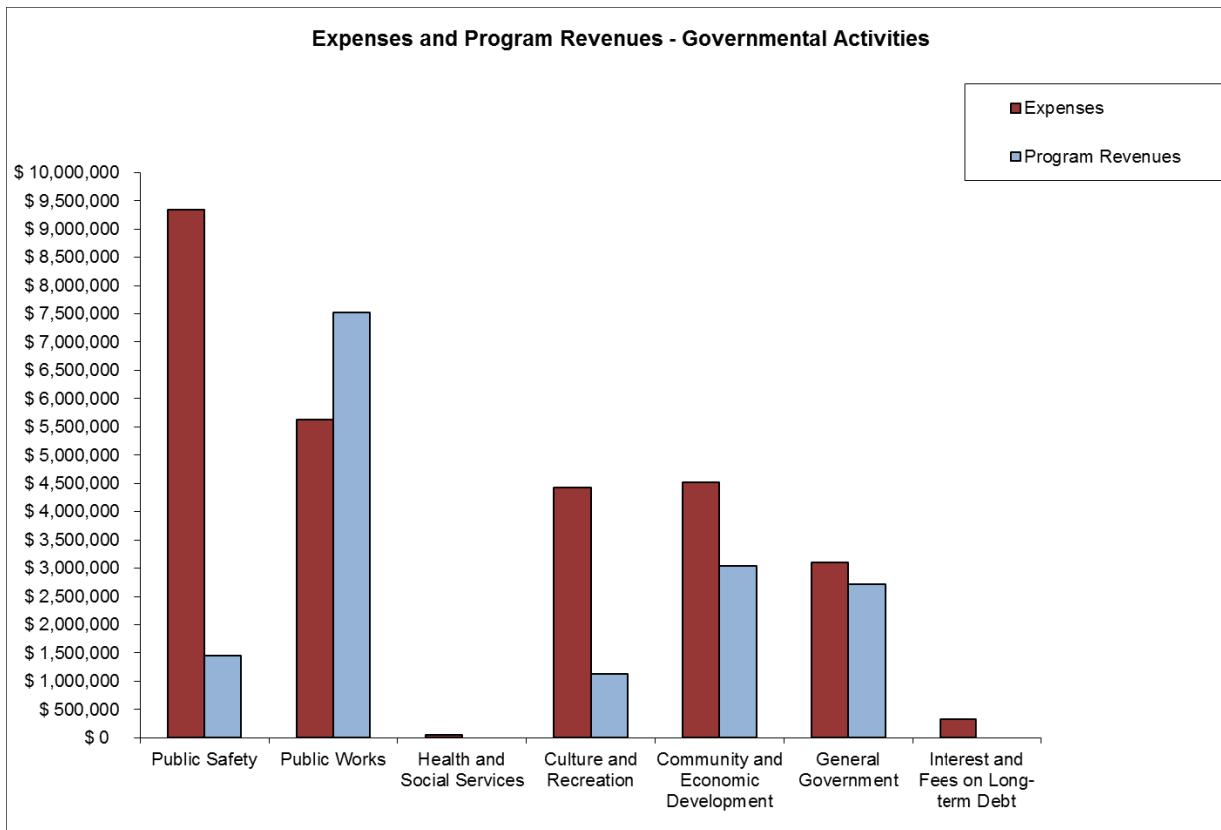
## CITY OF MUSCATINE CHANGES IN NET POSITION

|   | Governmental activities |                      | Business-type activities |                      | Total                 |                       |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|   | 2017                    | 2016                 | 2017                     | 2016                 | 2017                  | 2016                  |
| <b>Revenues:</b>  |                         |                      |                          |                      |                       |                       |
| 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                |
| <b>Total revenues</b>                                   | <b>35,352,370</b>       | <b>28,231,463</b>    | <b>16,159,624</b>        | <b>17,916,020</b>    | <b>51,511,994</b>     | <b>46,147,483</b>     |
| <b>Expenses:</b>  |                         |                      |                          |                      |                       |                       |
| 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             |
| <b>Total expenses</b>                                   | <b>27,397,025</b>       | <b>24,709,684</b>    | <b>15,124,794</b>        | <b>15,622,211</b>    | <b>42,521,819</b>     | <b>40,331,895</b>     |
| 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           |
| <b>Net position, end of year</b>                        | <b>\$ 74,319,837</b>    | <b>\$ 67,876,235</b> | <b>\$ 80,879,989</b>     | <b>\$ 78,333,416</b> | <b>\$ 155,199,826</b> | <b>\$ 146,209,651</b> |

**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.

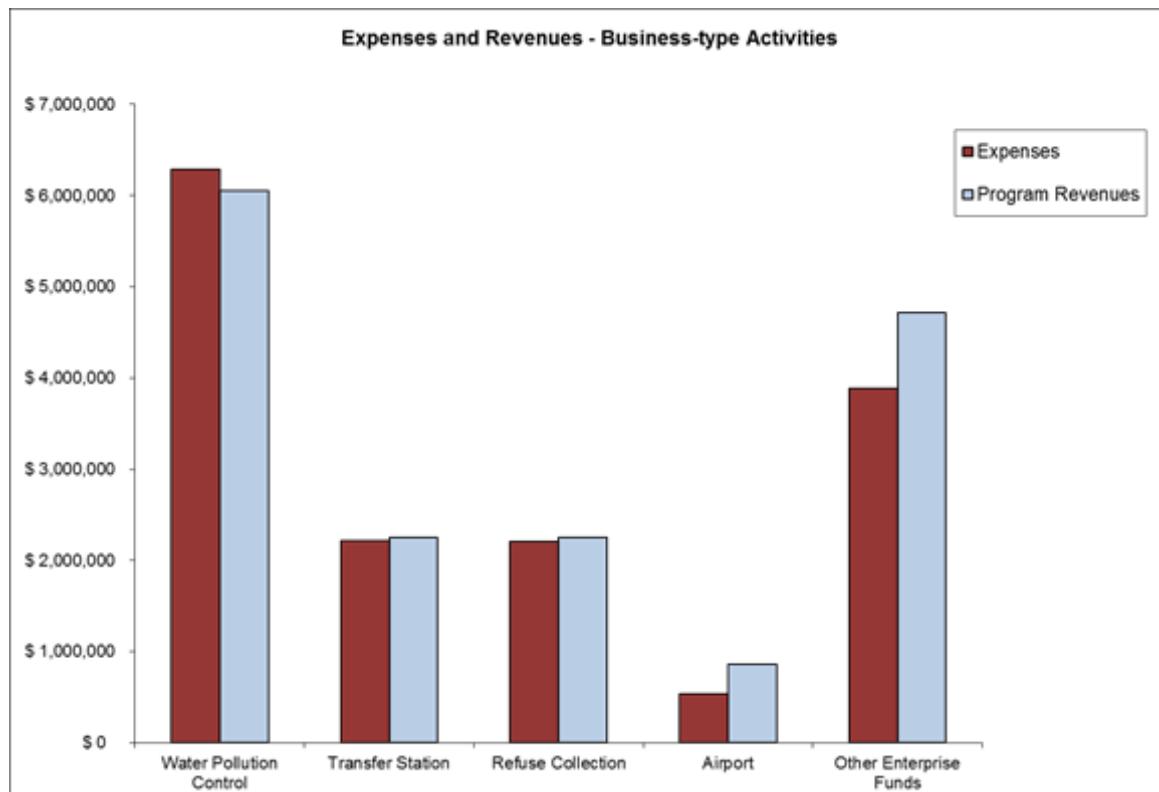
- Revenues for governmental activities increased in total by \$7,120,907 or 25.2% from the previous year. A substantial portion of this overall increase is in the \$6,022,129 increase in capital grants and contributions and the \$522,657 increase in operating grants and contributions. There were also 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.



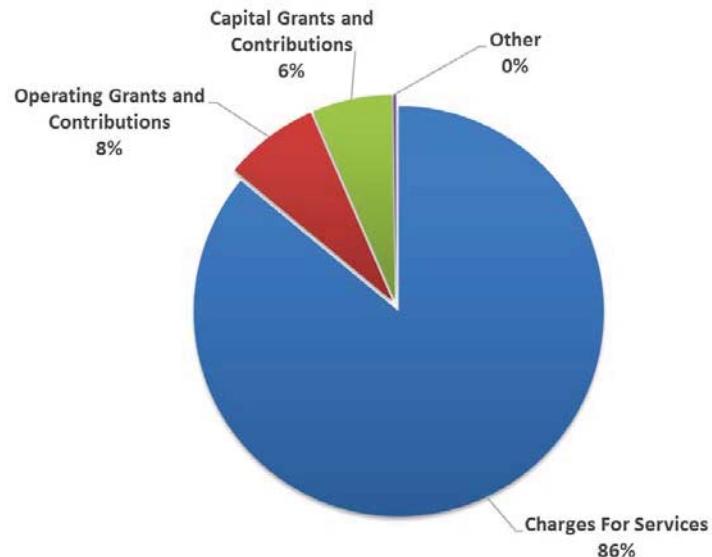
**Business-type activities.** Business-type activities increased the City's total net position by \$2,546,573 during the year. Increases in net position were reported in the Water Pollution Control, Transfer Station, Airport, Transit, Boat Harbor, and Convention and Visitors Bureau funds. Decreases in 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

|  | <b>Primary Government</b>      |               |                                 | <b>Component Units</b> |  |
|--|--------------------------------|---------------|---------------------------------|------------------------|--|
|  | <b>Governmental Activities</b> |               | <b>Business-type Activities</b> | <b>Total</b>           | <b>Muscatine County Solid Waste Agency</b> |
|  | <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**

| <b>Functions:</b>   | Program Revenues           |                       |                             |  |   | Net (Expense) Revenue and Changes in Net Position |                                 |  | Component Units                    |  |
|---|----------------------------|-----------------------|-----------------------------|--|---|---|---------------------------------|--|------------------------------------|--|
|   | <b>Primary Government:</b> | <b>Expenses</b>       | <b>Charges for Services</b> | <b>Operating Grants, Contributions and Restricted Interest</b> | <b>Capital Grants and Contributions</b> | <b>Primary Government</b>                         |                                 | <b>Muscatine County Solid Waste Agency</b> | <b>Muscatine Power &amp; Water</b> |  |
|   |                            |                       |                             |  |   | <b>Governmental Activities</b>                    | <b>Business-Type Activities</b> |  |                                    |  |
| <b>Governmental activities:</b>                                   |                            |                       |                             |  |   |   |                                 |  |                                    |  |
| 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)                       |  |                                    |  |
| <b>Total governmental activities</b>                              | <b>27,397,025</b>          | <b>3,024,698</b>      | <b>6,267,606</b>            | <b>6,583,878</b>   | <b>(11,520,843)</b>                     | <b>-</b>  | <b>(11,520,843)</b>             |  |                                    |  |
| <b>Business-type activities:</b>                                  |                            |                       |                             |  |   |   |                                 |  |                                    |  |
| 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)                       |  |                                    |  |
| <b>Total business-type activities</b>                             | <b>15,124,794</b>          | <b>13,896,574</b>     | <b>1,207,303</b>            | <b>1,018,914</b>   | <b>-</b>                                | <b>997,997</b>                                    | <b>997,997</b>                  |  |                                    |  |
| <b>Total primary government</b>                                   | <b>\$ 42,521,819</b>       | <b>\$ 16,921,272</b>  | <b>\$ 7,474,909</b>         | <b>\$ 7,602,792</b>  | <b>(11,520,843)</b>                     | <b>997,997</b>                                    | <b>(10,522,846)</b>             |  |                                    |  |
| <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                          |  |
| <b>Total component units</b>                                      | <b>\$ 110,479,786</b>      | <b>\$ 117,745,538</b> | <b>\$ 117,177</b>           | <b>\$ 351,607</b>  |   |   |                                 | <b>165,823</b>                             | <b>7,568,713</b>                   |  |
| <b>General revenues:</b>  |                            |                       |                             |  |   |   |                                 |  |                                    |  |
| 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 |                            |                       |                             | <b>17,964,445</b>  | <b>1,548,576</b>                        | <b>19,513,021</b>                                 | <b>8,601</b>                    | <b>194,963</b>                             |                                    |  |
| 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                                       |                            |                       |                             | <b>\$ 74,319,837</b>   | <b>\$ 80,879,989</b>                    | <b>\$ 155,199,826</b>                             | <b>\$ 1,150,345</b>             | <b>\$ 150,017,592</b>                      |                                    |  |

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>15,595,969</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>   |                      |                          |                               |                     |                     |                                  |                                 |                                 |
| 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> |

|   |       |
|---|-------|
| 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

|                                       | <u>General</u>      | <u>Employee Benefits</u> | <u>Local Option Sales Tax</u> | <u>Road Use Tax</u> | <u>Debt Service</u> | <u>Other Street Improvements</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|--------------------------|-------------------------------|---------------------|---------------------|----------------------------------|---------------------------------|---------------------------------|
| <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                        | <u>11,583,598</u>   | <u>3,704,214</u>         | <u>2,934,066</u>              | <u>3,035,941</u>    | <u>2,580,221</u>    | <u>3,656,696</u>                 | <u>6,456,630</u>                | <u>33,951,366</u>               |
| <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                    | <u>18,609,803</u>   | <u>-</u>                 | <u>-</u>                      | <u>-</u>            | <u>2,652,050</u>    | <u>4,234,348</u>                 | <u>7,320,467</u>                | <u>32,816,668</u>               |
| Revenues over (under) expenditures    | <u>(7,026,205)</u>  | <u>3,704,214</u>         | <u>2,934,066</u>              | <u>3,035,941</u>    | <u>(71,829)</u>     | <u>(577,652)</u>                 | <u>(863,837)</u>                | <u>1,134,698</u>                |
| <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)  | <u>7,164,304</u>    | <u>(3,760,223)</u>       | <u>(3,181,633)</u>            | <u>(3,058,784)</u>  | <u>203,050</u>      | <u>385,880</u>                   | <u>788,941</u>                  | <u>(1,458,465)</u>              |
| 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          | <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>            |

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

Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years (286,121)

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 absenses           | (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 | <u>(137,748)</u> |

Change in net position of governmental activities \$ 6,443,602

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**

| <b>Business-type Activities - Enterprise Funds</b>   |  |                             |                              |                |                                       |               |                                   |
|--|--|-----------------------------|------------------------------|----------------|---------------------------------------|---------------|-----------------------------------|
|  | <b>Water<br/>Pollution<br/>Control</b> | <b>Transfer<br/>Station</b> | <b>Refuse<br/>Collection</b> | <b>Airport</b> | <b>Other<br/>Enterprise<br/>Funds</b> | <b>Total</b>  | <b>Internal<br/>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

---

159,098

|  |                      |
|--|----------------------|
| Net position of business-type activities | <u>\$ 80,879,989</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**

| <b>Business-type Activities - Enterprise Funds</b>       |  |                             |                              |                     |                                       |                      |                                   |
|--|--|-----------------------------|------------------------------|---------------------|---------------------------------------|----------------------|-----------------------------------|
|  | <b>Water<br/>Pollution<br/>Control</b> | <b>Transfer<br/>Station</b> | <b>Refuse<br/>Collection</b> | <b>Airport</b>      | <b>Other<br/>Enterprise<br/>Funds</b> | <b>Total</b>         | <b>Internal<br/>Service Funds</b> |
| 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                              | <u>\$ 63,989,269</u>                   | <u>\$ 3,859,491</u>         | <u>\$ 483,543</u>            | <u>\$ 7,873,544</u> | <u>\$ 4,515,044</u>                   | <u>\$ 80,720,891</u> | <u>\$ 1,356,339</u>               |

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

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

Change in net position of business-type activities \$ 2,546,573

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<br/>Pollution<br/>Control</b> | <b>Transfer<br/>Station</b> | <b>Refuse<br/>Collection</b> | <b>Airport<br/>Operations</b> | <b>Other<br/>Enterprise<br/>Funds</b> | <b>Total</b>        | <b>Internal<br/>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  | <u>2,071,126</u>                       | <u>8,026</u>                | <u>(25,689)</u>              | <u>(164,255)</u>              | <u>17,929</u>                         | <u>1,907,137</u>    | <u>158,286</u>                    |
| <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   | <u>1,769,904</u>                       | <u>193,772</u>              | <u>248,059</u>               | <u>110,743</u>                | <u>317,096</u>                        | <u>2,639,574</u>    | <u>(62,291)</u>                   |
| <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                                  | <u>(3,191,636)</u>                     | <u>(206,368)</u>            | <u>(222,457)</u>             | <u>(148,098)</u>              | <u>(72,711)</u>                       | <u>(3,841,270)</u>  | <u>-</u>                          |
| <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  | <u>(1,478,952)</u>                     | <u>-</u>                    | <u>87</u>                    | <u>8</u>                      | <u>78,943</u>                         | <u>(1,399,914)</u>  | <u>4,732</u>                      |
| Net increase (decrease) in cash and pooled investments  | <u>(829,558)</u>                       | <u>(4,570)</u>              | <u>-</u>                     | <u>(201,602)</u>              | <u>341,257</u>                        | <u>(694,473)</u>    | <u>100,727</u>                    |
| Cash and pooled investments, June 30, 2016  | <u>6,804,785</u>                       | <u>38,395</u>               | <u>-</u>                     | <u>201,602</u>                | <u>673,663</u>                        | <u>7,718,445</u>    | <u>1,540,152</u>                  |
| Cash and pooled investments, June 30, 2017  | <u>\$ 5,975,227</u>                    | <u>\$ 33,825</u>            | <u>\$ -</u>                  | <u>\$ -</u>                   | <u>\$ 1,014,920</u>                   | <u>\$ 7,023,972</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)   | \$ 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   | <u>1,966,893</u>                       | <u>(10,010)</u>             | <u>(3,654)</u>               | <u>290,704</u>                | <u>605,547</u>                        | <u>2,849,480</u>    | <u>(219,615)</u>                  |
| Net cash provided (used) by operating activities  | <u>\$ 2,071,126</u>                    | <u>\$ 8,026</u>             | <u>\$ (25,689)</u>           | <u>\$ (164,255)</u>           | <u>\$ 17,929</u>                      | <u>\$ 1,907,137</u> | <u>\$ 158,286</u>                 |
| <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><u>Agency<br/>Funds</u></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>         |
|                                     | <br><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 |             | Greater than 5 Years |
|                 |                   | 1 Year           | 1 – 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 to/Advance from       | Due from/advance to      |                     |                      |                  |                        |                     |                  |                   |  |
|---------------------------|--------------------------|---------------------|----------------------|------------------|------------------------|---------------------|------------------|-------------------|--|
|                           | Nonmajor<br>Governmental | Transfer<br>Station | Refuse<br>Collection | Airport          | Nonmajor<br>Enterprise | Internal<br>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            |  |
| <b>Total</b>              | <b>\$ 110,281</b>        | <b>\$ 480,831</b>   | <b>\$ 343,833</b>    | <b>\$ 12,797</b> | <b>\$ 5,344</b>        | <b>\$ 1,288</b>     | <b>\$ 34,514</b> | <b>\$ 988,888</b> |  |

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               |
| <b>General</b>                   | \$ -              | \$ 3,760,223        | \$ -                   | \$ 2,646,464        | \$ 199,275            | \$ -                    | \$ -              | \$ 891,000          | \$ 53,278        | \$ 7,550,240         |
| <b>Debt service</b>              | -                 | -                   | -                      | -                   | 203,050               | -                       | -                 | -                   | -                | 203,050              |
| <b>Other street improvements</b> | -                 | -                   | -                      | 185,880             | -                     | 200,000                 | -                 | -                   | -                | 385,880              |
| <b>Nonmajor governmental</b>     | 73,244            | -                   | 610,991                | 226,440             | 156,389               | 200,000                 | -                 | 80,591              | -                | 1,347,655            |
| <b>Water pollution control</b>   | -                 | -                   | 2,570,642              | -                   | -                     | -                       | -                 | -                   | -                | 2,570,642            |
| <b>Transfer station</b>          | -                 | -                   | -                      | -                   | -                     | -                       | 43,490            | -                   | -                | 43,490               |
| <b>Airport</b>                   | 20,272            | -                   | -                      | -                   | -                     | -                       | -                 | -                   | -                | 20,272               |
| <b>Nonmajor enterprise</b>       | 292,420           | -                   | -                      | -                   | -                     | -                       | -                 | -                   | -                | 292,420              |
| <b>Total</b>                     | <b>\$ 385,936</b> | <b>\$ 3,760,223</b> | <b>\$ 3,181,633</b>    | <b>\$ 3,058,784</b> | <b>\$ 558,714</b>     | <b>\$ 400,000</b>       | <b>\$ 43,490</b>  | <b>\$ 971,591</b>   | <b>\$ 53,278</b> | <b>\$ 12,413,649</b> |

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  | <u>19,601,490</u>    | <u>8,208,920</u>     | <u>(6,493,589)</u>    | <u>-</u>         | <u>21,316,821</u>    |
| 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      | <u>113,836,017</u>   | <u>6,555,878</u>     | <u>(818,763)</u>      | <u>165,302</u>   | <u>119,738,434</u>   |
| 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               | <u>(63,269,411)</u>  | <u>(3,958,065)</u>   | <u>808,274</u>        | <u>(165,302)</u> | <u>(66,584,504)</u>  |
| Total capital assets, being depreciated, net | <u>50,566,606</u>    | <u>2,597,813</u>     | <u>(10,489)</u>       | <u>-</u>         | <u>53,153,930</u>    |
| Governmental activities capital assets, net  | <u>\$ 70,168,096</u> | <u>\$ 10,806,733</u> | <u>\$ (6,504,078)</u> | <u>\$ -</u>      | <u>\$ 74,470,751</u> |

|  | Beginning<br>Balance | Increases    | Decreases      | Transfers | Ending<br>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         |
|  | \$ -                 |              |                |           |                   |
| Total capital assets, not being depreciated  | 7,537,983            | 2,966,132    | (6,195,076)    | -         | 4,309,039         |
| 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        |
|  | -                    |              |                |           |                   |
| Total capital assets, being depreciated      | 152,634,864          | 7,192,416    | (968,842)      | (165,302) | 158,693,137       |
| 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)      |
|  | -                    |              |                |           |                   |
| Total accumulated depreciation               | (73,888,136)         | (3,590,549)  | 966,284        | 165,302   | (76,347,099)      |
|  | -                    |              |                |           |                   |
| Total capital assets, being depreciated, net | 78,746,728           | 3,601,867    | (2,558)        | -         | 82,346,038        |
|  | -                    |              |                |           |                   |
| Business type activities capital assets, net | \$ 86,284,711        | \$ 6,567,999 | \$ (6,197,634) | \$ -      | \$ 86,655,077     |

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<br>internal service funds are charged to the<br>various functions based on their usage of<br>the assets | 6,004        |
|   |              |
| Total depreciation expense –<br>governmental activities   | \$ 3,958,065 |

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:

|  | Beginning<br>Balance | Increases           | Decreases   | Ending<br>Balance   |
|--|----------------------|---------------------|-------------|---------------------|
| Capital assets, not being depreciated:       |                      |                     |             |                     |
| Land   | \$ 1,080,608         | \$ -                | \$ -        | \$ 1,080,608        |
| Construction in progress                     | <u>-</u>             | <u>30,881</u>       | <u>-</u>    | <u>30,881</u>       |
| 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           |
|                                 |            |               |                | \$ 13,047,619     | \$ 13,047,619           |

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:

| <b>Year Ending</b><br><b>June 30</b> | <b>Governmental</b>  |                     |
|--------------------------------------|----------------------|---------------------|
|                                      | <b>Principal</b>     | <b>Interest</b>     |
| 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:

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

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

| <b>Year Ending</b><br><b>June 30</b> | <b>Governmental</b> |                  |
|--------------------------------------|---------------------|------------------|
|                                      | <b>Principal</b>    | <b>Interest</b>  |
| 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<br>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      |
|                        | <hr/>         | <hr/>        | <hr/>      |
|                        | \$ 12,446,000 | \$ 3,209,220 | \$ 267,438 |

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

### Primary government

|  | Beginning<br>Balance | Additions    | Reductions     | Ending<br>Balance | Due Within<br>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  | \$ 29,291,381        | \$ 4,247,110 | \$ (3,306,105) | \$ 30,232,386     | \$ 3,358,162           |
| <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 | \$ 16,005,119        | \$ 909,629   | \$ (930,850)   | \$ 15,983,898     | \$ 852,985             |

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                     | <u>12,707,666</u>        | <u>\$ 4,244,922</u> | <u>\$ (30,000)</u> | <u>16,922,588</u>     |
| 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 Amount</u>          | <u>Interest</u> | <u>Servicing 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<br>of Resources | Deferred Inflows<br>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<br>on pension plan investments                          | 977,672                           | -                                |
| Changes in proportion and differences between City<br>contributions and proportionate share of contributions | 928                               | 200,683                          |
| City contributions subsequent to the measurement date  | 727,098                           | -                                |
| <b>Total</b>   | <b>\$ 1,869,746</b>               | <b>\$ 283,051</b>                |

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)           |
| <b>Total</b>               | <b>\$ 859,597</b> |

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<br>(effective June 30, 2014)                   | 3.00 percent per annum   |
| Rates of salary increases<br>(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<br>(effective June 30, 1996) | 7.50 percent per annum, compounded annually, net of investment expense, including inflation  |
| Wage growth<br>(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:

| Asset Class            | Asset Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28%              | 1.90%  |
| Domestic equity        | 24%              | 5.85%  |
| International equity   | 16%              | 6.32%  |
| Private equity/debt    | 11%              | 10.31%                                       |
| Real estate            | 8%               | 3.87%  |
| Credit opportunities   | 5%               | 4.48%  |
| U.S. TIPS              | 5%               | 1.36%  |
| Other real assets      | 2%               | 6.42%  |
| Cash                   | 1%               | -0.26%                                       |
| 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%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|---|--------------------------|----------------------------|--------------------------|
| 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 JPERS.

Municipal Fire and Police Retirement System of Iowa (MFPSI) Pension Plan

Plan Description – MFPSRI 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 MFPSRI. MFPSRI 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.mfpsri.org](http://www.mfpsri.org).

MFPSI 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 MFPSI 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 MFPSI 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 MFPSI 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<br>of Resources | Deferred Inflows<br>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<br>on pension plan investments                          | 1,903,199                         | -                                |
| Changes in proportion and differences between City<br>contributions and proportionate share of contributions | 88,110                            | 147,139                          |
| City contributions subsequent to the measurement date  | 1,354,626                         | -                                |
| <b>Total</b>   | <b>\$ 4,079,820</b>               | <b>\$ 306,215</b>                |

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)                   |
| <b>Total</b>               | <b><u>\$ 2,418,979</u></b> |

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,<br>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:

| Asset Class                       | Target Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|-----------------------------------|-------------------|--|
| 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%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(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 Activities | Business-type Activities | Total          |
| 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        |

|  | MFPRS                   |                          |                 |
|--|-------------------------|--------------------------|-----------------|
|  | Governmental Activities | Business-type Activities | Total           |
| 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 Activities | Business-type Activities | Total           |
| 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>               |
| <br>Total  |  | <br><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:

| Asset Class                   | Asset Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|------------------|--|
| 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<br>of Resources | Deferred Inflows<br>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                         | -                                |
| <b>Total</b>                                      | <b>\$ 10,108,646</b>              | <b>\$ 778,323</b>                |

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<br>of Resources | Deferred Inflows<br>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                         | -                                |
| <b>Total</b>                                      | <b>\$ 6,789,269</b>               | <b>\$ 810,280</b>                |

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<br>of Resources | Deferred Inflows<br>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                            |
| <b>Total</b>                    | <b>\$ 7,327,236</b>               | <b>\$ 778,323</b>                |

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

|                                  | 1%<br>Decrease<br>5.75% | Discount<br>Rate<br>6.75% | 1%<br>Increase<br>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           |
|---|----------------------|
| <b>Total Pension Liability</b>                    |                      |
| 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            | <b>\$ 76,066,879</b> |
|   |                      |
| <b>Fiduciary Net Position</b>                     |                      |
| 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             | <b>60,019,177</b>    |
|   |                      |
| Net Pension Liability                             | <b>16,047,702</b>    |

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          | <b>\$ 16,047,702</b> |

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          | <b>\$ 10,108,646</b> |

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 retiree 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         | 540,731           |
| 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:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| 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<br>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<br>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/ Abated</u> |   |
|---|------------------------------------|--------------------------------|-------------------|------------------------------|---|
|   |                                    | <u>First Year</u>              | <u>Final Year</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<br>(Terminated in 2016/2017)                  | Commercial/Economic Development    | 2009/2010                      | 2016/2017         | 18,781                       | - |
| Curry's Transportation - 50% for 10 Years<br>(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<br>(Declining Percentages)                | Commercial/Economic Development    | 2015/2016                      | 2029/2030         | 72,525                       |   |
| Wal-View Developments #1 - 10 Years<br>(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<br>(Declining Percentages)                  | Warehousing/Economic Development   | 2017/2018                      | 2026/2027         | -                            |   |
| Riverview Hotel Development - 20 years<br>(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<br>(Varying Percentages)                          | Commercial/Affordable Housing      | 2019/2020                      | 2033/2034         | -                            |   |
| HNI Corporation - 50% for 10 Years  | Industrial/Economic Development    | 2019/2020                      | 2028/2029         | -                            |   |
| Total   |                                    |                                |                   | \$ 1,128,816                 |   |

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                            | <u>20</u>                   | <u>\$ 65,958</u>    |

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 future. 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 provide 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<br/>Funds<br/>Actual</b> | <b>Proprietary<br/>Funds<br/>Actual</b> | <b>Total<br/>Actual</b> | <b>Budgeted Amounts</b> |                      | <b>Final Budget<br/>to Actual<br/>Variance</b> |
|---|--|---|-------------------------|-------------------------|----------------------|--|
|   |  |   |                         | <b>Original</b>         | <b>Final</b>         |  |
| <b>Revenues:</b>                            |  |   |                         |                         |                      |  |
| 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                                      |
| <b>Total revenues</b>                       | <b>33,951,366</b>                        | <b>20,650,259</b>                       | <b>54,601,625</b>       | <b>50,688,632</b>       | <b>53,589,537</b>    | <b>1,012,088</b>                               |
| <b>Expenditures:</b>                        |  |   |                         |                         |                      |  |
| 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)                                    |
| <b>Total expenditures</b>                   | <b>32,823,914</b>                        | <b>19,765,400</b>                       | <b>52,589,314</b>       | <b>58,312,687</b>       | <b>60,617,007</b>    | <b>(8,027,693)</b>                             |
| <b>Revenues over (under) expenditures</b>   | <b>1,127,452</b>                         | <b>884,859</b>                          | <b>2,012,311</b>        | <b>(7,624,055)</b>      | <b>(7,027,470)</b>   | <b>9,039,781</b>                               |
| <b>Other financing sources (uses):</b>      |  |   |                         |                         |                      |  |
| 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                                      |
| <b>Total other financing sources (uses)</b> | <b>(1,458,465)</b>                       | <b>1,460,983</b>                        | <b>2,518</b>            | <b>-</b>                | <b>-</b>             | <b>2,518</b>                                   |
| <b>Net change in fund balances</b>          | <b>(331,013)</b>                         | <b>2,345,842</b>                        | <b>2,014,829</b>        | <b>(7,624,055)</b>      | <b>(7,027,470)</b>   | <b>9,042,299</b>                               |
| <b>Fund balances, June 30, 2016</b>         | <b>23,803,524</b>                        | <b>10,620,188</b>                       | <b>34,423,713</b>       | <b>31,979,811</b>       | <b>34,416,681</b>    | <b>4,728,621</b>                               |
| <b>Fund balances, June 30, 2017</b>         | <b>\$ 23,472,511</b>                     | <b>\$ 12,966,030</b>                    | <b>\$ 36,438,542</b>    | <b>\$ 24,355,756</b>    | <b>\$ 27,389,211</b> | <b>\$ 13,770,920</b>                           |

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>GAAP Basis</b>           | <b>Enterprise and Budgeted Internal Service Funds</b> |                             | <b>GAAP Basis</b>           |
|                                      | <b>Budget Basis</b>         | <b>Adjustments</b>       |                             | <b>Budget Basis</b>                                   | <b>Adjustments</b>          |                             |
| Revenues                             | \$ 33,951,366               | \$ -                     | \$ 33,951,366               | \$ 20,650,259   | \$ (159,362)                | \$ 20,490,897               |
| Expenditures/expenses                | <u>32,823,914</u>           | <u>(7,246)</u>           | <u>32,816,668</u>           | <u>19,765,400</u>                                     | <u>(558,041)</u>            | <u>19,207,359</u>           |
| 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 | <u>23,803,524</u>           | <u>204,324</u>           | <u>24,007,848</u>           | <u>10,620,188</u>                                     | <u>68,715,039</u>           | <u>79,335,227</u>           |
| Ending fund balances/net position    | <u><u>\$ 23,472,511</u></u> | <u><u>\$ 211,570</u></u> | <u><u>\$ 23,684,081</u></u> | <u><u>\$ 12,966,030</u></u>                           | <u><u>\$ 69,111,200</u></u> | <u><u>\$ 82,077,230</u></u> |

See notes to Required Supplementary Information.

**City of Muscatine, Iowa**

**Other Postemployment Benefit Plan**

**Required Supplementary Information**

**Schedule of Funding Progress**

| <b>Fiscal Year Ended June 30</b> | <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Net Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) (b)</b> | <b>Unfunded (Over-funded) AAL (UALL) (b-a)</b> | <b>Funded Ratio (a/b)</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b> |
|----------------------------------|---------------------------------|--|--|--|---------------------------|----------------------------|--|
| 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**

---

|   | <b>2017*</b> | <b>2016*</b> | <b>2015*</b> |
|---|--------------|--------------|--------------|
| 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**

---

|  | 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 | <u>(727,098)</u> | <u>(698,589)</u> | <u>(685,356)</u> | <u>(683,964)</u> | <u>(649,682)</u> |
| 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       |
| <u>(596,712)</u> | <u>(507,528)</u> | <u>(470,940)</u> | <u>(424,711)</u> | <u>(390,058)</u> |
| \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |

---

\$ 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**

---

|   | <b>2017*</b><br>1.721407% | <b>2016*</b><br>1.759589% | <b>2015*</b><br>1.755039% |
|---|---------------------------|---------------------------|---------------------------|
| City's proportion of the net pension liability  |                           |                           |                           |
| 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**

---

|  | 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

---

| 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) |
| \$ -        | \$ -      | \$ -      | \$ -      | \$ -      |

---

\$ 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)**

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**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                             | <u>(123,402.0)</u> | <u>3,959,905.0</u> |
|   |                    |                    |
| Net change in total pension liability             | 4,007,158          | 6,785,523          |
| Total pension liability, beginning of period      | <u>72,059,721</u>  | <u>65,274,198</u>  |
| 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  | -                    | <u>(1,950.00)</u>    |
|  |                      |                      |
| Net change in plan fiduciary net position                                  | (256,695)            | 3,430,259            |
| Plan fiduciary net position, beginning of period                           | <u>60,275,872</u>    | <u>56,845,613</u>    |
| 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.

## **MFPSI**

### *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<br/>Revenue</b> | <b>Capital<br/>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                   |
|   | <hr/>                      | <hr/>                       | <hr/>                     | <hr/>                     |
| Total assets  | <hr/> <b>4,125,549</b>     | <hr/> <b>2,070,305</b>      | <hr/> <b>1,031,371</b>    | <hr/> <b>7,227,225</b>    |
| <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                   |
|   | <hr/>                      | <hr/>                       | <hr/>                     | <hr/>                     |
| Total liabilities   | <hr/> <b>77,753</b>        | <hr/> <b>658,390</b>        | <hr/> <b>2,974</b>        | <hr/> <b>739,117</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                            |                             |                           |                           |
| Unavailable revenue - property taxes                                | 2,135,000                  | -                           | -                         | 2,135,000                 |
| Unavailable revenue - intergovernmental                             | -                          | 177,762                     | -                         | 177,762                   |
|   | <hr/>                      | <hr/>                       | <hr/>                     | <hr/>                     |
| Total deferred inflows of resources                                 | <hr/> <b>2,135,000</b>     | <hr/> <b>177,762</b>        | <hr/> <b>-</b>            | <hr/> <b>2,312,762</b>    |
| <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>   | <hr/>                      | <hr/> <b>(57,818)</b>       | <hr/>                     | <hr/> <b>(57,818)</b>     |
|   | <hr/>                      | <hr/>                       | <hr/>                     | <hr/>                     |
| Total fund balances   | <hr/> <b>1,912,796</b>     | <hr/> <b>1,234,153</b>      | <hr/> <b>1,028,397</b>    | <hr/> <b>4,175,346</b>    |
| Total liabilities, deferred inflows of resources, and fund balances | <hr/> <b>\$ 4,125,549</b>  | <hr/> <b>\$ 2,070,305</b>   | <hr/> <b>\$ 1,031,371</b> | <hr/> <b>\$ 7,227,225</b> |

**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<br/>Revenue</b> | <b>Capital<br/>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           |
| Total revenues                        | <u>3,995,727</u>           | <u>2,440,844</u>            | <u>20,059</u>       | <u>6,456,630</u>    |
| <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           |
| Total expenditures                    | <u>3,588,248</u>           | <u>3,722,279</u>            | <u>9,940</u>        | <u>7,320,467</u>    |
| Revenues over (under) expenditures    | <u>407,479</u>             | <u>(1,281,435)</u>          | <u>10,119</u>       | <u>(863,837)</u>    |
| <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)           |
| Total other financing sources (uses)  | <u>(428,134)</u>           | <u>1,231,432</u>            | <u>(14,357)</u>     | <u>788,941</u>      |
| Net change in fund balances           | (20,655)                   | (50,003)                    | (4,238)             | (74,896)            |
| Fund balances, June 30, 2016          | <u>1,933,451</u>           | <u>1,284,156</u>            | <u>1,032,635</u>    | <u>4,250,242</u>    |
| 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**

|  | <b>Community<br/>Development<br/>Block Grant</b> | <b>1st Time<br/>Home Owners<br/>Program</b> | <b>Section 8<br/>Housing<br/>Program</b> | <b>Sunset Park<br/>Education<br/>Program</b> | <b>Police<br/>Forfeitures</b> | <b>Downtown<br/>Tax<br/>Increment</b> | <b>Southend<br/>Tax<br/>Increment</b> |
|--|--|---|--|--|-------------------------------|---------------------------------------|---------------------------------------|
| <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   | -                             | -                                     | -                                     |
| <b>Total assets</b>  | <b>30,734</b>                                    | <b>76,318</b>                               | <b>180,110</b>                           | <b>3,559</b>                                 | <b>13,209</b>                 | <b>254,015</b>                        | <b>2,468,361</b>                      |
| <b>LIABILITIES</b>   |  |   |  |  |                               |                                       |                                       |
| Accounts payable and accruals  | -  | 3,745                                       | 28,359                                   | 1,394  | -                             | -                                     | -                                     |
| Escrow liability   | -  | -   | 38,365                                   | -  | -                             | -                                     | -                                     |
| <b>Total liabilities</b>   | <b>-</b>   | <b>3,745</b>                                | <b>66,724</b>                            | <b>1,394</b>                                 | <b>-</b>                      | <b>-</b>                              | <b>-</b>                              |
| <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  | -  | -   | -  | -  | -                             | -                                     | -                                     |
| <b>Total fund balances</b>   | <b>30,734</b>                                    | <b>72,573</b>                               | <b>113,386</b>                           | <b>2,165</b>                                 | <b>13,209</b>                 | <b>49,015</b>                         | <b>918,361</b>                        |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 30,734</b>                                 | <b>\$ 76,318</b>                            | <b>\$ 180,110</b>                        | <b>\$ 3,559</b>                              | <b>\$ 13,209</b>              | <b>\$ 254,015</b>                     | <b>\$ 2,468,361</b>                   |

| Cedar<br>Development<br>Tax Increment | Muscatine<br>Mall Tax<br>Increment | Highway 38<br>Northeast Tax<br>Increment | Heinz<br>Tax<br>Increment | Fridley<br>Theater Tax<br>Increment | Small Business<br>Forgivable<br>Loan Program | Art Center<br>Special Funds | Library<br>Special Funds | Total                   |
|---------------------------------------|------------------------------------|--|---------------------------|-------------------------------------|--|-----------------------------|--------------------------|-------------------------|
| \$ 55,546                             | \$ 32,139                          | \$ 14,542                                | \$ 5,865                  | \$ 10,086                           | \$ 81,790                                    | \$ 185,242<br>180,000       | \$ 146,495               | \$ 1,738,729<br>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**

|   | <b>Community<br/>Development<br/>Block Grant</b> | <b>1st Time<br/>Home Owners<br/>Program</b> | <b>Section 8<br/>Housing<br/>Program</b> | <b>Sunset Park<br/>Education<br/>Program</b> | <b>Police<br/>Forfeitures</b> | <b>Downtown<br/>Tax<br/>Increment</b> | <b>Southend<br/>Tax<br/>Increment</b> |
|---|--|---|--|--|-------------------------------|---------------------------------------|---------------------------------------|
| <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                                | <u>98</u>  | <u>40,821</u>                               | <u>1,943,357</u>                         | <u>26,707</u>                                | <u>25</u>                     | <u>214,231</u>                        | <u>1,232,884</u>                      |
| <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                            | <u>-</u>   | <u>52,802</u>                               | <u>1,894,043</u>                         | <u>29,270</u>                                | <u>20,056</u>                 | <u>-</u>                              | <u>917,999</u>                        |
| Revenues over (under) expenditures            | <u>98</u>  | <u>(11,981)</u>                             | <u>49,314</u>                            | <u>(2,563)</u>                               | <u>(20,031)</u>               | <u>214,231</u>                        | <u>314,885</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>         |  |   |  |  |                               |                                       |                                       |
| Transfers in                                  | -  | -   | -  | -  | -                             | -                                     | -                                     |
| Transfers out                                 | -  | -   | -  | -  | -                             | (203,050)                             | (280,100)                             |
| Total other financing sources (uses)          | <u>-</u>   | <u>-</u>                                    | <u>-</u>                                 | <u>-</u>                                     | <u>-</u>                      | <u>(203,050)</u>                      | <u>(280,100)</u>                      |
| Net change in fund balances                   | <u>98</u>  | <u>(11,981)</u>                             | <u>49,314</u>                            | <u>(2,563)</u>                               | <u>(20,031)</u>               | <u>11,181</u>                         | <u>34,785</u>                         |
| Fund balances, June 30, 2016                  | <u>30,636</u>                                    | <u>84,554</u>                               | <u>64,072</u>                            | <u>4,728</u>                                 | <u>33,240</u>                 | <u>37,834</u>                         | <u>883,576</u>                        |
| Fund balances, June 30, 2017                  | <u>\$ 30,734</u>                                 | <u>\$ 72,573</u>                            | <u>\$ 113,386</u>                        | <u>\$ 2,165</u>                              | <u>\$ 13,209</u>              | <u>\$ 49,015</u>                      | <u>\$ 918,361</u>                     |

| Cedar Development Tax Increment | Muscatine Mall Tax Increment | Highway 38 Northeast Tax Increment | Heinz Tax Increment | Fridley Tax Increment | Small Business Forgivable Loan Program | Art Center Special Funds | Library Special Funds | Total               |
|---------------------------------|------------------------------|------------------------------------|---------------------|-----------------------|--|--------------------------|-----------------------|---------------------|
| \$ 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              |
| <b>244,730</b>                  | <b>37,987</b>                | <b>60,056</b>                      | <b>20,977</b>       | <b>74,881</b>         | <b>3,070</b>                           | <b>35,878</b>            | <b>60,025</b>         | <b>3,995,727</b>    |
| <br>                            | <br>                         | <br>                               | <br>                | <br>                  | <br>                                   | <br>                     | <br>                  | <br>                |
| -                               | -                            | -                                  | -                   | -                     | -                                      | -                        | -                     | 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              |
| <b>235,257</b>                  | <b>18,781</b>                | <b>18,959</b>                      | <b>19,000</b>       | <b>72,525</b>         | <b>62,700</b>                          | <b>181,099</b>           | <b>65,757</b>         | <b>3,588,248</b>    |
| <br>                            | <br>                         | <br>                               | <br>                | <br>                  | <br>                                   | <br>                     | <br>                  | <br>                |
| 9,473                           | 19,206                       | 41,097                             | 1,977               | 2,356                 | (59,630)                               | (145,221)                | (5,732)               | 407,479             |
| -                               | -                            | -                                  | -                   | -                     | 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)            |
| <b>46,073</b>                   | <b>12,933</b>                | <b>20,639</b>                      | <b>3,888</b>        | <b>7,730</b>          | <b>41,420</b>                          | <b>515,496</b>           | <b>146,632</b>        | <b>1,933,451</b>    |
| <b>\$ 55,546</b>                | <b>\$ 32,139</b>             | <b>\$ 14,569</b>                   | <b>\$ 5,865</b>     | <b>\$ 10,086</b>      | <b>\$ 81,790</b>                       | <b>\$ 372,458</b>        | <b>\$ 140,900</b>     | <b>\$ 1,912,796</b> |

**City of Muscatine, Iowa**

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

|  | <b>Community<br/>Development<br/>Improvements</b> | <b>Street and<br/>Sidewalk<br/>Improvements</b> | <b>Riverfront<br/>Improvement<br/>Projects</b> | <b>Other<br/>Public<br/>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<br/>Development<br/>Improvements</b> | <b>Street and<br/>Sidewalk<br/>Improvements</b> | <b>Riverfront<br/>Improvement<br/>Projects</b> | <b>Other<br/>Public<br/>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-<br/>Gilmore<br/>Trust</b> | <b>Perpetual<br/>Care<br/>Trust</b> | <b>Perpetual<br/>Care Interest<br/>Trust</b> | <b>Cemetery<br/>Special<br/>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                        | <b>100,070</b>                          | <b>875,853</b>                      | <b>2,974</b>                                 | <b>52,474</b>                          | <b>1,031,371</b>    |
| <b>LIABILITIES</b>                  |   |                                     |  |  |                     |
| Advances from other funds           | -                                       | -                                   | 2,974  | -                                      | 2,974               |
| Total liabilities                   | <b>-</b>                                | <b>-</b>                            | <b>2,974</b>                                 | <b>-</b>                               | <b>2,974</b>        |
| <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                 | <b>100,070</b>                          | <b>875,853</b>                      | <b>-</b>                                     | <b>52,474</b>                          | <b>1,028,397</b>    |
| Total liabilities and fund balances | <b>\$ 100,070</b>                       | <b>\$ 875,853</b>                   | <b>\$ 2,974</b>                              | <b>\$ 52,474</b>                       | <b>\$ 1,031,371</b> |

**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-<br/>Gilmore<br/>Trust</b> | <b>Perpetual<br/>Care<br/>Trust</b> | <b>Perpetual<br/>Care Interest<br/>Trust</b> | <b>Cemetery<br/>Special<br/>Trusts</b> | <b>Total</b>              |
|-------------------------------------|---|-------------------------------------|--|--|---------------------------|
| <b>REVENUES</b>                     |   |                                     |  |  |                           |
| Cemetery perpetual care<br>Interest | \$ -<br><u>875</u>                      | \$ 4,021<br>-                       | \$ -<br><u>14,357</u>                        | \$ -<br>806                            | \$ 4,021<br><u>16,038</u> |
| 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              | <u>4,000</u>                            | -                                   | -  | -                                      | <u>4,000</u>              |
| Total expenditures                  | <u>6,600</u>                            | -                                   | -  | <u>3,340</u>                           | <u>9,940</u>              |
| Revenues over (under) expenditures  | (5,725)                                 | 4,021                               | 14,357                                       | (2,534)                                | 10,119                    |
| <b>OTHER FINANCING (USES)</b>       |   |                                     |  |  |                           |
| Transfers out                       | -                                       | -                                   | <u>(14,357)</u>                              | -                                      | <u>(14,357)</u>           |
| Net change in fund balances         | (5,725)                                 | 4,021                               | -  | (2,534)                                | (4,238)                   |
| Fund balances, June 30, 2016        | <u>105,795</u>                          | <u>871,832</u>                      | -  | <u>55,008</u>                          | <u>1,032,635</u>          |
| 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<br/>Operations</b> | <b>Transit<br/>Operations</b> | <b>Golf Course</b> | <b>Boat Harbor</b> | <b>Marina<br/>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                                 | <u>136,558</u>                | <u>915,666</u>                | <u>63,069</u>      | <u>-</u>           | <u>3,785</u>                 |
| 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 | <u>1,088,898</u>              | <u>468,846</u>                | <u>863,215</u>     | <u>147,830</u>     | <u>-</u>                     |
| Total noncurrent assets                              | <u>1,088,898</u>              | <u>468,846</u>                | <u>863,215</u>     | <u>147,830</u>     | <u>-</u>                     |
| Total assets   | <u>1,225,456</u>              | <u>1,384,512</u>              | <u>926,284</u>     | <u>147,830</u>     | <u>3,785</u>                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                               |                               |                    |                    |                              |
| Pension related deferred outflows                    | <u>27,834</u>                 | <u>133,386</u>                | <u>56,872</u>      | <u>-</u>           | <u>-</u>                     |
| <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                            | <u>40,788</u>                 | <u>311,086</u>                | <u>56,915</u>      | <u>5,865</u>       | <u>3,785</u>                 |
| 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                         | <u>119,514</u>                | <u>511,368</u>                | <u>151,063</u>     | <u>1,019</u>       | <u>-</u>                     |
| Total liabilities                                    | <u>160,302</u>                | <u>822,454</u>                | <u>207,978</u>     | <u>6,884</u>       | <u>3,785</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                               |                               |                    |                    |                              |
| Pension related deferred inflows                     | <u>4,229</u>                  | <u>20,523</u>                 | <u>6,378</u>       | <u>-</u>           | <u>-</u>                     |
| <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                                   | <u>\$ 1,088,759</u>           | <u>\$ 674,921</u>             | <u>\$ 768,800</u>  | <u>\$ 140,946</u>  | <u>\$ -</u>                  |

| <b>Convention and<br/>Visitors Bureau</b> | <b>Ambulance<br/>Operations</b> | <b>Public<br/>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               |
| <b>122,563</b>                            | <b>343,823</b>                  | <b>231,503</b>            | <b>1,816,967</b>    |
| <br>- -                                   | <br>- -                         | <br>105,000               | <br>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)        |
| <b>1,141</b>                              | <b>488,132</b>                  | <b>1,145,909</b>          | <b>4,203,971</b>    |
| <b>1,141</b>                              | <b>488,132</b>                  | <b>1,145,909</b>          | <b>4,203,971</b>    |
| <b>123,704</b>                            | <b>831,955</b>                  | <b>1,377,412</b>          | <b>6,020,938</b>    |
| <br><b>6,620</b>                          | <br><b>70,886</b>               | <br><b>61,710</b>         | <br><b>357,308</b>  |
| <br>4,475                                 | <br>39,084                      | <br>98,320                | <br>486,728         |
| -   | 6,672                           | 14,906                    | 59,104              |
| -   | -                               | -                         | 5,344               |
| -   | -                               | 48,587                    | 48,587              |
| -   | -                               | 6,606                     | 37,326              |
| <b>4,475</b>                              | <b>45,756</b>                   | <b>168,419</b>            | <b>637,089</b>      |
| <br>- -                                   | <br>9,757                       | <br>3,427                 | <br>42,637          |
| - -                                       | 3,146                           | 14,944                    | 35,707              |
| 26,765                                    | 109,666                         | 225,085                   | 1,097,410           |
| <b>26,765</b>                             | <b>122,569</b>                  | <b>243,456</b>            | <b>1,175,754</b>    |
| <b>31,240</b>                             | <b>168,325</b>                  | <b>411,875</b>            | <b>1,812,843</b>    |
| <br><b>1,194</b>                          | <br><b>8,538</b>                | <br><b>9,497</b>          | <br><b>50,359</b>   |
| <br>1,141                                 | <br>488,132                     | <br>1,145,909             | <br>4,203,971       |
| 96,749                                    | 237,846                         | (128,159)                 | 311,073             |
| <b>\$ 97,890</b>                          | <b>\$ 725,978</b>               | <b>\$ 1,017,750</b>       | <b>\$ 4,515,044</b> |

**City of Muscatine, Iowa**

**Non-Major Enterprise Funds**

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

|  | <b>Parking<br/>Operations</b> | <b>Transit<br/>Operations</b> | <b>Golf Course</b> | <b>Boat Harbor</b> | <b>Marina<br/>Operations</b> |
|--|-------------------------------|-------------------------------|--------------------|--------------------|------------------------------|
| 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                                 | <u>217,742</u>                | <u>373,610</u>                | <u>747,973</u>     | <u>15,243</u>      | <u>6,266</u>                 |
| 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                                 | <u>249,077</u>                | <u>1,054,723</u>              | <u>784,853</u>     | <u>31,738</u>      | <u>7,490</u>                 |
| Operating income (loss)                                  | <u>(31,335)</u>               | <u>(681,113)</u>              | <u>(36,880)</u>    | <u>(16,495)</u>    | <u>(1,224)</u>               |
| 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                   | <u>368</u>                    | <u>652,722</u>                | <u>433</u>         | <u>1</u>           | <u>-</u>                     |
| 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                              | <u>1,119,726</u>              | <u>275,928</u>                | <u>805,247</u>     | <u>27,956</u>      | <u>-</u>                     |
| Net position, June 30, 2017                              | <u>\$ 1,088,759</u>           | <u>\$ 674,921</u>             | <u>\$ 768,800</u>  | <u>\$ 140,946</u>  | <u>\$ -</u>                  |

| <b>Convention and<br/>Visitors Bureau</b> | <b>Ambulance<br/>Operations</b> | <b>Public<br/>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             |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 4,727                                     | 1,538,062                       | 425,454                   | 3,329,077           |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 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             |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 92,062                                    | 640,500                         | 1,056,252                 | 3,916,695           |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| (87,335)                                  | 897,562                         | (630,798)                 | (587,618)           |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 1,000                                     | 9,899                           | 366,542                   | 1,028,798           |
| 409                                       | 544                             | 280                       | 3,400               |
| -   | -                               | (2,557)                   | (2,557)             |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 1,409                                     | 10,443                          | 364,265                   | 1,029,641           |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| (85,926)                                  | 908,005                         | (266,533)                 | 442,023             |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| -   | -                               | -                         | 226,639             |
| -   | -                               | -                         | 129,484             |
| 90,451                                    | -                               | -                         | 292,420             |
| -   | (971,591)                       | -                         | (971,591)           |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 4,525                                     | (63,586)                        | (266,533)                 | 118,975             |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| 93,365                                    | 789,564                         | 1,284,283                 | 4,396,069           |
| <hr/>                                     | <hr/>                           | <hr/>                     | <hr/>               |
| <b>\$ 97,890</b>                          | <b>\$ 725,978</b>               | <b>\$ 1,017,750</b>       | <b>\$ 4,515,044</b> |

**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  | 126,250                   | 338,534                   | 17,112             | 3,846              | -                        |
| 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<br>Visitors Bureau | Ambulance<br>Operations | Public<br>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               |
| 1,000             | 9,899             | 366,542          | 996,267             |
| <u>91,451</u>     | <u>(961,692)</u>  | <u>366,542</u>   | <u>317,096</u>      |
| -                 | (30,963)          | (9,500)          | (72,711)            |
| -                 | (30,963)          | (9,500)          | (72,711)            |
| -                 | -                 | 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             |
| 120,074           | 62,828            | 5,019            | 673,663             |
| <u>\$ 122,563</u> | <u>\$ 146,371</u> | <u>\$ 23,965</u> | <u>\$ 1,014,920</u> |

|                    |                     |                     |                  |
|--------------------|---------------------|---------------------|------------------|
| \$ (87,335)        | \$ 897,562          | \$ (630,798)        | \$ (587,618)     |
| 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<br/>Services</b> | <b>Central<br/>Supplies</b> | <b>Health<br/>Insurance</b> | <b>Dental<br/>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  | <u>105,552</u>                | <u>2,225</u>                | <u>-</u>                    | <u>-</u>                    | <u>107,777</u>      |
| Total current assets                                 | <u>168,263</u>                | <u>2,225</u>                | <u>1,619,899</u>            | <u>31,644</u>               | <u>1,822,031</u>    |
| Capital assets:                                      |                               |                             |                             |                             |                     |
| Equipment  | 117,956                       | -                           | -                           | -                           | 117,956             |
| Vehicles   | 98,233                        | -                           | -                           | -                           | 98,233              |
| Less accumulated depreciation                        | <u>(205,503)</u>              | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>(205,503)</u>    |
| Total capital assets net of accumulated depreciation | <u>10,686</u>                 | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>10,686</u>       |
| Total assets   | <u>178,949</u>                | <u>2,225</u>                | <u>1,619,899</u>            | <u>31,644</u>               | <u>1,832,717</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                               |                             |                             |                             |                     |
| Pension related deferred outflows                    | <u>50,683</u>                 | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>50,683</u>       |
| <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                            | <u>75,208</u>                 | <u>1,521</u>                | <u>201,380</u>              | <u>3,572</u>                | <u>281,681</u>      |
| Noncurrent liabilities:                              |                               |                             |                             |                             |                     |
| Compensated absences payable                         | 35,269                        | -                           | -                           | -                           | 35,269              |
| Other post employment benefits                       | 12,584                        | -                           | -                           | -                           | 12,584              |
| Net pension liability                                | <u>189,759</u>                | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>189,759</u>      |
| Total noncurrent liabilities                         | <u>237,612</u>                | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>237,612</u>      |
| Total liabilities                                    | <u>312,820</u>                | <u>1,521</u>                | <u>201,380</u>              | <u>3,572</u>                | <u>519,293</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                               |                             |                             |                             |                     |
| Pension related deferred inflows                     | <u>7,768</u>                  | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>7,768</u>        |
| <b>NET POSITION</b>                                  |                               |                             |                             |                             |                     |
| Investment in capital assets                         | 10,686                        | -                           | -                           | -                           | 10,686              |
| Unrestricted   | <u>(101,642)</u>              | <u>704</u>                  | <u>1,418,519</u>            | <u>28,072</u>               | <u>1,345,653</u>    |
| Total net position                                   | <u>\$ (90,956)</u>            | <u>\$ 704</u>               | <u>\$ 1,418,519</u>         | <u>\$ 28,072</u>            | <u>\$ 1,356,339</u> |

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

|  | <b>Equipment<br/>Services</b> | <b>Central<br/>Supplies</b> | <b>Health<br/>Insurance</b> | <b>Dental<br/>Insurance</b> | <b>Total</b>        |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|
| 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                                  | 4,481                         | -                           | 766                         | -                           | 5,247               |
| 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   | 6,004                         | -                           | -                           | -                           | 6,004               |
| 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>\$ (90,956)</u>            | <u>\$ 704</u>               | <u>\$ 1,418,519</u>         | <u>\$ 28,072</u>            | <u>\$ 1,356,339</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   | <u>-</u>                  | <u>-</u>                | <u>4,625</u>               | <u>107</u>              | <u>4,732</u>               |
| Net increase (decrease) in cash and pooled investments  | <u>27,684</u>             | <u>-</u>                | <u>69,051</u>              | <u>3,992</u>            | <u>100,727</u>             |
| 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><u>\$ 55,895</u></u>   | <u><u>\$ -</u></u>      | <u><u>\$ 1,553,340</u></u> | <u><u>\$ 31,644</u></u> | <u><u>\$ 1,640,879</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)   | \$ 17,568                 | \$ (272)                | \$ 345,175                 | \$ 15,430               | \$ 377,901                 |
| 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><u>\$ 27,684</u></u>   | <u><u>\$ 69</u></u>     | <u><u>\$ 126,648</u></u>   | <u><u>\$ 3,885</u></u>  | <u><u>\$ 158,286</u></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>Payroll<br/>Clearing</b> | <b>Housing<br/>Revolving</b> | <b>Totals</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</b>       |                  |                  | <b>Balance</b>       |
|--------------------------------------|----------------------|------------------|------------------|----------------------|
|                                      | <b>June 30, 2016</b> | <b>Increases</b> | <b>Decreases</b> | <b>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>4,371,932</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>\$ 1,150,345</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>           |
| <br>Total operating revenues     | <br><u>1,256,501</u>    |
| <br>Operating expenses:          |                         |
| Cost of services:                |                         |
| Personal services                | 69,675                  |
| Commodities                      | 7,826                   |
| Contractual services             | 923,879                 |
| Administration                   | 54,300                  |
| Depreciation                     | <u>152,175</u>          |
| <br>Total operating expenses     | <br><u>1,207,855</u>    |
| <br>Operating income             | <br><u>48,646</u>       |
| <br>Non-operating revenue:       |                         |
| Intergovernmental revenue        | 117,177                 |
| Interest revenue                 | <u>8,601</u>            |
| <br>Total non-operating revenues | <br><u>125,778</u>      |
| <br>Change in net position       | <br>174,424             |
| <br>Net position, June 30, 2016  | <br><u>975,921</u>      |
| <br>Net position, June 30, 2017  | <br><u>\$ 1,150,345</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 | 210,050 |
|--------------------------------|---------|

|                   |                |
|-------------------|----------------|
| Total adjustments | <u>343,206</u> |
|-------------------|----------------|

Net cash provided by operating activities

\$ 391,852

# 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)**

|   | <b>Fiscal Year</b>    |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2007/2008             | 2008/2009             | 2009/2010             | 2010/2011             | 2011/2012             | 2012/2013             | 2013/2014             | 2014/2015             | 2015/2016             | 2016/2017             |
| <b>Governmental activities</b>              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| 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>  |
| <b>Business-type activities</b>             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| 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>  |
| <b>Primary government</b>                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| 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)**

|  | <b>Fiscal Year</b>   |                      |                      |                      |                      |                      |                      |                      |                      |                      |  |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
|  | <b>2007/2008</b>     | <b>2008/2009</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>     |  |
| <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  | <u>19,291,410</u>    | <u>21,483,628</u>    | <u>21,076,676</u>    | <u>23,236,483</u>    | <u>22,324,700</u>    | <u>22,205,769</u>    | <u>23,406,008</u>    | <u>23,078,748</u>    | <u>24,709,684</u>    | <u>27,397,025</u>    |  |
| 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 | <u>12,380,445</u>    | <u>12,783,990</u>    | <u>13,654,059</u>    | <u>13,322,398</u>    | <u>14,418,594</u>    | <u>14,703,417</u>    | <u>15,775,146</u>    | <u>16,071,386</u>    | <u>15,622,211</u>    | <u>15,124,794</u>    |  |
| 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)

(Continued)

**Program Revenues**

Governmental activities:

Charges for services:

|  | Fiscal Year      |                  |                  |                   |                  |                  |                  |                   |                  |                   |
|--|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|
|  | 2007/2008        | 2008/2009        | 2009/2010        | 2010/2011         | 2011/2012        | 2012/2013        | 2013/2014        | 2014/2015         | 2015/2016        | 2016/2017         |
| 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> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|

**Net (Expense)/Revenue**

|                                      |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental activities              | <u>\$ (12,109,991)</u> | <u>\$ (14,554,473)</u> | <u>\$ (12,133,262)</u> | <u>\$ (12,729,099)</u> | <u>\$ (12,644,427)</u> | <u>\$ (13,462,021)</u> | <u>\$ (13,421,834)</u> | <u>\$ (12,266,865)</u> | <u>\$ (15,348,367)</u> | <u>\$ (11,520,843)</u> |
| Business-type activities             | <u>(620,436)</u>       | <u>(201,835)</u>       | <u>(562,958)</u>       | <u>(529,956)</u>       | <u>(1,037,266)</u>     | <u>(898,073)</u>       | <u>(1,703,500)</u>     | <u>(1,549,904)</u>     | <u>2,284,758</u>       | <u>997,997</u>         |
| 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)

(Continued)

**General Revenues and Other Changes in Net Position**

Governmental activities:

|                                       | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | 2007/2008            | 2008/2009            | 2009/2010            | 2010/2011            | 2011/2012            | 2012/2013            | 2013/2014            | 2014/2015            | 2015/2016            | 2016/2017            |
| 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              | 2,547,608            | 3,528,672            | 3,820,921            | 4,033,862            | 124,912              | 2,523,690            | 1,959,216            | (224,981)            | 4,157,294            | 2,546,573            |
| 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)**

|                                    | <b>2007/08</b>       | <b>2008/09</b>      | <b>2009/10</b>       | <b>2010/11 (1)</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>       |
|------------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| 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                 | <b>\$ 1,745,643</b>  | <b>\$ 1,760,711</b> | <b>\$ 1,875,767</b>  | <b>\$ 2,540,048</b> | <b>\$ 3,580,803</b> | <b>\$ 3,668,147</b> | <b>\$ 3,860,578</b> | <b>\$ 4,384,131</b>  | <b>\$ 4,598,316</b>  | <b>\$ 4,736,415</b>  |
| 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 | <b>\$ 12,747,340</b> | <b>\$ 8,391,059</b> | <b>\$ 10,120,934</b> | <b>\$ 4,960,723</b> | <b>\$ 8,734,000</b> | <b>\$ 6,651,194</b> | <b>\$ 6,405,432</b> | <b>\$ 17,117,972</b> | <b>\$ 19,409,532</b> | <b>\$ 18,947,666</b> |

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.

**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>    |
| <b>Other financing sources (uses)</b>                    |                     |                       |                     |                       |                     |                       |                     |                      |                     |                     |
| 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  | <u>(9,295,371)</u>  | <u>(9,307,960)</u>    | <u>(10,072,466)</u> | <u>(11,062,941)</u>   | <u>(8,235,432)</u>  | <u>(10,375,962)</u>   | <u>(10,888,850)</u> | <u>(9,984,504)</u>   | <u>(10,596,410)</u> | <u>(10,945,290)</u> |
| 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<br/>Property<br/>Tax</b> | <b>Incremental<br/>Property Tax<br/>(TIF Districts)</b> | <b>Utility<br/>Excise<br/>Tax</b> | <b>Mobile<br/>Home<br/>Tax</b> | <b>Hotel/Motel<br/>Tax</b> | <b>Cable<br/>Franchise<br/>Tax</b> | <b>Utility<br/>Franchise<br/>Tax (1)</b> | <b>Local Option<br/>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)**

| Tax Collection Year | Residential Property | Commercial Property | Industrial Property | Multi-Residential (1) | Railroads and Utilities | Less: Military Exemption | Total Taxable Value | Total Direct Tax Rate (per \$1,000 of Valuation) | Estimated Actual Value | Taxable Value as a Percentage of Estimated Actual Value |
|---------------------|----------------------|---------------------|---------------------|-----------------------|-------------------------|--------------------------|---------------------|--|------------------------|---|
|                     |                      |                     |                     |                       |                         |                          |                     |  |                        |   |
| 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)

| <b>Fiscal Year</b> | <b>City Direct Rates</b> |                         |                     |                |                       |              |                  |                   | <b>Overlapping Rates</b> |                            |                         |                            | <b>Totals by School District</b>  |                            |
|--------------------|--------------------------|-------------------------|---------------------|----------------|-----------------------|--------------|------------------|-------------------|--------------------------|----------------------------|-------------------------|----------------------------|-----------------------------------|----------------------------|
|                    | <b>General Fund</b>      | <b>Employee Benefit</b> | <b>Debt Service</b> | <b>Transit</b> | <b>Tort Liability</b> | <b>Levee</b> | <b>Emergency</b> | <b>Management</b> | <b>Total Direct Rate</b> | <b>County Consolidated</b> | <b>School Districts</b> | <b>Muscatine Community</b> | <b>Louisa-Muscatine Community</b> | <b>Muscatine Community</b> |
| 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 \$.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)**

| <b>Taxpayer</b>  | <b>January 1, 2015 Valuation (for 2016/2017 Tax Levy)</b> |             |                                       | <b>January 1, 2006 Valuation (for 2007/2008 Tax Levy)</b> |             |                                       |
|--|---|-------------|---------------------------------------|---|-------------|---------------------------------------|
|  | <b>Taxable Valuation (1)</b>                              | <b>Rank</b> | <b>Percent of Total Taxable Value</b> | <b>Taxable Valuation (1)</b>                              | <b>Rank</b> | <b>Percent of Total Taxable Value</b> |
| 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<br>(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.<br>(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<br>(Multi-Residential Diana Queen Drive)                    | 4,288,505   | 19          | 0.5%                                  |   |             |                                       |
| Cobblestone Apartments   | 4,016,474   | 20          | 0.5%                                  |   |             |                                       |
| TJD, LLC (CAM II)<br>(Warehousing)   |   |             |                                       | 4,232,290   | 16          | 0.6%                                  |
| Warehouse Distributing LLC   |   |             |                                       | 6,377,570   | 8           | 1.0%                                  |
|  | <u><u>\$ 194,267,378</u></u>                              |             | <u><u>23.6%</u></u>                   | <u><u>\$ 177,792,240</u></u>                              |             | <u><u>26.7%</u></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.

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

| <b>Fiscal Year</b> | <b>Taxes Levied<br/>for the<br/>Fiscal Year</b> | <b>Collected within the<br/>Fiscal Year of the Levy</b> |  | <b>Delinquent Tax<br/>Collections<br/>(2)</b> | <b>Total Tax<br/>Collections<br/>(2)</b> | <b>Ratio of Total Tax<br/>Collections to Total<br/>Tax Levy (3)</b> |
|--------------------|---|---|--|---|--|---|
|                    |   | <b>Amount (1)</b>                                       | <b>Percent of<br/>Levy<br/>Collected (3)</b> |   |  |   |
| 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.

**Schedule 10**

**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 (Table 14) for personal income and population data.

**Schedule 11**

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

| <b><u>Fiscal Year</u></b> | <b><u>General Obligation Bonds</u></b> | <b><u>Estimated Actual Value of Property (1)</u></b> | <b><u>Percentage of Actual Valuation</u></b> | <b><u>Population (2)</u></b> | <b><u>Per Capita</u></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.

Schedule 12

**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)**

|  | <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>2014/2015</b>     | <b>2015/2016</b>     | <b>2016/2017</b>     |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 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-<br/>tion<br/>(1)</b> | <b>Personal<br/>Income<br/>(2)</b> | <b>Personal<br/>Per Capita<br/>Income<br/>(2)</b> | <b>Median<br/>Age<br/>(1)</b> | <b>Percent High<br/>School Graduates<br/>or Higher<br/>(1)</b> | <b>School<br/>Enrollment<br/>(3)</b> | <b>Unemploy-<br/>ment Rate<br/>(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.

Schedule 15

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

| <b>Employer</b>                                     | <b>2017</b>                                |             |  | <b>2008</b>                                |             |  |
|---|--|-------------|--|--|-------------|--|
|   | <b>Approximate Number of Employees (1)</b> | <b>Rank</b> | <b>Percentage of Estimated Total County Employment (2)</b> | <b>Approximate Number of Employees (1)</b> | <b>Rank</b> | <b>Percentage of Estimated Total County Employment (2)</b> |
| 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%   |
|   | <hr/>                                      | <hr/>       | <hr/>  | <hr/>                                      | <hr/>       | <hr/>  |
|   | <b><u>9,459</u></b>                        |             | <b><u>39.5%</u></b>  | <b><u>9,754</u></b>                        |             | <b><u>41.0%</u></b>  |

**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 |                |                |                  |                  |                  |                  |                  |                  |                  |                  |
| Public works                       | 6.50           | 6.50           | 6.17             | 6.67             | 6.72             | 6.92             | 6.92             | 6.93             | 7.44             | 7.42             |
| 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                             | <b>221.53</b>  | <b>223.00</b>  | <b>223.87</b>    | <b>221.94</b>    | <b>223.34</b>    | <b>225.14</b>    | <b>221.73</b>    | <b>220.37</b>    | <b>220.20</b>    | <b>222.05</b>    |

1. 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.
2. Library staff reorganizations resulted in a .57 FTE reduction in 2016/2017.
3. 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.
4. 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

Schedule 18

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

| Function/Department               | 2007/08    | 2008/09    | 2009/10    | 2010/11    | 2011/12      | 2012/13      | 2013/14      | 2014/15      | 2015/16      | 2016/17      |
|-----------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 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 pumper                       | 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/<br>Program Title or Cluster Title      | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|--|---------------------------|--|---------------------------------------|----------------------------------|
| <b>U.S. Department of Housing<br/>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<br>Urban Development Direct Programs |                           |  | -                                     | 2,322,311                        |
| Indirect:  |                           |  |                                       |                                  |
| Pass-through Iowa Economic<br>Development Authority                          |                           |  |                                       |                                  |
| Community Development Block Grant<br>States Program                          | 14.228                    | 13-DTR-001                                   | -                                     | 406,628                          |
| <b>Total U.S. Department of Housing<br/>    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                              |
| Subtotal   |                           |  | -                                     | 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<br>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/<br>Program Title or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|--|---------------------------------------|----------------------------------|
| <b>Pass-through Iowa Department of Public Safety</b>                    |                           |  |                                       |                                  |
| 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>                          |                           |  | -                                     | <b>1,965,321</b>                 |
| <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>                            |                           |  | -                                     | <b>758,782</b>                   |
| <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                                     |                           |  | 9,807                                 | 20,825                           |
| Direct Programs   |                           |  |                                       |                                  |
| 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                            |
| Subtotal U.S. Department of Justice                                     |                           |  | -                                     | 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                                     |                           |  | -                                     | 24,988                           |
| Indirect Programs   |                           |  | 9,807                                 | 45,813                           |
| <b>Total U.S. Department of Justice</b>                                 |                           |  |                                       |                                  |
| <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</b>                                    |                           |  | -                                     | <b>94,103</b>                    |
| <b>Control Policy</b>   |                           |  |                                       |                                  |
| <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<br>Other Explanation |
|--|------------|--|
| <b>Other Findings Related to Required Statutory Reporting</b>      |            |  |
| IV-A-16 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:<br>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 |
|----------|------------------------|--------------------------------|
|----------|------------------------|--------------------------------|

**None Reported.**