

# *City of Muscatine, Iowa*



## *Comprehensive Annual Financial Report*

*For the Year Ended June 30, 2016*

**CITY OF MUSCATINE, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**SUBMITTED BY:**

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

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

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

**COVER:**

**One of several photographs by National Geographic which feature the City's community-wide Blue Zones efforts to work towards a healthier community. One of the projects the City undertook was the Cedar Street Reconstruction, which included the creation of Muscatine's first roundabout shown on the cover.**

**The roundabout was designed to improve safety at the Cedar and Logan Street intersection. The Cedar Street project also included a new trail and sidewalks which has made Cedar Street a safe and attractive route for pedestrians and bicyclists.**

**CITY OF MUSCATINE, IOWA**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

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

**FINANCIAL SECTION**

Independent Auditor's Report.....	13
Management's Discussion and Analysis.....	16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	31
Statement of Activities.....	32
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	33
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	34
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	35
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	36
Statement of Net Position – Proprietary Funds.....	37
Reconciliation of Enterprise Funds Net Position to the Net Position of Business-Type Activities.....	38
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	39
Reconciliation of the Changes in Net Position of Enterprise Funds to the Statement of Activities.....	40
Statement of Cash Flows – Proprietary Funds.....	41
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	42
Notes to the Financial Statements.....	43
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Budgeted Governmental and Proprietary Funds.....	78
Budget to GAAP Reconciliation.....	79
Other Postemployment Benefit Plan – Schedule of Funding Progress.....	80

Schedule of the City's Proportionate Share of the Net Pension Liability – Iowa Public Employees' Retirement System .....	81
Schedule of City Contributions – Iowa Public Employees' Retirement System .....	82
Schedule of the City's Proportionate Share of the Net Pension Liability – Municipal Fire and Police Retirement System.....	84
Schedule of City Contributions – Municipal Fire and Police Retirement System.....	85
Notes to Required Supplementary Information .....	87
<b>Supplementary Information:</b>	
<b>Combining Fund Statements and Schedules:</b>	
Combining Balance Sheet – Non-Major Governmental Funds.....	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds .....	91
Combining Balance Sheet – Non-Major Special Revenue Funds.....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds.....	94
Combining Balance Sheet – Non-Major Capital Projects Funds .....	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Capital Projects Funds.....	97
Combining Balance Sheet – Non-Major Permanent Funds .....	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Permanent Funds .....	99
Combining Statement of Net Position – Non-Major Enterprise Funds.....	100
Combining Statement of Revenues, Expenses and Changes in Net Position – Non-Major Enterprise Funds.....	102
Combining Statement of Cash Flows – Non-Major Enterprise Funds.....	104
Combining Statement of Net Position – Internal Service Funds.....	106
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds .....	107
Combining Statement of Cash Flows – Internal Service Funds.....	108
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	109
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	110
Statement of Net Position – Muscatine County Solid Waste Agency Component Unit .....	111
Statement of Revenues, Expenses and Changes in Net Position – Muscatine County Solid Waste Agency Component Unit.....	112
Statement of Cash Flows – Muscatine County Solid Waste Agency Component Unit .....	113

**STATISTICAL SECTION (Unaudited)**

Statistical Section Table of Contents .....	114
Net Position by Component.....Schedule	1 115
Changes in Net Position.....Schedule	2 116
Fund Balances of Governmental Funds.....Schedule	3 119
Changes in Fund Balances of Governmental Funds.....Schedule	4 120
Tax Revenues by Source Governmental Funds.....Schedule	5 121
Taxable Value and Estimated Actual Value of Property .....	Schedule 6 122
Property Tax Rates – Direct and Overlapping Governments .....	Schedule 7 123
Principal Property Tax Payers .....	Schedule 8 124
Property Tax Levies and Collections.....Schedule	9 125
Ratios of Outstanding Debt by Type .....	Schedule 10 126

Ratios of General Bonded Debt Outstanding .....	Schedule 11	127
Direct and Overlapping Governmental Activities Debt.....	Schedule 12	128
Legal Debt Margin Information.....	Schedule 13	129
Demographic and Economic Statistics .....	Schedule 14	130
Principal Employers.....	Schedule 15	131
Full-Time Equivalent City Government Employees by Function .....	Schedule 16	132
Operating Indicators by Function/Department .....	Schedule 17	133
Capital Asset Statistics by Function/Department .....	Schedule 18	134

**COMPLIANCE SECTION**

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	135
Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance.....	137
Schedule of Expenditures of Federal Awards .....	139
Notes to the Schedule of Expenditures of Federal Awards .....	141
Summary Schedule of Prior Audit Findings.....	142
Schedule of Findings and Questioned Costs .....	143
Corrective Action Plan .....	146



City Hall, 215 Sycamore St.  
Muscatine, IA 52761-3899  
(563) 264-1550  
Fax (563) 264-0750

---

**FINANCE & RECORDS**

TO: Honorable Mayor and City Council

DATE: November 4, 2016

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, 2016.

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, 2016. 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 committees, 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 2015/2016 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 Mayor and approved by 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.; Muscatine Foods Corporation, 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 3.2% to 8.1% with the rate for 2015 at 3.8%. 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 expenditures. 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 nearly \$2.8 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 (though 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 for 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 currently underway on the third phase of this project. The phase 3 contract provides that this work will 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.

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. This 20% allocation was \$557,402 in 2015/2016. In addition to street improvements funded from local option sales taxes, construction was substantially completed in 2014/2015 with final completion 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 is scheduled to be substantially completed by the end of calendar year 2016. This project is being funded with a federal grant and general obligation bonds.

Engineering design continued in 2015/2016 for the reconstruction of the Mississippi Drive corridor from the Mississippi River bridge to Grandview Avenue. This project will be 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 contributions from the railroad. This phase of the project is scheduled to be bid in the winter of 2016-2017 with construction to begin in the spring of 2017. The Transfer of Jurisdiction also included Grandview Avenue from the Mississippi Drive intersection to the Highway 61 Bypass. This will be the second phase of the major street reconstruction work funded from the Transfer of Jurisdiction funds.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. The most significant project underway in 2015/2016 is reconstruction of the main runway. The total project cost is estimated at nearly \$4.6 million. The Federal Aviation Administration will fund 90% of project costs with the local share funded from the May 2016 bond issue.

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, and \$81,308 in 2015/2016. The rate reduction was possible since there has been increased revenues in other areas of the General Fund budget, specifically Automatic Traffic Enforcement (ATE) fines and fees for Fire department inspections and permits. The 1% Utility Franchise Fee was continued in the 2016/2017 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 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.

For the 2014/2015 budget, the Property Tax Reform legislation resulted in an overall .1% decrease in taxable property valuation and for the 2015/2016 budget there was an additional 1.7% decrease. The reduced valuations resulted in a \$7,976 reduction in general fund tax funding in 2014/2015 and an additional

\$106,482 reduction in 2015/2016. These both represent decreased revenues generated from the general fund tax levy which has been at the maximum rate of \$8.10 per \$1,000 of valuation in all recent years. There was growth in other categories of property in 2014/2015 which offset a significant portion of the decreases in commercial and industrial taxable valuations. For 2015/2016, however, there was less growth in the other categories of taxable valuation. The General Fund tax levy portion of the State backfill funding for the commercial and industrial rollback was \$157,153 for 2014/2015 and the total backfill for all tax levy categories was \$384,136. For 2015/2016 the General Fund tax levy portion of the backfill funding was \$314,529 and the total backfill for all tax levy categories was \$614,926.

The Property Tax Reform legislation also created a new “multi-residential” property class which will be rolled back from the current 90% commercial rollback level to the residential level of approximately 60%. This rollback will be implemented over the next 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 from 90% to 86.25% for 2016/2017. This change in rollback resulted in a \$1,471,205 decrease in taxable property valuations for the upcoming year. Similar decreases in valuations for this class of property will occur over the next seven years. For 2016/2017 increases in residential, commercial, and industrial property valuations more than offset the multi-residential property valuation decrease, and there was an overall 5.4% increase in taxable property valuations.

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, and 2016/2017. 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 \$100,000 in the upcoming 2016/2017 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 \$357,000 of incremental taxes were not claimed by the City for 2015/2016 and this amount is estimated at \$485,000 for 2016/2017. 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 2016/2017 include (1) continuing the engineering design for the Mississippi Drive corridor reconstruction project; (2) beginning construction of phase one of the Mississippi Drive corridor project; (3) continued construction on the third phase of the multi-year, multi-phase West Hill sewer separation project; (4) construction of the Water Pollution Control Plant high strength waste receiving station; (5) construction of the Musser Park to Deep Lakes Park Trail Extension; (6) completion of the Mulberry Avenue reconstruction from Houser Street to the Highway 61 Bypass; and (7) continuation of the annual pavement management and new sidewalk construction projects.

The Merrill Hotel & Conference Center, a four-star boutique hotel and meeting space venue, is currently under construction 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. Construction of the new facility is scheduled for completion in 2017.

### **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, 2015. This was the 22nd 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 2016/2017. 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 2016/2017 budget was the 32nd 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 2017/2018 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**

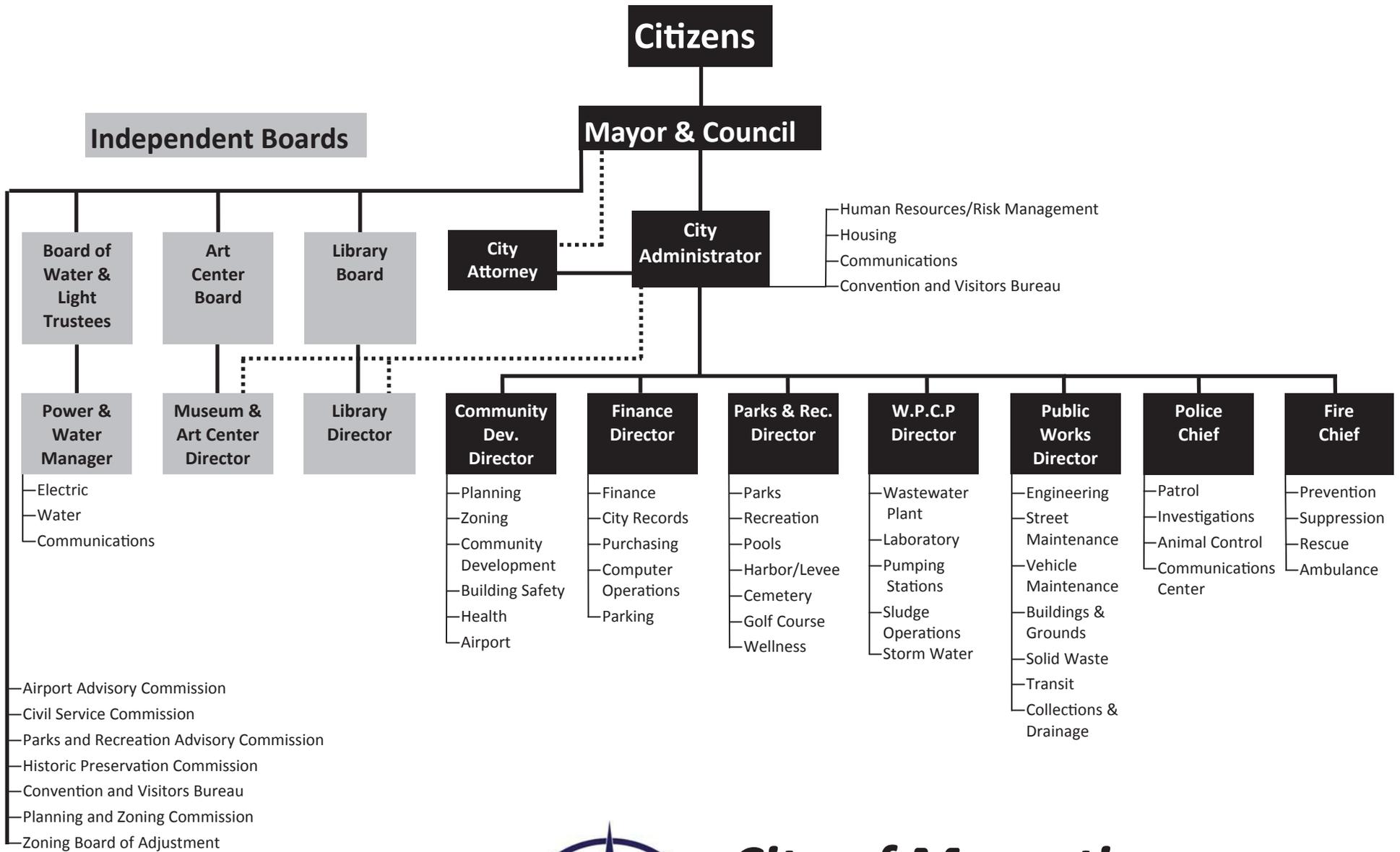
Presented to

**City of Muscatine  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



# *City of Muscatine Organizational Structure*

**CITY OF MUSCATINE, IOWA**

**List of Principal Officials  
June 30, 2016**

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements 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 91 percent, 93 percent, and 88 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 78-89, 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 4, 2016 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 4, 2016

## **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, 2016. 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 \$146,209,651 (net position). Of this amount, \$11,873,318 (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 \$5,815,588 during the year. This overall increase includes a \$1,658,294 increase in the governmental activities and a \$4,157,294 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 \$24,007,848, an increase of \$2,505,745 in comparison with the prior year. A significant portion of this overall increase is due to the \$1,884,622 increase in the non-major funds balances. The non-major funds increase includes a \$1,549,154 increase in non-major capital projects fund balances, primarily due to unspent bond proceeds for building and facility improvements projects, a \$325,536 increase in non-major special revenue funds, and a \$9,932 increase in non-major permanent funds. Increases in major funds include a \$433,174 increase in the Road Use Tax fund, a \$214,185 increase in the General fund, a \$37,687 increase in the Local Option Sales Tax fund, and a \$30,390 increase in the Debt Service fund. The increased fund balance in the Road Use Tax fund will be used for street improvement projects in the upcoming year. Major fund balances decreased by \$17,723 in the Employee Benefits fund and \$76,590 in the Other Street Improvements fund. Of the ending balance, approximately 5% (\$1,121,022) was nonspendable, 23% (\$5,713,190) was restricted, 55% (\$13,160,945) was assigned, and 17% (\$4,012,691) 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 \$4,035,533, which was 23.8% of total general fund expenditures.
- The City's total debt increased by \$334,823 (1.2%) during the current fiscal year. During the year \$4,550,000 in new general obligation debt was issued and \$3,720,000 in general obligation debt was retired. No new tax increment revenue bonds were issued and \$120,000 was retired. Sewer revenue loans outstanding decreased by \$616,000 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, and (3) the City's proportionate share of net pension liability and related pension contributions.

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 \$146,209,651 at the close of the fiscal year ended June 30, 2016.

By far the largest portion of the City's net position (88.2%) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 43,082,276	\$ 39,144,300	\$ 11,575,856	\$ 8,365,788	\$ 54,658,132	\$ 47,510,088
Capital assets	70,168,096	70,445,037	86,284,711	83,462,910	156,452,807	153,907,947
Total assets	113,250,372	109,589,337	97,860,567	91,828,698	211,110,939	201,418,035
Deferred outflows of resources	4,664,202	2,478,545	775,020	367,175	5,439,222	2,845,720
Long-term liabilities outstanding	29,291,381	25,907,168	15,966,727	16,220,221	45,258,108	42,127,389
Other liabilities	2,687,314	1,580,951	3,682,929	1,036,369	6,370,243	2,617,320
Total liabilities	31,978,695	27,488,119	19,649,656	17,256,590	51,628,351	44,744,709
Deferred inflows of resources	18,059,644	18,361,822	652,515	763,161	18,712,159	19,124,983
Net position:						
Net investment in capital assets	55,770,714	55,396,862	73,202,711	69,764,910	128,973,425	125,161,772
Restricted	5,254,231	4,360,077	108,677	108,024	5,362,908	4,468,101
Unrestricted	6,851,290	6,461,002	5,022,028	4,303,188	11,873,318	10,764,190
Total net position	\$ 67,876,235	\$ 66,217,941	\$ 78,333,416	\$ 74,176,122	\$ 146,209,651	\$ 140,394,063

A portion of the City's net position (3.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$11,873,318) 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 \$3,811,653 during the year. Restricted net position increased by \$894,807. Unrestricted net position increased by \$1,109,128 during the year with the unrestricted net position of business-type activities increasing by \$718,840 and the unrestricted net position of governmental activities increasing by \$390,288.

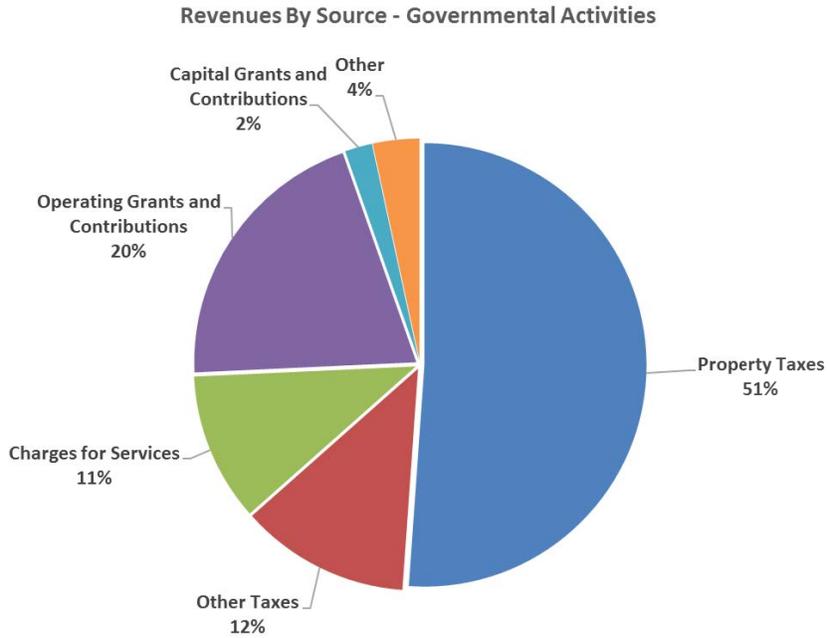
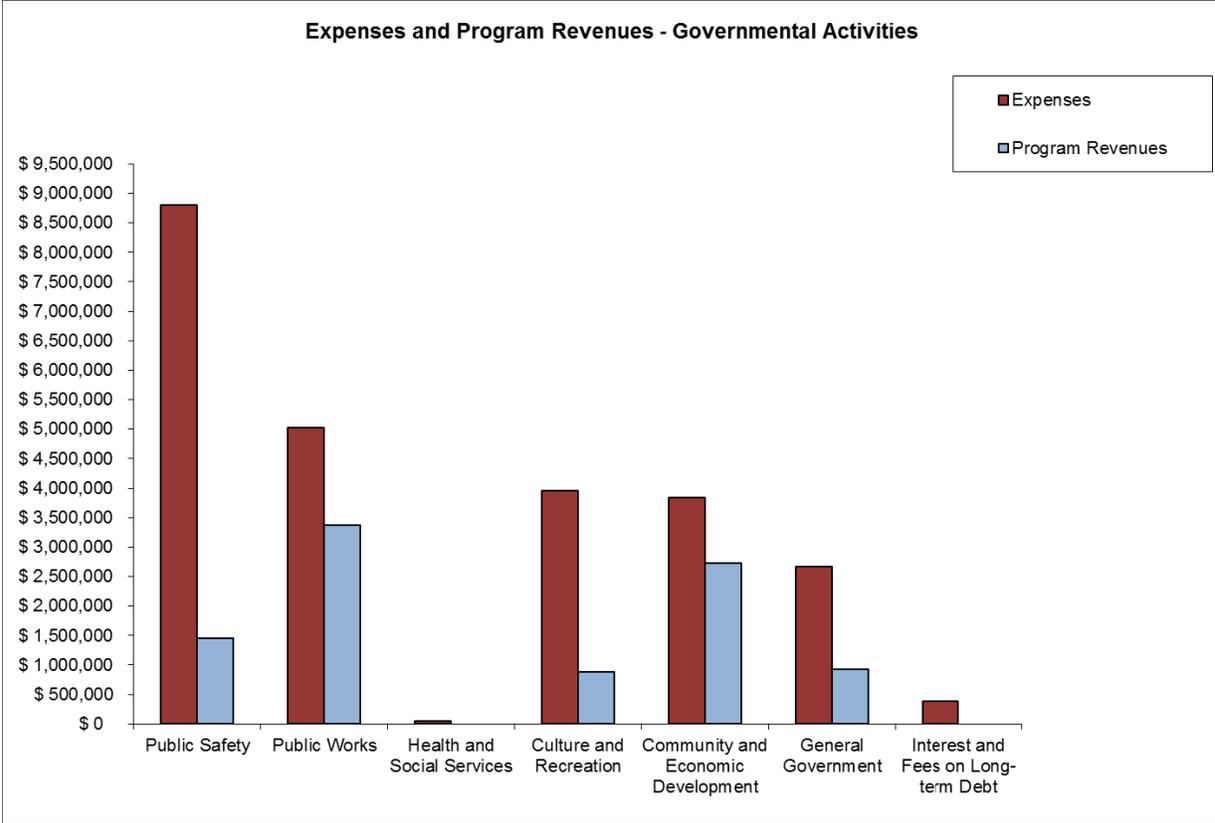
**CITY OF MUSCATINE CHANGES IN NET POSITION**

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,054,619	\$ 3,383,501	\$ 13,397,803	\$ 13,060,721	\$ 16,452,422	\$ 16,444,222
Operating grants, contributions and restricted interest	5,744,949	5,177,955	1,045,579	963,100	6,790,528	6,141,055
Capital grants and contributions	561,749	2,250,427	3,463,587	497,661	4,025,336	2,748,088
General revenues:						
Property taxes	14,432,728	13,675,667	-	-	14,432,728	13,675,667
Utility taxes	58,665	52,923	-	-	58,665	52,923
Local option sales tax	2,789,212	2,810,233	-	-	2,789,212	2,810,233
Hotel/motel tax	361,803	353,869	-	-	361,803	353,869
Cable franchise tax	189,044	191,331	-	-	189,044	191,331
Utility franchise fees	81,308	96,810	-	-	81,308	96,810
Intergovernmental, not restricted to specific programs	808,792	13,418,365	-	-	808,792	13,418,365
Unrestricted investment earnings	136,940	130,276	9,051	10,057	145,991	140,333
Other	11,654	4,178	-	56,616	11,654	60,794
<b>Total revenues</b>	<b>28,231,463</b>	<b>41,545,535</b>	<b>17,916,020</b>	<b>14,588,155</b>	<b>46,147,483</b>	<b>56,133,690</b>
<b>Expenses:</b>						
Public safety	8,797,894	8,122,038	-	-	8,797,894	8,122,038
Public works	5,021,386	4,665,507	-	-	5,021,386	4,665,507
Health and social service	45,000	20,000	-	-	45,000	20,000
Culture and recreation	3,963,354	3,955,373	-	-	3,963,354	3,955,373
Community and economic development	3,835,492	3,324,446	-	-	3,835,492	3,324,446
General government	2,667,443	2,564,538	-	-	2,667,443	2,564,538
Interest and fees on long-term debt	379,115	426,846	-	-	379,115	426,846
Water pollution control	-	-	6,628,762	7,189,980	6,628,762	7,189,980
Transfer station	-	-	2,400,592	2,466,385	2,400,592	2,466,385
Refuse collection	-	-	2,333,812	2,235,480	2,333,812	2,235,480
Airport	-	-	421,115	494,037	421,115	494,037
Parking	-	-	240,745	228,917	240,745	228,917
Transit	-	-	999,884	1,023,229	999,884	1,023,229
Golf course	-	-	790,351	774,271	790,351	774,271
Boat harbor	-	-	28,205	28,210	28,205	28,210
Marina	-	-	12,061	12,623	12,061	12,623
Convention & visitors bureau	-	-	83,397	-	83,397	-
Ambulance	-	-	624,785	539,780	624,785	539,780
Public housing	-	-	1,058,502	1,078,474	1,058,502	1,078,474
<b>Total expenses</b>	<b>24,709,684</b>	<b>23,078,748</b>	<b>15,622,211</b>	<b>16,071,386</b>	<b>40,331,895</b>	<b>39,150,134</b>
Increase (decrease) in net position before transfers	3,521,779	18,466,787	2,293,809	(1,483,231)	5,815,588	16,983,556
Transfers in (out)	(1,863,485)	(1,258,250)	1,863,485	1,258,250	-	-
Increase (decrease) in net position	1,658,294	17,208,537	4,157,294	(224,981)	5,815,588	16,983,556
Net position, beginning of year, as restated for 2015	66,217,941	49,009,404	74,176,122	74,401,103	140,394,063	123,410,507
<b>Net position, end of year</b>	<b>\$ 67,876,235</b>	<b>\$ 66,217,941</b>	<b>\$ 78,333,416</b>	<b>\$ 74,176,122</b>	<b>\$ 146,209,651</b>	<b>\$ 140,394,063</b>

**Governmental activities.** Governmental activities increased the City’s net position by \$1,658,294. The overall increase reflects revenues exceeding expenses for the year by \$3,521,779. This amount was partially offset by \$1,863,485 in transfers out, which is primarily due to the local option sales tax transfer for the West Hill Sewer Separation project accounted for in the Water Pollution Control fund. Revenues for the

prior year (2015) included a one-time payment of \$13 million in transfer of jurisdiction funds from the State of Iowa which resulted in a substantial portion of the increase in net position in the governmental funds in the prior year.

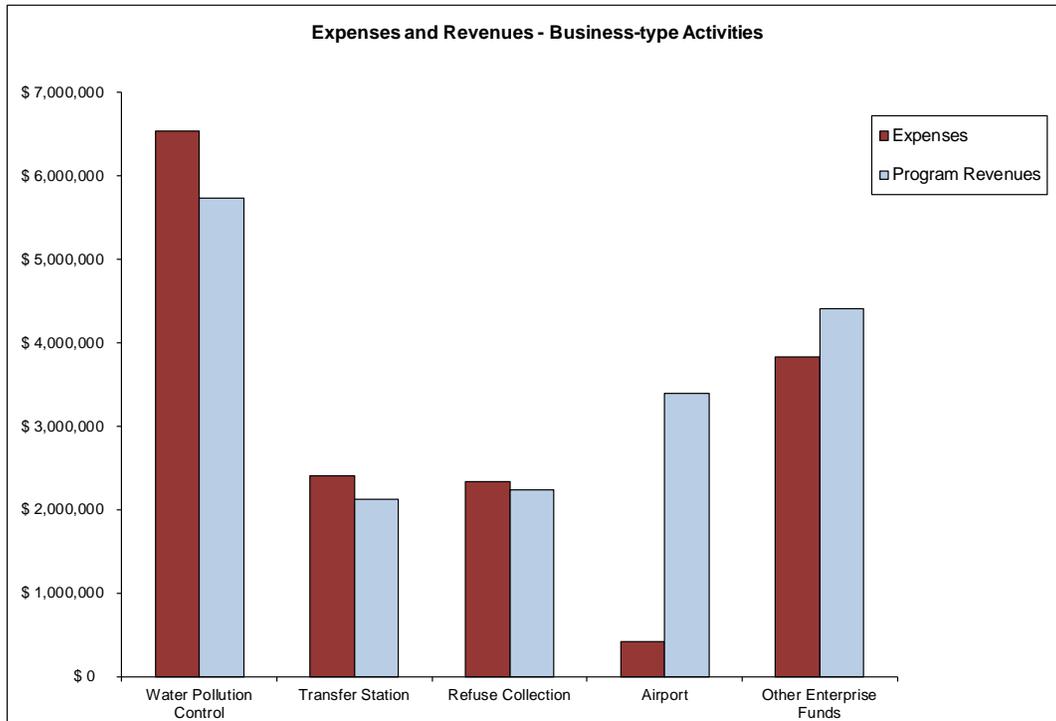
- Revenues for governmental activities decreased in total by \$13,314,072 or 32.1% from the previous year. A substantial portion of this overall decrease is due to prior year revenues including the one-time \$13 million in transfer of jurisdiction funds from the State. Without this one-time revenue in the prior year, revenues in governmental activities decreased by \$314,072 or 1.1% compared to the prior year. The overall decrease reflects decreases of \$328,882 in charges for services, \$1,688,678 in capital grants and contributions, \$12,609,573 in intergovernmental revenue not restricted to specific programs, \$21,021 in local option sales taxes, \$2,287 in cable franchise fees, and \$15,502 in utility franchise fees. These decreases were partially offset by increases of \$566,994 in operating grants, contributions, and restricted interest, \$757,061 in property taxes, \$5,742 in utility taxes, \$7,934 in hotel/motel taxes, \$6,664 in unrestricted investment earnings, and \$7,476 in other revenue.
- Charges for services for governmental activities decreased by \$328,882 primarily due to public works charges for services decreasing by \$330,433. In the prior year \$379,282 was received in reimbursements for street capital projects compared to \$31,022 in the current year. Public safety function charges for services increased by \$15,980, culture and recreation charges increased by \$23,584, community and economic development charges decreased by \$34,593, and general government charges for services decreased by \$3,420.
- Operating grants, contributions, and restricted interest increased by \$566,994. There were increases of \$359,465 in public works and \$327,867 in community and economic development operating grants and contributions. These increases were partially offset by decreases of \$110,789 in public safety and \$9,549 in culture and recreation operating grants and contributions.
- Capital grants and contributions decreased by \$1,688,678 compared to the previous year primarily due to the grant funding for two major street improvement projects in the prior year.
- Expenses for governmental activities increased by \$1,630,936 or 7.1% from the previous year.
- Governmental expenses increased in the public safety function (\$675,856), increased in public works (\$355,879), increased in health and social services (\$25,000), increased in culture and recreation (\$7,981), increased in community and economic development (\$511,046), and increased in general government (\$102,905). Interest and fee expenses decreased by \$47,731. Of the overall increase in public safety \$352,552 was due to the \$495,182 decrease in unfunded police and fire pension system liabilities in the current year compared to the \$847,734 decrease in the prior year (expense reductions). The increase in community and economic development was due to the first payment of \$541,756 on an economic development tax increment rebate agreement for a new warehousing facility.



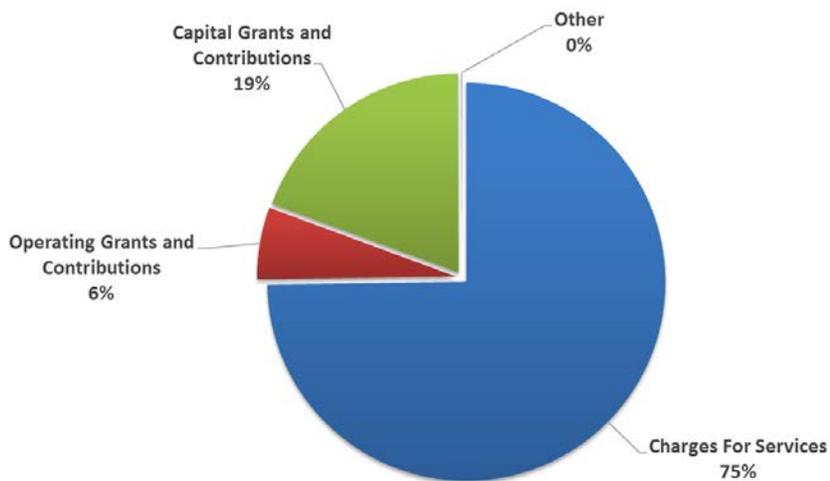
**Business-type activities.** Business-type activities increased the City's total net position by \$4,157,294 during the year. Increases in net position were reported in the Water Pollution Control, Airport, Transit, Ambulance, and Convention and Visitors Bureau funds. Decreases in net position were reported in the Transfer Station, Refuse Collection, Parking, Golf Course, Boat Harbor, and Public Housing funds. Key elements of these changes are as follows:

- Net position of the Water Pollution Control fund increased by \$970,943 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$1,827,888 of sewer-related capital project costs during the year.
- Net position of the Transfer Station fund decreased by \$226,043 during the year.
- Net position of the Refuse Collection fund decreased by \$128,286 during the year.
- Net position of the Airport fund increased by \$3,513,618 during the year primarily due to the airport runway reconstruction project. The Federal Aviation Administration (FAA) provided funding for 90% of the cost of this project and the 10% local share was funded from general obligation bond proceeds contributed by the city.
- Net position of the non-major enterprise funds increased by \$103,475 during the year due to increases in the Transit (\$100,203), Ambulance (\$240,574), and Convention and Visitors Bureau (\$10,809) funds. These increases were partially offset by decreases in the Parking (\$20,412), Golf Course (\$15,939), Boat Harbor (\$6,910), and Public Housing (\$204,850) funds.
- Revenues for the business-type activities increased in total by \$3,327,865 (22.8%).
- Charges for services increased in total by \$337,082. Water pollution control charges for services increased by \$132,338, transfer station charges decreased by \$65,339, refuse collection charges increased by \$19,721, and airport charges increased by \$5,190. The increase in water pollution control charges was due to a rate increase. Transfer station charges for services decreased due to a reduction in the tipping fee rates for the industrial contracts, and refuse collection and airport charges had small increases from normal operations. There were increases in the charges for services in the parking fund of \$13,966, the golf course fund of \$7,181, the transit fund of \$51,767, the boat harbor of \$1,212, the convention and visitors bureau of \$4,360, the ambulance fund of \$144,483, and the public housing fund of \$22,985. There as a decrease in charges for services in the marina fund of \$782.
- Operating grants and contributions increased by \$82,479. Public housing operating grants increased by \$24,669, transit operating grants increased by \$18,607, and ambulance operating grants increased by \$37,500.
- Capital grants and contributions increased by \$2,965,926. Airport capital grants increased by \$3,034,488 and ambulance capital contributions decreased by \$68,562, The airport increase is primarily due to the FAA funding for the runway reconstruction project.
- Expenses for the business-type activities decreased \$449,175 (2.8%). Expenses decreased by \$561,218 in the Water Pollution Control fund, by \$65,793 in the Transfer Station fund, and by \$72,922 in the Airport fund. Expenses also decreased in the Transit fund by \$23,345, the Marina by \$562, and the Public Housing fund by \$19,972. Expenses increased by \$98,332 in the Refuse

Collection fund, by \$11,828 in the Parking fund, by \$16,080 in the Golf Course fund, by \$83,397 in the Convention and Visitors Bureau fund, and by \$85,005 in the Ambulance 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 \$24,007,848, an increase of \$2,505,745 in comparison with the prior year. A significant portion of the overall increase is in the non-major capital projects funds which increased by \$1,549,154 primarily due to general obligation bonds issued during the year. The general fund balance also increased by \$214,185, local option sales tax fund by \$37,687, road use tax by \$433,174, debt service fund by \$30,390, non-major special revenue funds by \$325,536, and permanent funds by \$9,932. These increases were partially offset by decreases of \$17,723 in the employee benefits fund and \$76,590 in the other street improvements fund.

Of the combined \$24,007,848 governmental fund balances at year end 4.7% (\$1,121,022) is classified as nonspendable and includes prepaid items, advances to other funds, and permanent fund principal. A total of \$5,713,190 (23.8%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total \$13,160,945 (54.8%) 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 \$4,012,691 is classified as unassigned (16.7%). 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 \$22,842. 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 \$4,035,533, while the total fund balance was \$4,598,316. The General Fund balance includes \$117,190 classified as nonspendable for prepaid items and advances to other funds. The assigned portion of the balance totals \$445,593 which includes \$204,379 for purchases on order and \$241,214 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 23.8% and 27.1%, respectively, of total general fund expenditures. These percentages increased from the prior year computation of unassigned and total fund balances of 23.6% and 26.0%, respectively. The City' of Muscatine's general fund balance increased by \$214,185 during the current fiscal year.

The Employee Benefits fund balance decreased during the year by \$17,723. Taxes are levied in this fund for employee benefits for general fund employees. The decrease in fund balance was less than the budgeted decrease. The ending balance is \$113,114 compared to the \$78,295 in the amended budget. There were savings in employee benefit costs in both the prior and current fiscal year from position vacancies and actual benefit costs being less than budgeted.

The Local Option Sales Tax fund balance increased during the fiscal year by \$37,687. Funds accumulated in this fund will be used to fund street and sewer projects in the upcoming year.

The Road Use Tax fund balance increased by \$433,174 during the year. These funds will be used for future street maintenance and capital project costs.

The Debt Service Fund balance increased by \$30,390 during the year. Debt service tax collections were \$12,031 higher than estimated and proceeds from the refunding bonds were \$16,094 higher than refunding bond issuance costs and the bonds refunded.

The Other Street Improvements Fund balance decreased by \$76,590. This overall decrease was due to expending prior year balances to close out several street improvement project contracts and expending available funds to begin engineering design for the upcoming Mississippi Drive Corridor project. These decreases were partially offset by bond proceeds not yet expended for the local share of the Mulberry Avenue improvement project. In the prior year the city received \$13 million from the State from the transfer of jurisdiction of the Mississippi Drive/Grandview Avenue corridor. These funds will be used in upcoming years for final engineering design and construction costs to improve this corridor.

The fund balances in the Other Governmental Funds increased in total by \$1,884,622. A significant portion this increase is in the non-major capital projects funds which increased by \$1,549,154 primarily due to general obligation bonds issued during the year but not yet expended. Non-major special revenue fund balances increased by \$325,536. The most significant non-major special revenue fund increases were in the Section 8 housing fund (\$14,528), the southend tax increment fund (\$53,151), the Highway 38 Northeast tax increment fund (\$17,699), the small business forgivable loan program (\$141,210), and the art center special funds (\$133,713). These increases were partially offset by decreases in other non-major governmental 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, 2016 was \$78,312,066, an increase of \$4,233,707 from the previous fiscal year's net position. Of the net position of the enterprise funds, \$73,202,711 is the net investment in capital assets of the enterprise funds. Restricted net position totaled \$108,677. Unrestricted net position totaled \$5,000,678, an increase of \$795,253 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 \$1,023,161 as of June 30, 2016, a decrease of \$335,702 from the previous year. This overall decrease was primarily due to the decrease of \$323,981 in the Health Insurance fund.

### **General Fund Budgetary Highlights**

During the year there was a \$184,600 decrease in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund decreased by \$103,947 from the original to the amended budget. Following are the main components of the overall budget appropriation decrease during the year:

- There was a \$20,700 increase in the general government function appropriation from the original budget to the amended budget. This overall increase was due to increases of \$20,000 in the legal services, \$13,600 in the human resources, and \$26,100 in the building and grounds budgets. These increases were partially offset by net decreases in other general government activities including decreases of \$22,100 in risk management, \$7,200 in the city administrator, and \$5,400 in the mayor and council budgets.

- There was an overall \$54,700 decrease in the public safety function budget. This included a decrease of \$88,400 in the police department budget, a decrease of \$1,200 in animal control, and an increase of \$34,900 in the fire department budget. The police and animal control decreases included reductions due to staff changes. The increase in the fire budget included a total of \$40,700 for increased overtime, equipment repair, and capital outlay costs. The capital outlay increase of \$16,400 to replace two thermal imagers damaged in a fire was partially reimbursed by insurance.
- Public works function budgeted expenditures were amended downward in total by \$55,800 with this overall decrease primarily due to the decrease in the snow and ice control budget for road salt and related purchases.
- The culture and recreation function increased in total by \$26,500. This increase was due to the net effect of increases and decreases in the various parks and recreation department budgets. The most significant increase was in the soccer complex budget which was increased by \$25,600 to repair the soccer complex roofs. These funds were carried forward from the prior year budget.
- The community and economic development function appropriation decreased by \$121,300. A substantial portion of this decrease was due to an accounting change for the funding allocation to the Convention and Visitors Bureau (CVB). The original budget included an allocation of \$103,800 to the CVB which was budgeted as an expenditure in this function. After the original budget was adopted the CVB became part of the city and their allocation is now reflected as a transfer to the CVB enterprise fund. The actual transfer to the CVB for the year was \$88,500 which was 25% of the hotel/motel tax receipts in the prior year per the agreement between the city and the CVB. The community development budget also decreased from the original budget by \$22,500 primarily due to staff changes during the year. The allocation for economic development legal and professional costs was increased from \$5,000 to \$10,000 in the amended budget which offset a portion of the other decreases.

### **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, 2016, amounts to \$156,452,807 (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 decreased by \$276,941 for governmental activities compared to the prior year and increased by \$2,821,801 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 \$9,897,255.
- Major asset additions included \$2,411,229 in street improvements; \$2,018,063 in sewer system improvements; \$3,697,528 for airport improvements; and \$757,735 for building improvements at the art center.
- Depreciation expense totaled \$7,859,594 for the year with \$3,843,347 in the governmental activities and \$4,016,247 in the business-type activities.

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

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land, art work, and construction in progress, not being depreciated	\$ 19,601,490	\$ 17,929,893	\$ 7,537,983	\$ 4,131,709	\$ 27,139,473	\$ 22,061,602
Other capital assets net of accumulated depreciation	50,566,606	52,515,144	78,746,728	79,331,201	129,313,334	131,846,345
Total capital assets	<u>\$ 70,168,096</u>	<u>\$ 70,445,037</u>	<u>\$ 86,284,711</u>	<u>\$ 83,462,910</u>	<u>\$ 156,452,807</u>	<u>\$ 153,907,947</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 \$29,174,985. Of this amount, \$15,402,985 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 15,402,985	\$ 14,332,162	\$ -	\$ -	\$ 15,402,985	\$ 14,332,162
Revenue bonds	690,000	810,000	13,082,000	13,698,000	13,772,000	14,508,000
Total	<u>\$ 16,092,985</u>	<u>\$ 15,142,162</u>	<u>\$ 13,082,000</u>	<u>\$ 13,698,000</u>	<u>\$ 29,174,985</u>	<u>\$ 28,840,162</u>

The City’s total bonded debt increased in total by \$334,823 during the year. The City issued \$4,550,000 in new general obligation bonds during the year. Debt retired included \$3,720,000 in general obligation bonds, \$120,000 of tax increment revenue bonds, and \$616,000 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 \$63,163,995. The amount of bonded debt applicable to the debt limit totals \$15,785,000. The City also has Tax Increment Financing rebate agreements which total to a maximum obligation of \$13,167,474 as of the end of the year. The bonded debt and rebate agreements total to \$28,952,474. 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 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 3.8% for calendar year 2015 compared to 4.5% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value decreased by 1.7% for the 2015/2016 year and increased by 5.4% for the upcoming 2016/2017 fiscal year. The decrease for 2015/2016 was due to the State Legislature in 2013 adopting 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 included some backfill funding for local governments. There was no change to the rollback factor on commercial, industrial valuations for 2016/2017.
- The 2013 Property Tax Reform 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 will be phased in beginning in the 2016/2017 fiscal year. The rollback factor for these properties will be 86.25% in 2016/2017 and the rollback factor will decrease by 3.75% each year until 2023/2014 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%).
- Engineering design is currently underway and will continue in 2016/2017 for the reconstruction of the Mississippi Drive corridor from the Mississippi River Bridge to Grandview Avenue. 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 contributions from the railroad. Phase 1 of the project is scheduled to be bid in the winter of 2016-2017 with construction to begin in the spring of 2017.
- Several significant capital projects were underway in 2015/2016 and are scheduled to be completed in 2016/2017. These include the airport runway reconstruction project with 90% Federal Aviation Administration (FAA) funding and 10% local funding from the 2016 bond issue; the Art Center HVAC and related building improvements with funding from art center grants and the 2016 bond issue; and reconstruction of the portion of Mulberry Avenue between Houser Street and the Highway 61 Bypass which is being funded from a combination of grant funds and general obligation bonds.
- In 2016/2017 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.
- Engineering design is in progress for a High Strength Waste Receiving Station at the Water Pollution Control Plant (WPCP). Construction of this project is scheduled for 2016/2017 and the project will be funded from the Plant Replacement Reserve. The 2016/2017 budget also includes funding for the design of the future year Biogas to Fuel project at the WPCP.
- 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 2016/2017 budget provides for increases in sewer and airport hangar rental 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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
<b>ASSETS</b>					
Cash and pooled investments	\$ 12,523,166	\$ 7,571,373	\$ 20,094,539	\$ 756,804	\$ 12,166,580
Investments	13,281,314	275,689	13,557,003	-	7,795,536
Receivables (net of allowance for uncollectibles):					
Interest	117,852	-	117,852	-	27,402
Taxes	15,635,435	-	15,635,435	-	-
Accounts	378,345	1,544,855	1,923,200	-	11,563,377
Intergovernmental	917,013	1,965,609	2,882,622	-	-
Due from fiduciary funds	25,501	-	25,501	-	-
Internal balances	(21,350)	21,350	-	-	-
Inventories	110,784	43,373	154,157	-	23,825,914
Prepays	114,216	6,535	120,751	-	1,059,382
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	147,072	147,072	1,708,729	13,109,904
Capital assets:					
Land, art work and construction in progress, not being depreciated	19,601,490	7,537,983	27,139,473	1,080,608	6,976,917
Other capital assets net of accumulated depreciation	50,566,606	78,746,728	129,313,334	460,336	-
Utility plant in service	-	-	-	-	97,783,261
Joint venture rights	-	-	-	-	104,390
Total assets	113,250,372	97,860,567	211,110,939	4,006,477	174,412,663
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	4,638,670	775,020	5,413,690	-	6,827,855
Deferred charges on refundings	25,532	-	25,532	-	-
Total deferred outflows of resources	4,664,202	775,020	5,439,222	-	6,827,855
<b>LIABILITIES</b>					
Accounts payable and accruals	2,512,846	3,222,755	5,735,601	117,748	10,802,217
Retainages payable	99,302	281,936	381,238	-	-
Deposits	-	49,587	49,587	-	1,111,288
Accrued interest payable	34,728	35,430	70,158	-	-
Escrow liability	23,026	-	23,026	-	-
Unearned revenue	17,412	54,826	72,238	-	323,558
Unearned revenue - O&M account	-	-	-	-	13,032,866
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	30,000
Accrued interest payable	-	-	-	-	637
Closure/post-closure obligation	-	38,395	38,395	1,708,729	-
Noncurrent liabilities:					
Due within one year	3,108,501	845,372	3,953,873	1,857	-
Due in more than one year	26,182,880	15,121,355	41,304,235	808	12,677,666
Closure/post-closure obligation	-	-	-	1,201,414	-
Total liabilities	31,978,695	19,649,656	51,628,351	3,030,556	37,978,232
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	3,117,296	652,515	3,769,811	-	1,008,370
Deferred inflow - property taxes	14,942,348	-	14,942,348	-	-
Total deferred inflows of resources	18,059,644	652,515	18,712,159	-	1,008,370
<b>NET POSITION</b>					
Net investment in capital assets	55,770,714	73,202,711	128,973,425	1,540,944	104,221,207
Restricted for:					
Debt service	125,952	108,677	234,629	-	-
Public works	1,903,208	-	1,903,208	-	-
Community and economic development	183,990	-	183,990	-	-
Public safety	33,240	-	33,240	-	-
Employee benefits	113,114	-	113,114	-	-
Tax increment financing projects	1,054,093	-	1,054,093	-	-
Capital projects	145,871	-	145,871	-	-
Perpetual care, nonexpendable	871,832	-	871,832	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	690,931	-	690,931	-	-
Other purposes	-	-	-	-	13,109,261
Unrestricted	6,851,290	5,022,028	11,873,318	(565,023)	24,923,448
Total net position	\$ 67,876,235	\$ 78,333,416	\$ 146,209,651	\$ 975,921	\$ 142,253,916

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, 2016

Functions:	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
<b>Primary Government:</b>									
Governmental activities:									
Public safety	\$ 8,797,894	\$ 1,152,410	\$ 287,238	\$ 8,078	\$ (7,350,168)	\$ -	\$ (7,350,168)		
Public works	5,021,386	156,247	2,987,981	233,225	(1,643,933)	-	(1,643,933)		
Health and social services	45,000	-	-	-	(45,000)	-	(45,000)		
Culture and recreation	3,963,354	565,515	201,021	110,450	(3,086,368)	-	(3,086,368)		
Community and economic development	3,835,492	458,379	2,268,709	-	(1,108,404)	-	(1,108,404)		
General government	2,667,443	722,068	-	209,996	(1,735,379)	-	(1,735,379)		
Interest and fees on long-term debt	379,115	-	-	-	(379,115)	-	(379,115)		
<b>Total governmental activities</b>	<b>24,709,684</b>	<b>3,054,619</b>	<b>5,744,949</b>	<b>561,749</b>	<b>(15,348,367)</b>	<b>-</b>	<b>(15,348,367)</b>		
Business-type activities:									
Water pollution control	6,628,762	5,738,763	527	-	-	(889,472)	(889,472)		
Transfer station	2,400,592	2,125,064	-	-	-	(275,528)	(275,528)		
Refuse collection	2,333,812	2,192,597	42,665	-	-	(98,550)	(98,550)		
Airport	421,115	74,379	4,701	3,316,592	-	2,974,557	2,974,557		
Parking	240,745	218,424	-	-	-	(22,321)	(22,321)		
Transit	999,884	240,930	603,469	-	-	(155,485)	(155,485)		
Golf course	790,351	770,450	-	-	-	(19,901)	(19,901)		
Boat harbor	28,205	21,293	-	-	-	(6,912)	(6,912)		
Marina	12,061	11,441	-	-	-	(620)	(620)		
Convention and visitors bureau	83,397	4,360	1,250	-	-	(77,787)	(77,787)		
Ambulance	624,785	1,511,905	37,500	146,995	-	1,071,615	1,071,615		
Public housing	1,058,502	488,197	355,467	-	-	(214,838)	(214,838)		
<b>Total business-type activities</b>	<b>15,622,211</b>	<b>13,397,803</b>	<b>1,045,579</b>	<b>3,463,587</b>	<b>-</b>	<b>2,284,758</b>	<b>2,284,758</b>		
<b>Total primary government</b>	<b>\$ 40,331,895</b>	<b>\$ 16,452,422</b>	<b>\$ 6,790,528</b>	<b>\$ 4,025,336</b>	<b>(15,348,367)</b>	<b>2,284,758</b>	<b>(13,063,609)</b>		
<b>Component Units:</b>									
Muscatine County Solid Waste Agency	\$ 1,312,568	\$ 1,417,713	\$ 117,177	\$ -			\$ 222,322	\$ -	
Muscatine Power & Water	108,718,480	107,448,665	-	464,054			-	(805,761)	
<b>Total component units</b>	<b>\$ 110,031,048</b>	<b>\$ 108,866,378</b>	<b>\$ 117,177</b>	<b>\$ 464,054</b>			<b>222,322</b>	<b>(805,761)</b>	
General revenues:									
Property taxes					14,432,728	-	14,432,728	-	-
Utility taxes					58,665	-	58,665	-	-
Local option sales tax					2,789,212	-	2,789,212	-	-
Hotel/motel taxes					361,803	-	361,803	-	-
Cable franchise taxes					189,044	-	189,044	-	-
Utility franchise fees					81,308	-	81,308	-	-
Intergovernmental, unrestricted					808,792	-	808,792	-	-
Unrestricted investment income					136,940	9,051	145,991	2,326	128,990
Contributions to endowments					11,654	-	11,654	-	-
Transfers					(1,863,485)	1,863,485	-	-	-
<b>Total general revenues, contributions to endowments and transfers</b>					<b>17,006,661</b>	<b>1,872,536</b>	<b>18,879,197</b>	<b>2,326</b>	<b>128,990</b>
Change in net position					1,658,294	4,157,294	5,815,588	224,648	(676,771)
Net position, June 30, 2015					66,217,941	74,176,122	140,394,063	751,273	142,930,687
Net position, June 30, 2016					<b>\$ 67,876,235</b>	<b>\$ 78,333,416</b>	<b>\$ 146,209,651</b>	<b>\$ 975,921</b>	<b>\$ 142,253,916</b>

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

City of Muscatine, Iowa

Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Employee Benefits	Local Option Sales Tax	Road Use Tax	Debt Service	Other Street Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and pooled investments	\$ 5,161,016	\$ 90,125	\$ 24,131	\$ 730,424	\$ 118,467	\$ 1,237,120	\$ 3,621,731	\$ 10,983,014
Investments	-	-	-	-	-	12,082,121	1,199,193	13,281,314
Receivables (net of allowance for uncollectibles):								
Interest	1,606	-	-	-	-	112,572	3,674	117,852
Taxes	7,159,897	3,529,025	601,445	-	2,462,275	-	1,882,793	15,635,435
Accounts	369,890	-	-	-	-	-	1,861	371,751
Intergovernmental	56,458	-	-	547,208	-	276,453	36,894	917,013
Prepaid insurance	114,216	-	-	-	-	-	-	114,216
Advances to other funds	2,974	-	-	-	-	-	34,416	37,390
<b>Total assets</b>	<b>12,866,057</b>	<b>3,619,150</b>	<b>625,576</b>	<b>1,277,632</b>	<b>2,580,742</b>	<b>13,708,266</b>	<b>6,780,562</b>	<b>41,457,985</b>
<b>LIABILITIES</b>								
Accounts payable and accruals	\$ 1,139,366	\$ -	\$ -	\$ -	\$ 8,441	\$ 400,504	\$ 496,227	\$ 2,044,538
Retainages payable	-	-	-	-	-	4,625	94,677	99,302
Escrow liability	-	-	-	-	-	-	23,026	23,026
Advances from other funds	-	-	-	-	-	-	37,390	37,390
Unearned revenue	17,412	-	-	-	-	-	-	17,412
<b>Total liabilities</b>	<b>1,156,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,441</b>	<b>405,129</b>	<b>651,320</b>	<b>2,221,668</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	7,110,963	3,506,036	-	-	2,446,349	-	1,879,000	14,942,348
Unavailable revenue - other taxes	-	-	140,250	-	-	-	-	140,250
Unavailable revenue - intergovernmental	-	-	-	-	-	145,871	-	145,871
<b>Total deferred inflows of resources</b>	<b>7,110,963</b>	<b>3,506,036</b>	<b>140,250</b>	<b>-</b>	<b>2,446,349</b>	<b>145,871</b>	<b>1,879,000</b>	<b>15,228,469</b>
<b>FUND BALANCES</b>								
<b>Nonspendable</b>								
Prepaid items	114,216	-	-	-	-	-	-	114,216
Advances to other funds	2,974	-	-	-	-	-	-	2,974
Permanent fund principal	-	-	-	-	-	-	1,003,832	1,003,832
<b>Restricted for:</b>								
Grant purposes	-	-	-	-	-	-	45,826	45,826
Housing assistance payments	-	-	-	-	-	-	18,246	18,246
Streets and sidewalks	-	-	-	1,277,632	-	441,914	631	1,720,177
Building improvements	-	-	-	-	-	-	1,189,973	1,189,973
Park improvements	-	-	-	-	-	-	116,394	116,394
Tax levy purposes	-	113,114	-	-	-	-	1,012,673	1,125,787
Sewer and street projects	-	-	485,326	-	-	-	-	485,326
Debt service	-	-	-	-	125,952	-	-	125,952
Housing and community development	-	-	-	-	-	-	161,338	161,338
Art center	-	-	-	-	-	-	521,291	521,291
Library	-	-	-	-	-	-	146,632	146,632
Other purposes	-	-	-	-	-	-	56,248	56,248
<b>Assigned to:</b>								
Purchases on order	204,379	-	-	-	-	-	-	204,379
Future equipment purchases	241,214	-	-	-	-	-	-	241,214
Streets	-	-	-	-	-	12,715,352	-	12,715,352
<b>Unassigned</b>	<b>4,035,533</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,842)</b>	<b>4,012,691</b>
<b>Total fund balances</b>	<b>4,598,316</b>	<b>113,114</b>	<b>485,326</b>	<b>1,277,632</b>	<b>125,952</b>	<b>13,157,266</b>	<b>4,250,242</b>	<b>24,007,848</b>
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,866,057	\$ 3,619,150	\$ 625,576	\$ 1,277,632	\$ 2,580,742	\$ 13,708,266	\$ 6,780,562	\$ 41,457,985

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, 2016**

Total governmental fund balances		\$ 24,007,848
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.		70,155,229
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.		286,121
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	\$ 4,591,336	
Deferred inflows of resources	<u>(3,075,100)</u>	1,516,236
Unamortized balance of deferred amount of refunding bonds are not reported in the funds		25,532
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.		1,023,161
Internal service fund allocations to business-type activities		(21,350)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(16,092,985)
Accrued interest payable		(34,728)
Compensated absences		(1,380,037)
Other post-employment benefits		(389,815)
Pension liability		<u>(11,218,977)</u>
Net position of governmental activities		<u><u>\$ 67,876,235</u></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, 2016

	General	Employee Benefits	Local Option Sales Tax	Road Use Tax	Debt Service	Other Street Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes:								
Property	\$ 6,883,160	\$ 3,231,790	\$ -	\$ -	\$ 2,356,436	\$ -	\$ 1,961,342	\$ 14,432,728
Utility	32,788	15,408	-	-	10,469	-	-	58,665
Hotel/motel	361,803	-	-	-	-	-	-	361,803
Cable franchise	189,044	-	-	-	-	-	-	189,044
Utility franchise	81,308	-	-	-	-	-	-	81,308
Local option sales	-	-	2,787,008	-	-	-	-	2,787,008
Licenses and permits	389,596	-	-	-	-	-	-	389,596
Fines and forfeitures	997,069	-	-	-	-	-	-	997,069
Intergovernmental	801,360	159,831	-	2,915,003	194,679	274,651	2,153,296	6,498,820
Charges for services	573,758	-	-	-	-	-	-	573,758
Use of money and property	116,715	-	446	-	1,265	125,889	21,018	265,333
Other	783,192	-	-	-	-	31,022	487,133	1,301,347
Total revenues	<u>11,209,793</u>	<u>3,407,029</u>	<u>2,787,454</u>	<u>2,915,003</u>	<u>2,562,849</u>	<u>431,562</u>	<u>4,622,789</u>	<u>27,936,479</u>
<b>EXPENDITURES</b>								
Current:								
Public safety	8,308,098	-	-	-	-	-	5,303	8,313,401
Public works	2,037,427	-	-	-	-	-	-	2,037,427
Health and social services	45,000	-	-	-	-	-	-	45,000
Culture and recreation	2,837,950	-	-	-	-	-	103,030	2,940,980
Community and economic development	750,394	-	-	-	-	-	3,061,542	3,811,936
General government	2,295,600	-	-	-	-	-	-	2,295,600
Debt service:								
Principal	-	-	-	-	3,720,000	-	120,000	3,840,000
Interest	-	-	-	-	344,503	-	45,065	389,568
Paying agent	-	-	-	-	2,500	-	-	2,500
Refunding bond issuance costs	-	-	-	-	17,355	-	-	17,355
Capital outlay:								
Public safety	321,270	-	-	-	-	-	154,736	476,006
Public works	95,134	-	-	-	-	2,055,681	729,400	2,880,215
Culture and recreation	204,525	-	-	-	-	-	286,005	490,530
Community and economic development	1,530	-	-	-	-	-	28,049	29,579
General government	42,066	-	-	-	-	-	812,656	854,722
Total expenditures	<u>16,938,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,084,358</u>	<u>2,055,681</u>	<u>5,345,786</u>	<u>28,424,819</u>
Revenues over (under) expenditures	<u>(5,729,201)</u>	<u>3,407,029</u>	<u>2,787,454</u>	<u>2,915,003</u>	<u>(1,521,509)</u>	<u>(1,624,119)</u>	<u>(722,997)</u>	<u>(488,340)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
General obligation bonds issued	-	-	-	-	-	812,879	2,438,000	3,250,879
General obligation bond premium	-	-	-	-	-	-	211,712	211,712
Refunding bonds issued	-	-	-	-	1,299,121	-	-	1,299,121
Refunding bond premium	-	-	-	-	44,328	-	-	44,328
Transfers in	6,507,576	-	-	-	208,450	754,650	1,313,779	8,784,455
Transfers out	(564,190)	(3,424,752)	(2,749,767)	(2,481,829)	-	(20,000)	(1,355,872)	(10,596,410)
Total other financing sources (uses)	<u>5,943,386</u>	<u>(3,424,752)</u>	<u>(2,749,767)</u>	<u>(2,481,829)</u>	<u>1,551,899</u>	<u>1,547,529</u>	<u>2,607,619</u>	<u>2,994,085</u>
Net change in fund balances	214,185	(17,723)	37,687	433,174	30,390	(76,590)	1,884,622	2,505,745
Fund balances, June 30, 2015	<u>4,384,131</u>	<u>130,837</u>	<u>447,639</u>	<u>844,458</u>	<u>95,562</u>	<u>13,233,856</u>	<u>2,365,620</u>	<u>21,502,103</u>
Fund balances, June 30, 2016	<u>\$ 4,598,316</u>	<u>\$ 113,114</u>	<u>\$ 485,326</u>	<u>\$ 1,277,632</u>	<u>\$ 125,952</u>	<u>\$ 13,157,266</u>	<u>\$ 4,250,242</u>	<u>\$ 24,007,848</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, 2016**

Net change in fund balances - total governmental funds \$ 2,505,745

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	3,454,070
Depreciation expense	(3,841,165)

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	76,031
Capital contributions -art	68,000
Loss on disposal of capital assets	(31,695)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 212,171

Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years (211,996)

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 proceeds	(4,550,000)
General obligation bond principal payments	3,720,000
Tax increment bond principal payments	120,000
Net effects of bond premiums, discounts, and deferred amounts on refunding	(216,361)

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

Change in compensated absences	(30,521)
Change in other post-employment benefits	(3,056)
Pension expense	648,624
Change in accrued interest payable	(2,264)

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	(335,702)
Allocation of net revenue (expense) to business-type activities	76,413

Change in net position of governmental activities \$ 1,658,294

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, 2016

Business-type Activities - Enterprise Funds

	Water Pollution Control	Transfer Station	Refuse Collection	Airport	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and pooled investments	\$ 6,696,108	\$ -	\$ -	\$ 201,602	\$ 673,663	\$ 7,571,373	\$ 1,540,152
Investments	-	-	-	-	275,689	275,689	-
Receivables (net of allowance for uncollectibles):							
Accounts	743,668	227,725	282,653	474	290,335	1,544,855	6,594
Intergovernmental:							
Federal	-	-	-	1,825,984	69,258	1,895,242	-
State	-	-	-	57,838	-	57,838	-
County	-	-	-	-	12,529	12,529	-
Due from fiduciary funds	-	-	-	-	-	-	25,501
Due from other funds	-	-	-	-	2,844	2,844	1,357
Inventories	-	-	-	-	43,373	43,373	110,784
Prepaid items	-	-	-	-	6,535	6,535	-
Total current assets	7,439,776	227,725	282,653	2,085,898	1,374,226	11,410,278	1,684,388
Noncurrent assets:							
Restricted cash and pooled investments	108,677	38,395	-	-	-	147,072	-
Advances to other funds	426,323	-	-	-	-	426,323	-
Capital assets:							
Land	538,716	175,000	-	1,408,973	764,686	2,887,375	-
Land improvements	173,126	1,019,897	-	9,476,955	3,015,867	13,685,845	-
Buildings and building improvements	50,607,349	7,428,336	1,312,083	1,665,785	8,916,205	69,929,758	-
Equipment	4,652,435	363,252	144,029	576,048	963,030	6,698,794	117,956
Vehicles	1,193,187	607,427	740,406	117,342	1,536,336	4,194,698	23,438
Infrastructure	58,125,770	-	-	-	-	58,125,770	-
Construction in progress	787,046	-	-	3,863,562	-	4,650,608	-
Less accumulated depreciation	(46,599,851)	(5,481,437)	(1,256,049)	(9,669,156)	(10,881,644)	(73,888,137)	(128,527)
Total capital assets net of accumulated depreciation	69,477,778	4,112,475	940,469	7,439,509	4,314,480	86,284,711	12,867
Total noncurrent assets	70,012,778	4,150,870	940,469	7,439,509	4,314,480	86,858,106	12,867
Total assets	77,452,554	4,378,595	1,223,122	9,525,407	5,688,706	98,268,384	1,697,255
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related deferred outflows	320,874	40,107	111,601	-	302,438	775,020	47,334
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accruals	869,844	56,821	185,875	1,829,041	281,174	3,222,755	468,308
Retainages payable	112,774	-	-	169,162	-	281,936	-
Compensated absences payable	96,011	14,700	39,465	-	59,196	209,372	16,809
Due to other funds	-	-	-	-	2,844	2,844	1,357
Deposits	-	-	-	-	49,587	49,587	-
Accrued interest payable	35,430	-	-	-	-	35,430	-
Unearned revenue	-	1,750	599	4,750	47,727	54,826	-
State revolving fund loan	636,000	-	-	-	-	636,000	-
Total current liabilities	1,750,059	73,271	225,939	2,002,953	440,528	4,492,750	486,474
Noncurrent liabilities:							
State revolving fund loan	12,446,000	-	-	-	-	12,446,000	-
Advances from other funds	-	330,549	95,774	-	-	426,323	-
Compensated absences	92,313	11,082	38,675	-	40,614	182,684	29,995
Other post-employment benefits	74,219	9,777	23,523	-	32,741	140,260	10,656
Net pension liability	1,031,970	125,665	349,676	-	845,100	2,352,411	152,107
Transfer station closure obligation	-	38,395	-	-	-	38,395	-
Total noncurrent liabilities	13,644,502	515,468	507,648	-	918,455	15,586,073	192,758
Total liabilities	15,394,561	588,739	733,587	2,002,953	1,358,983	20,078,823	679,232
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related deferred inflows	286,405	34,373	95,645	-	236,092	652,515	42,196
<b>NET POSITION</b>							
Net investment in capital assets	56,395,778	4,112,475	940,469	7,439,509	4,314,480	73,202,711	12,867
Restricted for:							
Debt service	108,677	-	-	-	-	108,677	-
Unrestricted	5,588,007	(316,885)	(434,978)	82,945	81,589	5,000,678	1,010,294
Total net position	\$ 62,092,462	\$ 3,795,590	\$ 505,491	\$ 7,522,454	\$ 4,396,069	\$ 78,312,066	\$ 1,023,161

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, 2016**

Total enterprise fund net position	\$ 78,312,066
Amounts reported for proprietary activities in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. Internal service fund net position decreased during the year. A portion of this decrease has been allocated to business-type activities in the statement of net position	<u>21,350</u>
Net position of business-type activities	<u><u>\$ 78,333,416</u></u>

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

City of Muscatine, Iowa

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						
	Water Pollution Control	Transfer Station	Refuse Collection	Airport	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:							
Charges for sales and services	\$ 5,652,981	\$ 2,110,818	\$ 2,183,840	\$ 66,171	\$ 3,147,562	\$ 13,161,372	\$ 911,922
Employer contributions	-	-	-	-	-	-	2,408,791
Employee contributions	-	-	-	-	-	-	244,438
Other contributions	-	-	-	-	-	-	149,067
Other	85,782	14,246	8,757	8,208	119,438	236,431	8,894
Total operating revenues	5,738,763	2,125,064	2,192,597	74,379	3,267,000	13,397,803	3,723,112
Operating expenses:							
Cost of sales and services:							
Personal services	1,963,834	249,576	698,832	-	1,753,863	4,666,105	308,034
Commodities	245,703	23,225	185,632	2,795	435,344	892,699	411,294
Contractual services	875,066	1,886,186	1,273,132	102,198	864,779	5,001,361	3,267,685
Administration	200,600	2,800	77,400	8,800	140,000	429,600	19,800
Depreciation	2,776,615	231,985	85,957	307,322	614,368	4,016,247	2,182
Total operating expenses	6,061,818	2,393,772	2,320,953	421,115	3,808,354	15,006,012	4,008,995
Operating income (loss)	(323,055)	(268,708)	(128,356)	(346,736)	(541,354)	(1,608,209)	(285,883)
Non-operating revenues (expenses):							
Intergovernmental	-	-	42,665	4,701	997,686	1,045,052	-
Interest revenue	8,440	-	70	4	1,064	9,578	1,711
Interest expense	(443,517)	-	-	-	-	(443,517)	-
Gain (loss) on sale of capital assets	(88,813)	-	-	-	(7,456)	(96,269)	-
Non-operating revenues (expenses), net	(523,890)	-	42,735	4,705	991,294	514,844	1,711
Income (loss) before capital contributions and transfers	(846,945)	(268,708)	(85,621)	(342,031)	449,940	(1,093,365)	(284,172)
Capital contributions - grants	-	-	-	3,316,592	-	3,316,592	-
Capital contributions - government	-	-	-	-	146,995	146,995	-
Transfers in	1,827,888	42,665	-	539,057	339,740	2,749,350	-
Transfers out	(10,000)	-	(42,665)	-	(833,200)	(885,865)	(51,530)
Change in net position	970,943	(226,043)	(128,286)	3,513,618	103,475	4,233,707	(335,702)
Net position, June 30, 2015	61,121,519	4,021,633	633,777	4,008,836	4,292,594	74,078,359	1,358,863
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

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, 2016**

Change in net position in enterprise funds	\$ 4,233,707
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	<u>(76,413)</u>
Change in net position of business-type activities	<u><u>\$ 4,157,294</u></u>

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, 2016**

**Business-type Activities - Enterprise Funds**

	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Airport Operations</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 5,690,816	\$ 2,088,297	\$ 2,207,848	\$ 75,874	\$ 3,089,439	\$ 13,152,274	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	3,716,691
Payments to suppliers	(660,926)	(1,866,365)	(1,334,687)	(107,276)	(986,427)	(4,955,681)	(3,470,415)
Payments to employees	(1,426,422)	(175,801)	(503,230)	-	(1,410,699)	(3,516,152)	(209,872)
Payments for employee benefits	(584,808)	(74,123)	(206,838)	-	(368,309)	(1,234,078)	(64,408)
Payments for interfund services used	(207,463)	(46,373)	(227,789)	(8,800)	(412,807)	(903,232)	(19,800)
Net cash provided (used) by operating activities	<u>2,811,197</u>	<u>(74,365)</u>	<u>(64,696)</u>	<u>(40,202)</u>	<u>(88,803)</u>	<u>2,543,131</u>	<u>(47,804)</u>
<b>Cash flows from noncapital financing activities</b>							
Transfers to other funds	(10,000)	-	(42,665)	-	(833,200)	(885,865)	(51,530)
Transfers from other funds	1,827,888	42,665	-	539,057	339,740	2,749,350	-
Advances from other funds	-	100,426	95,774	-	2,844	199,044	1,357
Advances to other funds	(70,730)	-	-	-	(2,844)	(73,574)	(1,357)
Advances to fiduciary funds	-	-	-	-	-	-	(25,501)
Repayment of advances from other funds	-	-	-	(34,206)	(91,872)	(126,078)	(1,725)
Repayment of advances to other funds	-	-	-	-	608	608	22,677
Subsidies from federal, state and local grants	-	-	42,665	4,701	959,922	1,007,288	-
Net cash provided (used) by noncapital financing activities	<u>1,747,158</u>	<u>143,091</u>	<u>95,774</u>	<u>509,552</u>	<u>375,198</u>	<u>2,870,773</u>	<u>(56,079)</u>
<b>Cash flows from capital and related financing activities</b>							
Capital contributions	-	-	-	1,483,354	37,500	1,520,854	-
Purchase of capital assets	(2,536,786)	(68,726)	(224,981)	(1,751,106)	(85,273)	(4,666,872)	-
Principal paid on capital debt	(616,000)	-	-	-	-	(616,000)	-
Interest paid on capital debt	(445,186)	-	-	-	-	(445,186)	-
Net cash provided (used) by capital and related financing activities	<u>(3,597,972)</u>	<u>(68,726)</u>	<u>(224,981)</u>	<u>(267,752)</u>	<u>(47,773)</u>	<u>(4,207,204)</u>	<u>-</u>
<b>Cash flows from investing activities</b>							
Proceeds from sales and maturities of investments	-	-	-	-	310,699	310,699	-
Purchase of investments	-	-	-	-	(364,026)	(364,026)	-
Interest received	8,440	-	70	4	1,064	9,578	1,711
Net cash provided (used) by investing activities	<u>8,440</u>	<u>-</u>	<u>70</u>	<u>4</u>	<u>(52,263)</u>	<u>(43,749)</u>	<u>1,711</u>
Net increase (decrease) in cash and pooled investments	968,823	-	(193,833)	201,602	186,359	1,162,951	(102,172)
Cash and pooled investments, June 30, 2015	<u>5,835,962</u>	<u>38,395</u>	<u>193,833</u>	<u>-</u>	<u>487,304</u>	<u>6,555,494</u>	<u>1,642,324</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>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Cash flows from operating activities:	<u>\$ (323,055)</u>	<u>\$ (268,708)</u>	<u>\$ (128,356)</u>	<u>\$ (346,736)</u>	<u>\$ (541,354)</u>	<u>\$ (1,608,209)</u>	<u>\$ (285,883)</u>
Operating income (loss)	<u>2,776,615</u>	<u>231,985</u>	<u>85,957</u>	<u>307,322</u>	<u>614,368</u>	<u>4,016,247</u>	<u>2,182</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation							
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable	(47,947)	(38,517)	14,892	(256)	(164,415)	(236,243)	4,310
Prepaid expenses	-	-	-	-	2,135	2,135	-
Inventories	-	-	-	-	3,779	3,779	9,566
Deferred outflows of resources	(161,659)	(20,832)	(57,970)	-	(167,384)	(407,845)	(23,871)
Increase (decrease) in:							
Accounts payable and accruals	467,380	775	(20,782)	(2,283)	47,208	492,298	234,085
Compensated absences payable	(15,297)	4,787	1,193	-	14,684	5,367	5,554
Other post-employment benefits	864	114	274	-	4,489	5,741	124
Deferred revenue	-	1,750	359	1,751	(13,946)	(10,086)	(10,731)
Deposits	-	-	-	-	800	800	-
Net pension liability	160,315	20,149	56,066	-	153,263	389,793	23,653
Deferred inflows of resources	(46,019)	(5,868)	(16,329)	-	(42,430)	(110,646)	(6,793)
Total adjustments	<u>3,134,252</u>	<u>194,343</u>	<u>63,660</u>	<u>306,534</u>	<u>452,551</u>	<u>4,151,340</u>	<u>238,079</u>
Net cash provided (used) by operating activities	<u>\$ 2,811,197</u>	<u>\$ (74,365)</u>	<u>\$ (64,696)</u>	<u>\$ (40,202)</u>	<u>\$ (88,803)</u>	<u>\$ 2,543,131</u>	<u>\$ (47,804)</u>
<b>Non-cash capital and related financing activities:</b>							
Contribution of capital asset from government	\$ -	\$ -	\$ -	\$ -	\$ 146,995	\$ 146,995	\$ -

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, 2016**

	<b>Agency Funds</b>
Assets:	
Accounts receivable	<u>\$ 63,457</u>
Liabilities:	
Accounts payable and accruals	37,956
Due to primary government	<u>25,501</u>
Total liabilities	<u>\$ 63,457</u>

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

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

**June 30, 2016**

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. 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 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.

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 Mayor and approved 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, housing programs, and miscellaneous other entities.

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, 2016, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2015 and March 31, 2016. Any County collections on the 2015-2016 tax levy remitted to the City within sixty days subsequent to June 30, 2016, 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, 2016, 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 \$38,395 at June 30, 2016 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 \$108,677 at June 30, 2016 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 \$1,708,729, at June 30, 2016 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 bond resolutions relating to the electric revenue bonds, or under the terms of the communications loan agreement, or by the Board. In accordance with the covenants of the bond resolutions, the amounts have been segregated into various funds or accounts. The extraordinary operation and maintenance account may be used for extraordinary operating expenses and debt service at the discretion of the Board. In accordance with the communications loan agreement, the communications system loan repayment sinking fund is used solely for the purpose of paying the interest on and principal of the bank loans.

The composition of the restricted funds as of December 31, 2015 was as follows:

Current accounts:	
Extraordinary operation and maintenance account	\$ 13,074,650
Communications loan sinking fund	6
Water utility sinking fund	<u>35,248</u>
Total restricted assets	<u>\$ 13,109,904</u>

## 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 estimated fair market 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 Board may, at its discretion, set aside earnings to help maintain stability in the electric utility's long-term rate structure. These earnings may be used for extraordinary operating expenses and debt service when deemed necessary by the Board and are reported as unearned as the revenue recognition criteria is not met.

## **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.

## 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 updated 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, 2016, there were unspent bond proceeds totaling \$1,721,135. 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 \$1,903,208 for public works, \$113,114 for employee benefits, \$33,240 for public safety, and \$1,054,093 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, 2016, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 37,739
Cash in bank	725,403
Savings accounts	49,712
Money market accounts	14,191,368
Iowa Public Agency Investment Trust	4,025,804
Certificates of deposit	<u>17,234,121</u>
	<u>\$ 36,264,147</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 \$4,025,804 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, 2016 the carrying amount of the City's deposits with financial institutions totaled \$36,226,408 and the bank balances were \$36,277,897. 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, 2015 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. All investments held by MP&W at December 31, 2015 were cash, cash equivalents, money market accounts, or certificates of deposit and are not subject to custodial credit risk.

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, 2015 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, 2015, 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, 2015, 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 Farm Credit Bank	33.3%
Federal Home Loan Bank	33.3%
US Treasury	33.4%

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, 2015, the utility's investments were as follows:

Investment Type	Fair Value	Maturity In Years		
		Less than 1 Year	1 – 5 Years	Greater than 5 Years
US agencies/treasury	\$ 2,995,331	\$ 1,998,208	\$ 997,123	\$ -

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.

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

Interfund balances at June 30, 2016 consist of the following:

		Due from/advance to						Totals
		Nonmajor Governmental	Transfer Station	Refuse Collection	Nonmajor Enterprise	Internal Service	Fiduciary	
Due to/Advance from	General	\$ 2,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,974
	Nonmajor governmental	34,416	-	-	-	-	-	34,416
	Water pollution control	-	330,549	95,774	-	-	-	426,323
	Nonmajor enterprise	-	-	-	2,844	-	-	2,844
	Internal service	-	-	-	-	1,357	25,501	26,858
<b>Total</b>		<b>\$ 37,390</b>	<b>\$ 330,549</b>	<b>\$ 95,774</b>	<b>\$ 2,844</b>	<b>\$ 1,357</b>	<b>\$ 25,501</b>	<b>\$ 493,415</b>

The \$330,549 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 and reduced waste volumes being received at this facility. 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 to	Due from/advance to										Totals
	General	Employee Benefits	Local Option Sales Tax	Road Use Tax	Other Street Improvements	Nonmajor Governmental	Water Pollution Control	Refuse Collection	Nonmajor Enterprise	Internal Service	
General	\$ -	\$3,424,752	\$ -	\$ 2,029,975	\$ -	\$ 168,119	\$ -	\$ -	\$ 833,200	\$ 51,530	\$ 6,507,576
Debt service	-	-	-	-	-	208,450	-	-	-	-	208,450
Other street improvements	-	-	330,929	423,721	-	-	-	-	-	-	754,650
Nonmajor governmental	197,693	-	590,950	28,133	20,000	467,003	10,000	-	-	-	1,313,779
Water pollution control	-	-	1,827,888	-	-	-	-	-	-	-	1,827,888
Transfer station	-	-	-	-	-	-	42,665	-	-	-	42,665
Airport	26,757	-	-	-	-	512,300	-	-	-	-	539,057
Nonmajor enterprise	339,740	-	-	-	-	-	-	-	-	-	339,740
<b>Total</b>	<b>\$ 564,190</b>	<b>\$3,424,752</b>	<b>\$2,749,767</b>	<b>\$ 2,481,829</b>	<b>\$ 20,000</b>	<b>\$ 1,355,872</b>	<b>\$ 10,000</b>	<b>\$42,665</b>	<b>\$ 833,200</b>	<b>\$ 51,530</b>	<b>\$ 11,533,805</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, 2016 is as follows:

**Primary government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 10,176,973	\$ 149,878	\$ -	\$ -	\$ 10,326,851
Art work	7,568,276	99,500	-	-	7,667,776
Construction in progress	184,644	3,290,714	(1,868,495)	-	1,606,863
<b>Total capital assets, not being depreciated</b>	<b>17,929,893</b>	<b>3,540,092</b>	<b>(1,868,495)</b>	<b>-</b>	<b>19,601,490</b>
Capital assets, being depreciated:					
Land improvements	18,016,677	69,930	-	-	18,086,607
Buildings	9,649,554	-	-	-	9,649,554
Building improvements	2,352,837	-	(154,398)	-	2,198,439
Equipment	5,782,959	98,421	(25,213)	-	5,856,167
Vehicles	5,262,747	79,539	(63,813)	30,771	5,309,244
Other Assets	22,968	-	-	-	22,968
Infrastructure	71,034,424	1,678,614	-	-	72,713,038
<b>Total capital assets, being depreciated</b>	<b>112,122,166</b>	<b>1,926,504</b>	<b>(243,424)</b>	<b>30,771</b>	<b>113,836,017</b>
Less accumulated depreciation for:					
Land improvements	(10,592,318)	(541,574)	-	-	(11,133,892)
Buildings	(5,613,844)	(183,653)	-	-	(5,797,497)
Building improvements	(1,230,837)	(104,825)	122,703	-	(1,212,959)
Equipment	(4,173,527)	(331,845)	25,213	-	(4,480,159)
Vehicles	(3,742,072)	(275,698)	63,813	(30,771)	(3,984,728)
Other Assets	(21,940)	(7,372)	-	-	(29,312)
Infrastructure	(34,232,484)	(2,398,380)	-	-	(36,630,864)
<b>Total accumulated depreciation</b>	<b>(59,607,022)</b>	<b>(3,843,347)</b>	<b>211,729</b>	<b>(30,771)</b>	<b>(63,269,411)</b>
<b>Total capital assets, being depreciated, net</b>	<b>52,515,144</b>	<b>(1,916,843)</b>	<b>(31,695)</b>	<b>-</b>	<b>50,566,606</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 70,445,037</b>	<b>\$ 1,623,249</b>	<b>\$ (1,900,190)</b>	<b>\$ -</b>	<b>\$ 70,168,096</b>

**Business-type Activities:**

## Capital assets, not being depreciated:

Land	\$ 2,887,375	\$ -	\$ -	\$ -	\$ 2,887,375
Construction in progress	1,244,334	5,861,075	(2,454,801)	-	4,650,608
	\$ -				
Total capital assets, not being depreciated	4,131,709	5,861,075	(2,454,801)	-	7,537,983

## Capital assets, being depreciated:

Land improvements	13,456,394	229,451	-	-	13,685,845
Buildings	65,660,363	-	-	-	65,660,363
Building improvements	4,216,106	58,870	(5,582)	-	4,269,394
Equipment	6,695,330	232,930	(229,466)	-	6,698,794
Vehicles	3,600,720	781,440	(156,691)	(30,771)	4,194,698
Sewer system	55,900,418	2,225,352	-	-	58,125,770
	-				
Total capital assets, being depreciated	149,529,331	3,528,043	(391,739)	(30,771)	152,634,864

## Less accumulated depreciation for:

Land improvements	(11,204,677)	(348,412)	-	-	(11,553,089)
Buildings	(34,323,126)	(1,680,012)	-	-	(36,003,138)
Building improvements	(2,771,554)	(199,149)	3,535	-	(2,967,168)
Equipment	(3,712,642)	(400,420)	135,244	-	(3,977,818)
Vehicles	(2,582,843)	(258,252)	156,691	30,771	(2,653,633)
Sewer system	(15,603,288)	(1,130,002)	-	-	(16,733,290)
Total accumulated depreciation	(70,198,130)	(4,016,247)	295,470	30,771	(73,888,136)
	-				
Total capital assets, being depreciated, net	79,331,201	(488,204)	(96,269)	-	78,746,728
Business type activities capital assets, net	\$ 83,462,910	\$ 5,372,871	\$ (2,551,070)	\$ -	\$ 86,284,711

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

## Governmental activities:

Public safety	\$ 318,316
Public works	2,572,402
Culture and recreation	881,113
Community and economic development	8,517
General government	60,817
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	2,182

Total depreciation expense –  
governmental activities

\$ 3,843,347

Business-type activities:		
Water pollution control		\$ 2,776,615
Refuse collection		85,957
Transfer station		231,985
Airport		307,322
Parking		41,390
Transit		71,050
Golf course		111,182
Boat harbor		3,924
Ambulance		102,342
Public housing		282,198
Convention and Visitors Bureau		<u>2,282</u>
Total depreciation expense – business-type activities		<u>\$ 4,016,247</u>

### Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Total capital assets, not being depreciated	<u>1,080,608</u>	<u>-</u>	<u>-</u>	<u>1,080,608</u>
Capital assets, being depreciated:				
Land improvements	1,873,587	-	-	1,873,587
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>-</u>	<u>-</u>	<u>2,559,053</u>
Less accumulated depreciation for:				
Land improvements	(1,447,601)	(257,410)	-	(1,705,011)
Buildings	(19,125)	(932)	-	(20,057)
Equipment	(20,277)	(1,472)	-	(21,749)
Leachate collection system	<u>(332,033)</u>	<u>(19,867)</u>	<u>-</u>	<u>(351,900)</u>
Total accumulated depreciation	<u>(1,819,036)</u>	<u>(279,681)</u>	<u>-</u>	<u>(2,098,717)</u>
Total capital assets, being depreciated, net	<u>740,017</u>	<u>(279,681)</u>	<u>-</u>	<u>460,336</u>
Solid Waste Agency capital assets, net	<u>\$ 1,820,625</u>	<u>\$ (279,681)</u>	<u>\$ -</u>	<u>\$ 1,540,944</u>

Activity for Muscatine Power & Water for the year ended December 31, 2015 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	999,393	6,786,947	(203,462)	(3,532,872)	4,050,006
Total capital assets, not being depreciated	<u>3,926,304</u>	<u>6,786,947</u>	<u>(203,462)</u>	<u>(3,532,872)</u>	<u>6,976,917</u>
Capital assets, being depreciated:					
Generation plant	331,439,779	-	(528,913)	756,781	331,667,647
Transmission and distribution plant	60,480,489	840,390	(318,475)	1,036,660	62,039,064
General plant	23,511,337	149,203	(781,835)	939,492	23,818,197
Source of supply	2,973,973	-	(7,592)	278,908	3,245,289
Pumping equipment	2,278,501	-	-	-	2,278,501
Purification equipment	1,532,521	-	-	-	1,532,521
Distribution system	18,566,370	136,824	(73,047)	404,807	19,034,954
Network operations plant	31,033,792	549,722	(305,977)	116,224	31,393,761
Total capital assets being depreciated	<u>471,816,762</u>	<u>1,676,139</u>	<u>(2,015,839)</u>	<u>3,532,872</u>	<u>475,009,934</u>
Less accumulated depreciation for:					
Generation plant	(261,728,536)	7,632,720	(469,143)	-	(268,892,113)
Transmission and distribution plant	(49,155,567)	2,333,310	(326,002)	-	(51,162,875)
General plant	(22,279,308)	1,575,286	(749,489)	-	(23,105,105)
Source of supply	(1,340,294)	99,133	(7,592)	-	(1,431,835)
Pumping equipment	(680,861)	72,287	-	-	(753,148)
Purification system	(870,286)	38,750	-	-	(909,036)
Distribution system	(5,808,074)	411,977	(69,709)	-	(6,150,342)
Network operations plant and general plant	(23,482,400)	1,618,642	(278,823)	-	(24,822,219)
Total accumulated depreciation	<u>(365,345,326)</u>	<u>13,782,105</u>	<u>(1,900,758)</u>	<u>-</u>	<u>(377,226,673)</u>
Total capital assets, being depreciated, net	<u>106,471,436</u>	<u>15,458,244</u>	<u>(3,916,597)</u>	<u>3,532,872</u>	<u>97,783,261</u>
Muscatine Power & Water capital assets, net	<u>\$ 110,397,740</u>	<u>\$ 22,245,191</u>	<u>\$ (4,120,059)</u>	<u>\$ -</u>	<u>\$ 104,760,178</u>

## NOTE 5. LONG-TERM DEBT

**General Obligation Bonds.** The general obligation bonds outstanding as of June 30, 2016 total \$15,402,985. These bonds bear interest at rates ranging from .75% to 3.0%.

General obligation bonds as of June 30, 2016 consist of the following individual issues:

	Issue Date	Amount Issued	Interest Rates	Balance 6/30/2016	Governmental Activities
General obligation bonds					
General corporate	6/1/2010	7,425,000	3.00-3.125	\$ 4,741,789	(1) \$ 4,741,789
General corporate	6/1/2012	4,715,000	.75-1.90	3,325,000	(2) 3,325,000
General corporate	6/1/2014	2,575,000	1.50-2.10	2,530,156	(3) 2,530,156
General corporate and refunding	5/26/2016	4,550,000	2.00-3.00	4,806,040	(4) 4,806,040
				<u>\$ 15,402,985</u>	<u>\$ 15,402,985</u>

1. Net of unamortized premium of \$16,789
2. No premium or discount
3. Net of unamortized premium of \$35,156
4. Net of unamortized premium of \$256,040

On May 26, 2016, the City of Muscatine, Iowa issued \$4,550,000 of general obligation bonds, Series 2016, with an average interest rate of 3%. The bonds were issued to pay costs of street improvements, airport improvements, park improvements, waterway embankment improvements, demolition of dilapidated buildings, HVAC improvements at the Municipal Art Center, and various building improvements.

A portion of the bonds were issued to refund the Series 2008A general obligation bonds originally issued June 1, 2008. The refunding was done to achieve debt service savings. \$1,310,000 of proceeds were placed in escrow. On June 1, 2016, they were used to call and redeem \$1,310,000 of Series 2008A general obligation bonds issued along with funds making the regular principal payment of \$620,000. The current refunding of the Series 2008A bonds resulted in net present value savings of \$34,516.

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,290,000	\$ 360,050
2018	2,505,000	301,706
2019	2,405,000	238,066
2020	2,515,000	178,591
2021	1,360,000	115,053
2022-2026	4,020,000	217,100
	<u>\$ 15,095,000</u>	<u>\$ 1,410,566</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 \$811,130 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were \$165,065 and \$1,961,342, respectively.

Tax increment revenue bonds as of June 30, 2016 consist of the following:

	<u>Issue</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Interest</u> <u>Rates</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Tax Increment Revenue Bonds:</b>				
Urban Renewal Tax Increment	06/24/2004	\$ 1,885,000	5.30-5.80%	<u>\$ 690,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 125,000	\$ 38,705
2018	130,000	31,955
2019	140,000	24,805
2020	145,000	16,965
2021	150,000	8,700
	<u>\$ 690,000</u>	<u>\$ 121,130</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, 2016, the loan balance is \$13,082,000. 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 <u>June 30</u>	Business-Type		
	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>
2017	\$ 636,000	\$ 392,460	\$ 32,705
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
2022-2026	3,985,000	1,221,750	101,813
2027-2031	4,675,000	583,920	48,661
2032	1,028,000	30,840	2,570
	<u>\$ 13,082,000</u>	<u>\$ 3,601,680</u>	<u>\$ 300,143</u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

**Primary government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 14,265,000	\$ 4,550,000	\$ (3,720,000)	\$ 15,095,000	\$ 2,290,000
Tax increment revenue bonds	810,000	-	(120,000)	690,000	125,000
Premiums/discounts	67,162	256,040	(15,217)	307,985	-
Total bonds payable	15,142,162	4,806,040	(3,855,217)	16,092,985	2,415,000
Compensated absences	1,390,766	868,301	(832,226)	1,426,841	693,501
Net pension liability	8,976,949	2,394,135	-	11,371,084	-
Other post-employment benefits liability	397,291	3,180	-	400,471	-
Governmental activity long-term liabilities	<u>\$ 25,907,168</u>	<u>\$ 8,071,656</u>	<u>\$ (4,687,443)</u>	<u>\$ 29,291,381</u>	<u>\$ 3,108,501</u>
<b>Business-type activities:</b>					
Bonds payable:					
State revolving fund loan	\$ 13,698,000	\$ -	\$ (616,000)	\$ 13,082,000	\$ 636,000
Total bonds payable	13,698,000	-	(616,000)	13,082,000	636,000
Compensated absences	348,294	335,218	(291,459)	392,053	209,370
Net pension liability	1,962,618	389,793	-	2,352,411	-
Other post-employment benefits liability	134,519	5,741	-	140,260	-
Closure/post-closure obligation	38,395	-	-	38,395	-
Business-type activity long-term liabilities	<u>\$ 16,181,826</u>	<u>\$ 730,752</u>	<u>\$ (907,459)</u>	<u>\$ 16,005,119</u>	<u>\$ 845,370</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$46,804, 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 \$152,107 has also been included with governmental activities.

### Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2016, 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	\$ 2,050	\$ 1,111	\$ (496)	\$ 2,665	\$ 1,857
Closure/post-closure obligation	<u>2,748,505</u>	<u>161,638</u>	<u>-</u>	<u>2,910,143</u>	<u>-</u>
Total liabilities	<u>\$ 2,750,555</u>	<u>\$ 162,749</u>	<u>\$ (496)</u>	<u>\$ 2,912,808</u>	<u>\$ 1,857</u>

Activity for Muscatine Power & Water for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net pension liability	\$ -	\$ 12,063,461.0	\$ -	\$ 12,063,461
State revolving fund loan	190,000	-	(29,000)	161,000
Note payable to bank	2,040,000	-	(2,040,000)	-
Post-employment health benefit provision	<u>532,011</u>	<u>-</u>	<u>(48,806)</u>	<u>483,205</u>
Total long-term debt	2,762,011	<u>\$ 12,063,461</u>	<u>\$ (2,117,806)</u>	12,707,666
Less current installments	<u>1,034,000</u>			<u>30,000</u>
Long-term debt, net of current portion	<u>\$ 1,728,011</u>			<u>\$ 12,677,666</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, 2015 was \$161,000.

At December 31, 2015, 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>
2016	30,000	4,380	402
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>\$ 161,000</u>	<u>\$ 12,435</u>	<u>\$ 1,237</u>

Water and communications utility revenues, net of specified operating expenses, are pledged as security of the water and communications debt until fully paid. Principal and interest paid in 2015 and water and communications utility net revenues are as follows:

	<u>Water</u>	<u>Communications</u>
Principal and interest paid	\$ 41,565	\$ 3,286,772
Net revenues	1,338,109	3,613,241

Annual future principal and interest payments are expected to require 3% and 9% of the water and communications utility net revenues, respectively.

**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 \$2,910,143 reported as landfill closure and post closure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 74.54% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$993,707 as the remaining estimated capacity is filled over the 14 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2016. The Agency expects the currently-permitted landfill property to reach its capacity in 2030. 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 2016, 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 6.76 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, 2016 were \$698,589.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$5,456,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City’s proportion was .1104486 percent, which was a decrease of .004975 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$287,978. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 82,549	\$ 1,345
Changes of assumptions	150,429	-
Net differences between projected and actual earnings on pension plan investments	823,582	1,281,371
Changes in proportion and differences between City contributions and proportionate share of contributions	1,326	222,282
City contributions subsequent to the measurement date	<u>698,589</u>	<u>-</u>
Total	<u>\$ 1,756,475</u>	<u>\$ 1,504,998</u>

The \$698,589 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, 2017. 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 ending June 30,</u>	
2017	\$ (210,711)
2018	(210,711)
2019	(210,711)
2020	191,342
2021	<u>(6,321)</u>
Total	<u>\$ (447,112)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24%	6.29%
International equity	16%	6.75%
Private equity/debt	11%	11.32%
Real estate	8%	3.48%
Credit opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other real assets	2%	6.24%
Cash	1%	-0.71%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5)
City's proportionate share of the net pension liability	\$ 9,586,203	\$ 5,456,694	\$ 1,971,133

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, 2016, the City reported payables to the defined benefit pension plan of \$37,337 for legally required employer contributions and \$24,878 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

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

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

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

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

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

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

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

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

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

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

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 27.77 percent for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 were \$1,295,439.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2016.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$8,266,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 1.759589 percent which was an increase of .00455 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$496,420. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 222,223	\$ 14,137
Changes of assumptions	622,012	-
Net differences between projected and actual earnings on pension plan investments	1,399,701	2,250,676
Changes in proportion and differences between City contributions and proportionate share of contributions	117,840	-
City contributions subsequent to the measurement date	<u>1,295,439</u>	<u>-</u>
Total	<u>\$ 3,657,215</u>	<u>\$ 2,264,813</u>

The \$1,295,439 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, 2017. 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 ending June 30,</u>	
2017	\$ (166,653)
2018	(166,653)
2019	(166,653)
2020	532,522
2021	<u>64,400</u>
Total	<u>\$ 96,963</u>

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table 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 Expected Real 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	<u>12.5%</u>	7.0%
Core Investments		40.0%
Tactical Asset Allocation		35.0%
Private Equity		15.0%
Private Non-Core Real Estate	5.0%	9.3%
Private Core Real Estate	<u>5.0%</u>	6.8%
Real Estate		<u>10.0%</u>
		<u>100.0%</u>

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5)
City's proportionate share of the net pension liability	\$ 14,392,747	\$ 8,266,801	\$ 3,176,857

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, 2016, the City reported payables to the defined benefit pension plan of \$58,927 for legally required employer contributions and \$21,370 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, 2016 is as follows:

	<b>IPERS</b>		
	<b>Governmental Activities</b>	<b>Business-type Activites</b>	<b>Total</b>
Net pension liability	\$ (3,112,553)	\$ (2,344,141)	\$ (5,456,694)
Deferred outflows of resources related to pensions	990,966	765,509	1,756,475
Deferred inflows of resources related to pensions	(852,483)	(652,515)	(1,504,998)
Pension expense	160,521	127,457	287,978

	<b>MFPRSI</b>		
	<b>Governmental Activities</b>	<b>Business-type Activites</b>	<b>Total</b>
Net pension liability	\$ (8,258,531)	\$ (8,270)	\$ (8,266,801)
Deferred outflows of resources related to pensions	3,647,704	9,511	3,657,215
Deferred inflows of resources related to pensions	(2,264,813)	-	(2,264,813)
Pension expense	495,179	1,241	496,420

	<b>Total All Pensions</b>		
	<b>Governmental Activities</b>	<b>Business-type Activites</b>	<b>Total</b>
Net pension liability	\$ (11,371,084)	\$ (2,352,411)	\$ (13,723,495)
Deferred outflows of resources related to pensions	4,638,670	775,020	5,413,690
Deferred inflows of resources related to pensions	(3,117,296)	(652,515)	(3,769,811)
Pension expense	655,700	128,698	784,398

**NOTE 8. DEFICIT FUND EQUITY**

One of the City's funds had a fund balance deficit as of June 30, 2016. This fund and the amount of the deficit is as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Non-major capital projects:	
Community development improvements	\$ 22,842

This deficit is not considered a violation of any law, and is 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. For the year ended June 30, 2016, the City contributed \$83,101, which was net of retiree premiums received of \$149,067.

**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	\$ 100,027
Interest on net OPEB obligation	26,591
Adjustment to annual required contribution	<u>(34,596)</u>
Annual OPEB cost (expense)	92,022
Contributions and payments made	<u>83,101</u>
Decrease in net OPEB obligation	8,921
Net OPEB obligation – July 1, 2015	<u>531,810</u>
Net OPEB obligation – June 30, 2016	<u>\$ 540,731</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, 2016 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, 2014	\$ 96,761	105.61%	\$ 601,052
June 30, 2015	90,980	176.11%	531,810
June 30, 2016	92,022	90.31%	540,731

**Funded status and funding progress:** As of July 1, 2014 the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$829,900 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$829,900. The covered payroll (annual payroll of active employees covered by the plan) was \$11,027,533 and the ratio of the UAAL to the covered payroll was 7.5 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 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 \$3,030,000 as of June 30, 2016.

**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 approximately \$3,316,700 for 2016. 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 \$404,267 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, 2016 and 2015 are summarized as follows:

Liabilities at July 1, 2014	\$ 148,937
Claims and changes in estimates during fiscal year 2015	2,483,241
Claim payments	<u>(2,461,738)</u>
Liabilities at June 30, 2015	\$ 170,440
Claims and changes in estimates during fiscal year 2016	2,924,354
Claim payments	<u>(2,690,527)</u>
Liabilities at June 30, 2016	<u>\$ 404,267</u>

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

The City Attorney has reported that as of June 30, 2016, 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, 2016, is \$9,539,219. The Solid Waste Agency has \$121,557 of outstanding contract commitments as of June 30, 2016.

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 2017 is set at \$95,900.

A power purchase agreement for wind energy was entered into in December 2013. It is a 20-year agreement that commences with the wind farm's actual commercial operation date, currently anticipated to be in fourth quarter of 2016. The wind farm is located in Jackson County, Minnesota, which is in the utility's MISO local resource zone. Its projected annual output is 46,691 MWH, approximately 5.5% of native system needs. Terms include a flat rate for delivered energy 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 650,000 tons of coal in 2016 under a contract with one supplier.

The utility has rail transportation agreements with two separate companies for the delivery of coal through December 31, 2017 and December 31, 2016. 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 contract term is from July 1, 2011 through December 31, 2017 where the rate is adjusted quarterly beginning January 2012 plus monthly 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.

Shipment of coal from the interchange point to the utility's generating station is covered by an agreement that began January 1, 2013 and expires December 31, 2016. The contract rate is adjusted quarterly. There is no annual minimum tonnage requirement; however, the utility will nominate their needs by November 1 of the preceding year. 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. 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 the 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. This agreement is in effect until December 2019.

The utility has contracted to sell steam to a local customer. The original ten-year agreement began July 1, 2000. The customer is obligated to take a minimum annual quantity of steam each year (2,338,920 kilo pounds). The contract was amended in 2007 to add an additional ten years to the agreement. The amendment obligates the customer to certain environmental capital costs (approximately \$2 million) and ongoing sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NOx) and mercury emission allowance costs. In December of 2015, the customer notified the utility of their decision to terminate the contract. The customer has agreed to take the minimum annual quantity in 2016, and will be required to reimburse the utility for any of the unrecovered shared capital costs.

## **NOTE 13. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

The City adopted the following statements during the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Standard also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

The implementation of the above standards had no significant impact to the City.

As of June 30, 2016, 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2017. 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. 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. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the City beginning with its year ending June 30, 2017. This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the City's financial position and results of operations, including the City's ability to raise revenue sources in the futures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the City beginning with its year ending June 30, 2017. The objective of this Statement is to address the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provided defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate state or local government employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, issued January 2016, will be effective for the City beginning with its year ending June 30, 2017. 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.

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.

The City's management has not yet determined the effect these GASB Statements will have on the City's financial statements.

**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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final Budget to Actual Variance
				Original	Final	
Revenues:						
Taxes:						
Property	\$ 12,434,982	\$ -	\$ 12,434,982	\$ 12,404,951	\$ 12,404,951	\$ 30,031
Tax increment financing	1,961,342	-	1,961,342	1,951,000	1,954,900	6,442
Other city taxes	3,514,232	-	3,514,232	3,414,003	3,510,003	4,229
Licenses and permits	389,596	17,663	407,259	433,400	373,400	33,859
Use of money and property	265,335	717,455	982,790	1,172,770	1,166,952	(184,162)
Intergovernmental	6,419,109	4,467,556	10,886,665	12,714,643	11,676,813	(790,148)
Charges for services	573,758	13,772,962	14,346,720	13,475,750	13,830,550	516,170
Miscellaneous	2,269,093	3,103,439	5,372,532	5,057,750	4,875,430	497,102
Total revenues	27,827,447	22,079,075	49,906,522	50,624,267	49,792,999	113,523
Expenditures:						
Public safety	8,617,230	-	8,617,230	8,947,000	8,810,200	(192,970)
Public works	2,225,526	-	2,225,526	2,534,500	2,478,700	(253,174)
Health and social service	45,000	-	45,000	45,000	45,000	-
Culture and recreation	3,226,003	-	3,226,003	3,178,250	3,359,950	(133,947)
Community and economic development	3,813,665	-	3,813,665	3,939,320	3,898,540	(84,875)
General government	2,346,786	-	2,346,786	2,394,600	2,443,351	(96,565)
Debt service	4,249,423	-	4,249,423	2,923,068	4,233,068	16,355
Capital projects	4,007,688	-	4,007,688	5,974,600	5,244,700	(1,237,012)
Business type activities	-	22,795,185	22,795,185	24,229,645	23,521,385	(726,200)
Total expenditures	28,531,321	22,795,185	51,326,506	54,165,983	54,034,894	(2,708,388)
Revenues over (under) expenditures	(703,874)	(716,110)	(1,419,984)	(3,541,716)	(4,241,895)	2,821,911
Other financing sources (uses):						
Proceeds of long term debt	4,550,000	-	4,550,000	3,075,000	4,590,000	(40,000)
Premium on long term debt	256,039	-	256,039	-	-	256,039
Proceeds of capital asset sales	29,321	-	29,321	-	-	29,321
Transfers in	9,363,596	5,081,478	14,445,074	15,186,906	16,101,799	(1,656,725)
Transfers out	(11,095,841)	(3,349,233)	(14,445,074)	(15,186,906)	(16,101,799)	1,656,725
Total other financing sources (uses)	3,103,115	1,732,245	4,835,360	3,075,000	4,590,000	245,360
Net change in fund balances	2,399,241	1,016,135	3,415,376	(466,716)	348,105	3,067,271
Fund balances, June 30, 2015	21,404,228	9,597,077	31,001,305	28,839,821	30,985,006	4,728,621
Fund balances, June 30, 2016	\$ 23,803,469	\$ 10,613,212	\$ 34,416,681	\$ 28,373,105	\$ 31,333,111	\$ 7,795,892

See notes to Required Supplementary Information.

**City of Muscatine, Iowa**  
**Budget to GAAP Reconciliation**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2016**

	<b>Governmental Funds</b>			<b>Proprietary Funds</b>		
	<b>Budget Basis</b>	<b>Adjustments</b>	<b>GAAP Basis</b>	<b>Enterprise and Budgeted Internal Service Funds Budget Basis</b>	<b>Adjustments</b>	<b>Enterprise and Internal Service Funds GAAP Basis</b>
Revenues	\$ 27,827,447	\$ 109,032	\$ 27,936,479	\$ 22,079,075	\$ (438,232)	\$ 21,640,843
Expenditures/expenses	28,531,321	(106,502)	28,424,819	22,795,185	(3,240,392)	19,554,793
Net	(703,874)	215,534	(488,340)	(716,110)	2,802,160	2,086,050
Other financing sources (uses), net	3,103,115	(109,030)	2,994,085	1,732,245	79,710	1,811,955
Beginning fund balances/net position	21,404,228	97,875	21,502,103	9,597,077	65,840,145	75,437,222
Ending fund balances/net position	<u>\$ 23,803,469</u>	<u>\$ 204,379</u>	<u>\$ 24,007,848</u>	<u>\$ 10,613,212</u>	<u>\$ 68,722,015</u>	<u>\$ 79,335,227</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>UAAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2012	7-1-2010	-	\$ 1,302,300	\$ 1,302,300	0%	\$ 10,108,158	12.9%
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%

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 Two Fiscal Years**

---

	<u>2016*</u>	<u>2015*</u>
City's proportion of the net pension liability	11.044860%	0.115423%
City's proportionate share of the net pension liability	\$ 5,456,694	\$ 4,577,583
City's covered-employee payroll	\$ 7,667,711	\$ 7,653,736
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.2%	59.8%
Plan fiduciary net pension as a percentage of the total pension liability	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**

---

	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 698,589	\$ 685,356	\$ 683,964	\$ 649,682	\$ 596,712
Contributions in relation to the statutorily required contribution	(698,589)	(685,356)	(683,964)	(649,682)	(596,712)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 7,817,478	\$ 7,667,711	\$ 7,653,736	\$ 7,481,151	\$ 7,369,945
Contributions as a percentage of covered-employee payroll	8.94%	8.94%	8.94%	8.68%	8.10%

See Notes to Required Supplementary Information

---

2011	2010	2009	2008	2007
\$ 507,528	\$ 470,940	\$ 424,711	\$ 390,058	\$ 356,355
(507,528)	(470,940)	(424,711)	(390,058)	(356,355)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,256,425	\$ 7,067,957	\$ 6,675,798	\$ 6,440,504	\$ 6,196,885
6.99%	6.66%	6.36%	6.06%	5.75%

**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 Two Fiscal Years**

---

	<u>2016*</u>	<u>2015*</u>
City's proportion of the net pension liability	1.759589%	1.755039%
City's proportionate share of the net pension liability	\$ 8,266,801	\$ 6,361,984
City's covered-employee payroll	\$ 4,623,077	\$ 4,500,650
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.82%	141.36%
Plan fiduciary net pension as a percentage of the total pension liability	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

**City of Muscatine**

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

---

	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 1,295,439	\$ 1,400,892	\$ 1,356,118	\$ 1,138,474	\$ 1,029,442
Contributions in relation to the statutorily required contribution	(1,295,439)	(1,400,892)	(1,356,118)	(1,138,474)	(1,029,442)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 4,703,400	\$ 4,623,077	\$ 4,500,650	\$ 4,333,916	\$ 4,149,554
Contributions as a percentage of covered-employee payroll	27.54%	30.30%	30.13%	26.27%	24.81%

See Notes to Required Supplementary Information

---

2011	2010	2009	2008	2007
\$ 778,181	\$ 654,034	\$ 689,566	\$ 864,972	\$ 917,640
(778,181)	(654,034)	(689,566)	(864,972)	(917,640)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,881,771	\$ 3,829,781	\$ 3,686,057	\$ 3,414,505	\$ 3,311,218
20.05%	17.08%	18.71%	25.33%	27.71%

## CITY OF MUSCATINE, IOWA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

#### **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 decreased budgeted disbursements in total by \$131,089. The most significant decrease was in the capital projects funds primarily due to changes in capital project construction schedules. The most significant increase was in the debt service fund due to refunding the final two years of the 2008 Series A bond issue. 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, 2016 expenditures did not exceed the budgeted amounts in any of the functions with the exception of the debt service function. Debt service expenditures exceeded the budgeted amount by \$16,335 due to bond issuance costs on the refunding bonds issued during the year.

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

##### **IPERS**

###### *Changes of benefit terms:*

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

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

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

###### *Changes of assumptions:*

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

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

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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

## **MFPRSI**

### *Changes of benefit terms:*

There were no significant changes of benefit terms.

### *Changes of assumptions:*

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

# NON-MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **CAPITAL PROJECTS FUNDS**

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

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

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

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

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

## **PERMANENT FUNDS**

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

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

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

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

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

City of Muscatine, Iowa

Non-Major Governmental Funds  
 Combining Balance Sheet  
 June 30, 2016

	Special Revenue	Capital Projects	Permanent	Totals
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,794,196	\$ 1,768,233	\$ 59,302	\$ 3,621,731
Investments	227,193	-	972,000	1,199,193
Receivables (net of allowance for uncollectibles):				
Interest	467	-	3,207	3,674
Taxes	1,882,793	-	-	1,882,793
Intergovernmental	14,842	22,052	-	36,894
Accounts	761	-	1,100	1,861
Advances to other funds	-	34,416	-	34,416
Total assets	<u>3,920,252</u>	<u>1,824,701</u>	<u>1,035,609</u>	<u>6,780,562</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	84,775	411,452	-	496,227
Retainages payable	-	94,677	-	94,677
Escrow liability	23,026	-	-	23,026
Advances from other funds	-	34,416	2,974	37,390
Total liabilities	<u>107,801</u>	<u>540,545</u>	<u>2,974</u>	<u>651,320</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>1,879,000</u>	<u>-</u>	<u>-</u>	<u>1,879,000</u>
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Permanent fund principal	-	-	1,003,832	1,003,832
<b>Restricted for:</b>				
Grant purposes	45,826	-	-	45,826
Housing assistance payments	18,246	-	-	18,246
Tax levy purposes	1,012,673	-	-	1,012,673
Housing and community development	161,338	-	-	161,338
Law enforcement	33,240	-	-	33,240
Art center	515,496	-	5,795	521,291
Library	146,632	-	-	146,632
Cemetery	-	-	23,008	23,008
Sidewalk improvement projects	-	631	-	631
Building improvement projects	-	1,189,973	-	1,189,973
Parks and recreation projects	-	116,394	-	116,394
Unassigned	<u>-</u>	<u>(22,842)</u>	<u>-</u>	<u>(22,842)</u>
Total fund balances	<u>1,933,451</u>	<u>1,284,156</u>	<u>1,032,635</u>	<u>4,250,242</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,920,252</u>	<u>\$ 1,824,701</u>	<u>\$ 1,035,609</u>	<u>\$ 6,780,562</u>

**City of Muscatine, Iowa**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2016**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,961,342	\$ -	\$ -	\$ 1,961,342
Intergovernmental	2,131,002	22,294	-	2,153,296
Use of money and property	4,520	556	15,942	21,018
Other	247,059	228,420	11,654	487,133
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4,343,923	251,270	27,596	4,622,789
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>				
Current:				
Public safety	5,303	-	-	5,303
Culture and recreation	99,688	-	3,342	103,030
Community and economic development	3,061,542	-	-	3,061,542
Debt service:				
Principal	120,000	-	-	120,000
Interest	45,065	-	-	45,065
Capital outlay:				
Public safety	5,753	148,983	-	154,736
Public works	-	729,400	-	729,400
Culture and recreation	53,086	232,919	-	286,005
Community and economic development	-	28,049	-	28,049
General government	-	812,656	-	812,656
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,390,437	1,952,007	3,342	5,345,786
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	953,486	(1,700,737)	24,254	(722,997)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>				
General obligation bonds issued	-	2,438,000	-	2,438,000
General obligation bond premium	-	211,712	-	211,712
Transfers in	201,000	1,112,779	-	1,313,779
Transfers out	(828,950)	(512,600)	(14,322)	(1,355,872)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(627,950)	3,249,891	(14,322)	2,607,619
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	325,536	1,549,154	9,932	1,884,622
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficits), June 30, 2015	1,607,915	(264,998)	1,022,703	2,365,620
	<hr/>	<hr/>	<hr/>	<hr/>
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>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2016

	Community Development Block Grant	1st Time Home Owners Program	Section 8 Housing Program	Sunset Park Education Program	Police Forfeitures	Downtown Tax Increment	Southend Tax Increment
<b>ASSETS</b>							
Cash and pooled investments	\$ 30,636	\$ 81,794	\$ 62,122	\$ 7,296	\$ 33,240	\$ 37,834	\$ 880,367
Investments	-	-	47,193	-	-	-	-
Receivables (net of allowance for uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	210,000	1,233,209
Accounts	-	462	299	-	-	-	-
Intergovernmental	-	9,800	5,042	-	-	-	-
Total assets	<u>30,636</u>	<u>92,056</u>	<u>114,656</u>	<u>7,296</u>	<u>33,240</u>	<u>247,834</u>	<u>2,113,576</u>
<b>LIABILITIES</b>							
Accounts payable and accruals	-	7,502	27,558	2,568	-	-	-
Escrow liability	-	-	23,026	-	-	-	-
Total liabilities	<u>-</u>	<u>7,502</u>	<u>50,584</u>	<u>2,568</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	-	-	-	-	-	210,000	1,230,000
<b>FUND BALANCES</b>							
<b>Restricted for:</b>							
Grant purposes	-	-	45,826	-	-	-	-
Housing assistance payments	-	-	18,246	-	-	-	-
Tax levy purposes	-	-	-	-	-	37,834	883,576
Housing and community development	30,636	84,554	-	4,728	-	-	-
Law enforcement	-	-	-	-	33,240	-	-
Art center	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Total fund balances	<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>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,636</u>	<u>\$ 92,056</u>	<u>\$ 114,656</u>	<u>\$ 7,296</u>	<u>\$ 33,240</u>	<u>\$ 247,834</u>	<u>\$ 2,113,576</u>

<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Highway 38 Northeast Tax Increment</u>	<u>Heinz Tax Increment</u>	<u>Fridley Theater Tax Increment</u>	<u>Small Business Forgivable Loan Program</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Total</u>
\$ 46,073	\$ 54,966	\$ 20,055	\$ 3,888	\$ 7,730	\$ 41,420	\$ 335,586 180,000	\$ 151,189	\$ 1,794,196 227,193
-	-	-	-	-	-	467	-	467
245,000	38,000	60,584	21,000	75,000	-	-	-	1,882,793
-	-	-	-	-	-	-	-	761
-	-	-	-	-	-	-	-	14,842
<u>291,073</u>	<u>92,966</u>	<u>80,639</u>	<u>24,888</u>	<u>82,730</u>	<u>41,420</u>	<u>516,053</u>	<u>151,189</u>	<u>3,920,252</u>
-	42,033	-	-	-	-	557	4,557	84,775
-	-	-	-	-	-	-	-	23,026
-	42,033	-	-	-	-	557	4,557	107,801
<u>245,000</u>	<u>38,000</u>	<u>60,000</u>	<u>21,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879,000</u>
-	-	-	-	-	-	-	-	45,826
-	-	-	-	-	-	-	-	18,246
46,073	12,933	20,639	3,888	7,730	-	-	-	1,012,673
-	-	-	-	-	41,420	-	-	161,338
-	-	-	-	-	-	-	-	33,240
-	-	-	-	-	-	515,496	-	515,496
-	-	-	-	-	-	-	146,632	146,632
<u>46,073</u>	<u>12,933</u>	<u>20,639</u>	<u>3,888</u>	<u>7,730</u>	<u>41,420</u>	<u>515,496</u>	<u>146,632</u>	<u>1,933,451</u>
<u>\$ 291,073</u>	<u>\$ 92,966</u>	<u>\$ 80,639</u>	<u>\$ 24,888</u>	<u>\$ 82,730</u>	<u>\$ 41,420</u>	<u>\$ 516,053</u>	<u>\$ 151,189</u>	<u>\$ 3,920,252</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2016

	<u>Community Development Block Grant</u>	<u>1st Time Home Owners Program</u>	<u>Section 8 Housing Program</u>	<u>Sunset Park Education Program</u>	<u>Police Forfeitures</u>	<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>
<b>REVENUES</b>							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,357	\$ 1,154,348
Intergovernmental:							
HUD grants	-	11,516	1,980,798	-	-	-	-
State grants	-	-	-	-	-	-	-
Local grants	-	19,300	-	-	-	-	-
Commercial and industrial state reimbursement		-	-	-	-	2,950	55,034
Interest	34	98	52	8	22	125	1,211
Other:							
Donations	-	-	-	25,475	-	-	-
Miscellaneous	-	317	3,978	-	-	-	-
Total revenues	<u>34</u>	<u>31,231</u>	<u>1,984,828</u>	<u>25,483</u>	<u>22</u>	<u>214,432</u>	<u>1,210,593</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	-	-	5,303	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	53,409	1,970,300	27,808	-	-	637,877
Capital outlay:							
Public safety	-	-	-	-	5,753	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	120,000
Interest	-	-	-	-	-	-	45,065
Total expenditures	<u>-</u>	<u>53,409</u>	<u>1,970,300</u>	<u>27,808</u>	<u>11,056</u>	<u>-</u>	<u>802,942</u>
Revenues over (under) expenditures	<u>34</u>	<u>(22,178)</u>	<u>14,528</u>	<u>(2,325)</u>	<u>(11,034)</u>	<u>214,432</u>	<u>407,651</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	1,000	-	-	-
Transfers out	(1,000)	-	-	-	-	(208,450)	(354,500)
Total other financing sources (uses)	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>(208,450)</u>	<u>(354,500)</u>
Net change in fund balances	(966)	(22,178)	14,528	(1,325)	(11,034)	5,982	53,151
Fund balances (deficits), June 30, 2015	<u>31,602</u>	<u>106,732</u>	<u>49,544</u>	<u>6,053</u>	<u>44,274</u>	<u>31,852</u>	<u>830,425</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>

<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Highway 38 Northeast Tax Increment</u>	<u>Heinz Tax Increment</u>	<u>Fridley Tax Increment</u>	<u>Small Business Forgivable Loan Program</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Total</u>
\$ 191,227	\$ 45,291	\$ 283,632	\$ -	\$ 75,487	\$ -	\$ -	\$ -	\$ 1,961,342
-	-	-	-	-	-	-	-	1,992,314
-	-	-	-	-	-	16,612	25,523	42,135
-	-	-	-	-	-	-	-	19,300
-	-	19,269	-	-	-	-	-	77,253
63	34	126	5	3	-	2,553	186	4,520
-	-	-	-	-	-	198,211	11,063	234,749
-	-	-	-	-	280	2,495	5,240	12,310
<u>191,290</u>	<u>45,325</u>	<u>303,027</u>	<u>5</u>	<u>75,490</u>	<u>280</u>	<u>219,871</u>	<u>42,012</u>	<u>4,343,923</u>
-	-	-	-	-	-	-	-	5,303
-	-	-	-	-	-	50,814	48,874	99,688
182,958	42,032	20,328	-	67,760	59,070	-	-	3,061,542
-	-	-	-	-	-	-	-	5,753
-	-	-	-	-	-	35,344	17,742	53,086
-	-	-	-	-	-	-	-	120,000
-	-	-	-	-	-	-	-	45,065
<u>182,958</u>	<u>42,032</u>	<u>20,328</u>	<u>-</u>	<u>67,760</u>	<u>59,070</u>	<u>86,158</u>	<u>66,616</u>	<u>3,390,437</u>
<u>8,332</u>	<u>3,293</u>	<u>282,699</u>	<u>5</u>	<u>7,730</u>	<u>(58,790)</u>	<u>133,713</u>	<u>(24,604)</u>	<u>953,486</u>
-	-	-	-	-	200,000	-	-	201,000
-	-	(265,000)	-	-	-	-	-	(828,950)
-	-	(265,000)	-	-	200,000	-	-	(627,950)
8,332	3,293	17,699	5	7,730	141,210	133,713	(24,604)	325,536
<u>37,741</u>	<u>9,640</u>	<u>2,940</u>	<u>3,883</u>	<u>-</u>	<u>(99,790)</u>	<u>381,783</u>	<u>171,236</u>	<u>1,607,915</u>
<u>\$ 46,073</u>	<u>\$ 12,933</u>	<u>\$ 20,639</u>	<u>\$ 3,888</u>	<u>\$ 7,730</u>	<u>\$ 41,420</u>	<u>\$ 515,496</u>	<u>\$ 146,632</u>	<u>\$ 1,933,451</u>

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Balance Sheet  
June 30, 2016**

	<u>Community Development Improvements</u>	<u>Street and Sidewalk Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Other Public Improvements</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and pooled investments	\$ -	\$ 784	\$ 29,718	\$ 1,737,731	\$ 1,768,233
Receivables:					
Intergovernmental	22,052	-	-	-	22,052
Advances to other funds	-	-	-	34,416	34,416
Total assets	<u>22,052</u>	<u>784</u>	<u>29,718</u>	<u>1,772,147</u>	<u>1,824,701</u>
<b>LIABILITIES</b>					
Accounts payable	10,478	153	2,572	398,249	411,452
Retainages payable	-	-	-	94,677	94,677
Advances from other funds	34,416	-	-	-	34,416
Total liabilities	<u>44,894</u>	<u>153</u>	<u>2,572</u>	<u>492,926</u>	<u>540,545</u>
<b>FUND BALANCES (DEFICITS)</b>					
<b>Restricted for:</b>					
Sidewalk improvement projects	-	631	-	-	631
Building improvement projects	-	-	-	1,189,973	1,189,973
Parks and recreation projects	-	-	27,146	89,248	116,394
<b>Unassigned</b>	<u>(22,842)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,842)</u>
Total fund balances (deficits)	<u>(22,842)</u>	<u>631</u>	<u>27,146</u>	<u>1,279,221</u>	<u>1,284,156</u>
Total liabilities and fund balances (deficits)	<u>\$ 22,052</u>	<u>\$ 784</u>	<u>\$ 29,718</u>	<u>\$ 1,772,147</u>	<u>\$ 1,824,701</u>

City of Muscatine, Iowa

**Non-Major Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2016**

	<b>Community Development Improvements</b>	<b>Street and Sidewalk Improvements</b>	<b>Riverfront Improvement Projects</b>	<b>Other Public Improvements</b>	<b>Total</b>
<b>REVENUES</b>					
Intergovernmental:					
Federal grants	\$ 22,294	\$ -	\$ -	\$ -	\$ 22,294
Interest	54	25	4	473	556
Other:					
Contributions	-	-	5,000	210,346	215,346
Reimbursement of costs	13,074	-	-	-	13,074
Total revenues	<u>35,422</u>	<u>25</u>	<u>5,004</u>	<u>210,819</u>	<u>251,270</u>
<b>EXPENDITURES</b>					
Capital outlay:					
Public safety	-	-	-	148,983	148,983
Public works	-	726,577	2,823	-	729,400
Culture and recreation	-	-	-	232,919	232,919
Community and economic development	28,049	-	-	-	28,049
General government	-	-	-	812,656	812,656
Total expenditures	<u>28,049</u>	<u>726,577</u>	<u>2,823</u>	<u>1,194,558</u>	<u>1,952,007</u>
Revenues over (under) expenditures	<u>7,373</u>	<u>(726,552)</u>	<u>2,181</u>	<u>(983,739)</u>	<u>(1,700,737)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
General obligation bonds issued	8,700	-	-	2,429,300	2,438,000
General obligation bond premium	-	-	-	211,712	211,712
Transfers in	703	619,083	95,872	397,121	1,112,779
Transfers out	-	(300)	-	(512,300)	(512,600)
Total other financing sources (uses)	<u>9,403</u>	<u>618,783</u>	<u>95,872</u>	<u>2,525,833</u>	<u>3,249,891</u>
Net change in fund balances	16,776	(107,769)	98,053	1,542,094	1,549,154
Fund balances (deficits), June 30, 2015	<u>(39,618)</u>	<u>108,400</u>	<u>(70,907)</u>	<u>(262,873)</u>	<u>(264,998)</u>
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>

City of Muscatine, Iowa

**Non-Major Permanent Funds  
Combining Balance Sheet  
June 30, 2016**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 45,639	\$ 13,032	\$ -	\$ 631	\$ 59,302
Investments	60,000	857,700	-	54,300	972,000
Receivables:					
Interest	156	-	2,974	77	3,207
Accounts	-	1,100	-	-	1,100
Total assets	<u>105,795</u>	<u>871,832</u>	<u>2,974</u>	<u>55,008</u>	<u>1,035,609</u>
<b>LIABILITIES</b>					
Advances from other funds	-	-	2,974	-	2,974
Total liabilities	<u>-</u>	<u>-</u>	<u>2,974</u>	<u>-</u>	<u>2,974</u>
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
Permanent fund principal	100,000	871,832	-	32,000	1,003,832
<b>Restricted for:</b>					
Cemetery	-	-	-	23,008	23,008
Art center	5,795	-	-	-	5,795
Total fund balances	<u>105,795</u>	<u>871,832</u>	<u>-</u>	<u>55,008</u>	<u>1,032,635</u>
Total liabilities and fund balances	<u>\$ 105,795</u>	<u>\$ 871,832</u>	<u>\$ 2,974</u>	<u>\$ 55,008</u>	<u>\$ 1,035,609</u>

City of Muscatine, Iowa

**Non-Major Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2016**

	<u>McWhirter- Gilmore Trust</u>	<u>Perpetual Care Trust</u>	<u>Perpetual Care Interest Trust</u>	<u>Cemetery Special Trusts</u>	<u>Total</u>
<b>REVENUES</b>					
Cemetery perpetual care	\$ -	\$ 11,654	\$ -	\$ -	\$ 11,654
Interest	789	-	14,322	831	15,942
Total revenues	789	11,654	14,322	831	27,596
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	-	-	-	3,342	3,342
Revenues over (under) expenditures	789	11,654	14,322	(2,511)	24,254
<b>OTHER FINANCING (USES)</b>					
Transfers out	-	-	(14,322)	-	(14,322)
Net change in fund balances	789	11,654	-	(2,511)	9,932
Fund balances, June 30, 2015	<u>105,006</u>	<u>860,178</u>	<u>-</u>	<u>57,519</u>	<u>1,022,703</u>
Fund balances, June 30, 2016	<u>\$ 105,795</u>	<u>\$ 871,832</u>	<u>\$ -</u>	<u>\$ 55,008</u>	<u>\$ 1,032,635</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, 2016

	Parking Operations	Transit Operations	Golf Course	Boat Harbor	Marina Operations
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 126,250	\$ 338,534	\$ 17,112	\$ 3,846	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	1,005	35,212	1,060	-	620
Intergovernmental:					
Federal	-	69,258	-	-	-
County	-	-	-	-	-
Due from other funds	-	-	-	2,844	-
Inventories	-	-	38,367	-	5,006
Prepaid items	-	-	6,535	-	-
Total current assets	<u>127,255</u>	<u>443,004</u>	<u>63,074</u>	<u>6,690</u>	<u>5,626</u>
Noncurrent assets:					
Capital assets:					
Land	579,686	-	80,000	-	-
Land improvements	1,288,350	-	1,348,305	172,339	-
Buildings and building improvements	-	20,426	785,943	-	-
Equipment	42,370	6,054	411,645	-	-
Vehicles	-	811,904	16,534	-	-
Less accumulated depreciation	(781,118)	(548,761)	(1,707,359)	(147,447)	-
Total capital assets net of accumulated depreciation	<u>1,129,288</u>	<u>289,623</u>	<u>935,068</u>	<u>24,892</u>	<u>-</u>
Total noncurrent assets	<u>1,129,288</u>	<u>289,623</u>	<u>935,068</u>	<u>24,892</u>	<u>-</u>
Total assets	<u>1,256,543</u>	<u>732,627</u>	<u>998,142</u>	<u>31,582</u>	<u>5,626</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	<u>26,156</u>	<u>127,294</u>	<u>41,827</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	10,943	43,678	65,296	1,428	2,782
Compensated absences payable	8,966	15,596	10,343	1,476	-
Due to other funds	-	-	-	-	2,844
Deposits	-	-	-	-	-
Unearned revenue	24,546	672	19,324	-	-
Total current liabilities	<u>44,455</u>	<u>59,946</u>	<u>94,963</u>	<u>2,904</u>	<u>5,626</u>
Noncurrent liabilities:					
Compensated absences	10,415	12,904	2,844	722	-
Other post-employment benefits	3,730	3,197	7,992	-	-
Net pension obligation	81,956	398,850	104,479	-	-
Total noncurrent liabilities	<u>96,101</u>	<u>414,951</u>	<u>115,315</u>	<u>722</u>	<u>-</u>
Total liabilities	<u>140,556</u>	<u>474,897</u>	<u>210,278</u>	<u>3,626</u>	<u>5,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	<u>22,417</u>	<u>109,096</u>	<u>24,444</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	1,129,288	289,623	935,068	24,892	-
Unrestricted	(9,562)	(13,695)	(129,821)	3,064	-
Total net position	<u>\$ 1,119,726</u>	<u>\$ 275,928</u>	<u>\$ 805,247</u>	<u>\$ 27,956</u>	<u>\$ -</u>

<u>Convention and Visitors Bureau</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 120,074	\$ 62,828	\$ 5,019	\$ 673,663
-	-	275,689	275,689
-	240,300	12,138	290,335
-	-	-	69,258
-	12,529	-	12,529
-	-	-	2,844
-	-	-	43,373
-	-	-	6,535
<u>120,074</u>	<u>315,657</u>	<u>292,846</u>	<u>1,374,226</u>
-	-	105,000	764,686
-	-	206,873	3,015,867
-	-	8,109,836	8,916,205
11,412	379,702	111,847	963,030
-	636,892	71,006	1,536,336
<u>(7,988)</u>	<u>(448,372)</u>	<u>(7,240,599)</u>	<u>(10,881,644)</u>
<u>3,424</u>	<u>568,222</u>	<u>1,363,963</u>	<u>4,314,480</u>
<u>3,424</u>	<u>568,222</u>	<u>1,363,963</u>	<u>4,314,480</u>
<u>123,498</u>	<u>883,879</u>	<u>1,656,809</u>	<u>5,688,706</u>
<u>8,466</u>	<u>38,168</u>	<u>60,527</u>	<u>302,438</u>
7,224	32,647	117,176	281,174
354	7,117	15,344	59,196
-	-	-	2,844
-	-	49,587	49,587
-	-	3,185	47,727
<u>7,578</u>	<u>39,764</u>	<u>185,292</u>	<u>440,528</u>
-	9,131	4,598	40,614
2,664	2,664	12,494	32,741
<u>22,731</u>	<u>55,030</u>	<u>182,054</u>	<u>845,100</u>
<u>25,395</u>	<u>66,825</u>	<u>199,146</u>	<u>918,455</u>
<u>32,973</u>	<u>106,589</u>	<u>384,438</u>	<u>1,358,983</u>
<u>5,626</u>	<u>25,894</u>	<u>48,615</u>	<u>236,092</u>
3,424	568,222	1,363,963	4,314,480
<u>89,941</u>	<u>221,342</u>	<u>(79,680)</u>	<u>81,589</u>
<u>\$ 93,365</u>	<u>\$ 789,564</u>	<u>\$ 1,284,283</u>	<u>\$ 4,396,069</u>

City of Muscatine, Iowa

Non-Major Enterprise Funds  
 Combining Statement of Revenues, Expenses and Changes in Net Position  
 Year Ended June 30, 2016

	Parking Operations	Transit Operations	Golf Course	Boat Harbor	Marina Operations
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Parking fees	218,424	-	-	-	-
Transit fees	-	239,599	-	-	-
Golf course fees	-	-	746,569	-	-
Boat harbor fees	-	-	-	21,293	-
Rents	-	-	-	-	-
Other	-	1,331	23,881	-	11,441
Total operating revenues	218,424	240,930	770,450	21,293	11,441
Operating expenses:					
Cost of sales and services:					
Personal services	146,256	676,240	326,906	14,468	1,533
Commodities	8,925	73,859	172,066	1,146	9,603
Contractual services	19,877	155,843	123,271	2,867	925
Administration	22,500	18,100	53,100	5,800	-
Depreciation	41,390	71,050	111,182	3,924	-
Total operating expenses	238,948	995,092	786,525	28,205	12,061
Operating income (loss)	(20,524)	(754,162)	(16,075)	(6,912)	(620)
Non-operating revenues (expenses):					
Federal, state and local grants	-	603,469	-	-	-
Interest revenue	112	243	136	2	-
Gain (loss) on sale of capital assets	-	-	-	-	-
Non-operating revenues (expenses), net	112	603,712	136	2	-
Income (loss) before capital contributions and transfers	(20,412)	(150,450)	(15,939)	(6,910)	(620)
Capital contributions - government	-	-	-	-	-
Transfers in	-	250,653	-	-	620
Transfers out	-	-	-	-	-
Change in net position	(20,412)	100,203	(15,939)	(6,910)	-
Net position, June 30, 2015	1,140,138	175,725	821,186	34,866	-
Net position, June 30, 2016	\$ 1,119,726	\$ 275,928	\$ 805,247	\$ 27,956	\$ -

<u>Convention and Visitors Bureau</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ -	\$ 1,477,225	\$ -	\$ 1,477,225
-	-	-	218,424
-	-	-	239,599
-	-	-	746,569
-	-	-	21,293
-	-	444,452	444,452
<u>4,360</u>	<u>34,680</u>	<u>43,745</u>	<u>119,438</u>
<u>4,360</u>	<u>1,511,905</u>	<u>488,197</u>	<u>3,267,000</u>
48,759	193,425	346,276	1,753,863
300	118,775	50,670	435,344
28,156	164,160	369,680	864,779
3,900	36,600	-	140,000
<u>2,282</u>	<u>102,342</u>	<u>282,198</u>	<u>614,368</u>
<u>83,397</u>	<u>615,302</u>	<u>1,048,824</u>	<u>3,808,354</u>
<u>(79,037)</u>	<u>896,603</u>	<u>(560,627)</u>	<u>(541,354)</u>
1,250	37,500	355,467	997,686
129	132	310	1,064
-	(7,456)	-	(7,456)
<u>1,379</u>	<u>30,176</u>	<u>355,777</u>	<u>991,294</u>
(77,658)	926,779	(204,850)	449,940
-	146,995	-	146,995
88,467	-	-	339,740
-	(833,200)	-	(833,200)
<u>10,809</u>	<u>240,574</u>	<u>(204,850)</u>	<u>103,475</u>
<u>82,556</u>	<u>548,990</u>	<u>1,489,133</u>	<u>4,292,594</u>
<u>\$ 93,365</u>	<u>\$ 789,564</u>	<u>\$ 1,284,283</u>	<u>\$ 4,396,069</u>

**City of Muscatine, Iowa**  
**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2016**

	<u>Parking Operations</u>	<u>Transit Operations</u>	<u>Golf Course</u>	<u>Boat Harbor</u>	<u>Marina Operations</u>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 225,605	\$ 222,776	\$ 767,937	\$ 21,293	\$ 11,133
Payments to suppliers	(28,820)	(41,084)	(272,305)	(4,074)	(12,514)
Payments to employees	(113,439)	(571,816)	(255,159)	(11,611)	(1,308)
Payments for employee benefits	(36,085)	(119,448)	(76,565)	(2,332)	(167)
Payments for interfund services used	(22,500)	(208,065)	(55,668)	(5,800)	-
Net cash provided (used) by operating activities	<u>24,761</u>	<u>(717,637)</u>	<u>108,240</u>	<u>(2,524)</u>	<u>(2,856)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	-	250,653	-	-	620
Advances from other funds	-	-	-	-	2,844
Advances to other funds	-	-	-	(2,844)	-
Repayment of advances from other funds	-	-	(91,264)	-	(608)
Repayment of advances to other funds	-	-	-	608	-
Subsidies from federal, state and local grants	-	595,553	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>846,206</u>	<u>(91,264)</u>	<u>(2,236)</u>	<u>2,856</u>
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	-	-	-	-
Purchase of capital assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	112	243	136	2	-
Net cash provided (used) by investing activities	<u>112</u>	<u>243</u>	<u>136</u>	<u>2</u>	<u>-</u>
Net increase (decrease) in cash and pooled investments	24,873	128,812	17,112	(4,758)	-
Cash and pooled investments, June 30, 2015	<u>101,377</u>	<u>209,722</u>	<u>-</u>	<u>8,604</u>	<u>-</u>
Cash and pooled investments, June 30, 2016	<u>\$ 126,250</u>	<u>\$ 338,534</u>	<u>\$ 17,112</u>	<u>\$ 3,846</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (20,524)	\$ (754,162)	\$ (16,075)	\$ (6,912)	\$ (620)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	41,390	71,050	111,182	3,924	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	1,995	(18,317)	(347)	-	(308)
Prepaid expenses	-	-	2,135	-	-
Inventories	-	-	4,281	-	(502)
Deferred outflows of resources	(13,586)	(66,121)	(26,744)	-	-
Increase (decrease) in:					
Accounts payable and accruals	1,054	1,264	18,656	59	(1,426)
Compensated absences payable	(112)	3,123	2,373	405	-
Other post-employment benefits	44	37	93	-	-
Deferred revenue	5,186	163	(2,166)	-	-
Deposits	-	-	-	-	-
Net pension liability	13,141	63,951	21,901	-	-
Deferred inflows of resources	(3,827)	(18,625)	(7,049)	-	-
Total adjustments	<u>45,285</u>	<u>36,525</u>	<u>124,315</u>	<u>4,388</u>	<u>(2,236)</u>
Net cash provided (used) by operating activities	<u>\$ 24,761</u>	<u>\$ (717,637)</u>	<u>\$ 108,240</u>	<u>\$ (2,524)</u>	<u>\$ (2,856)</u>
<b>Non-cash capital and related financing activities:</b>					
Contribution of capital assets from government	\$ -	\$ -	\$ -	\$ -	\$ -

<b>Convention and Visitors Bureau</b>	<b>Ambulance Operations</b>	<b>Public Housing</b>	<b>Total</b>
\$ 4,513	\$ 1,352,978	\$ 483,204	\$ 3,089,439
(37,266)	(249,168)	(341,196)	(986,427)
(36,147)	(149,369)	(271,850)	(1,410,699)
(11,446)	(43,876)	(78,390)	(368,309)
(3,900)	(65,828)	(51,046)	(412,807)
<u>(84,246)</u>	<u>844,737</u>	<u>(259,278)</u>	<u>(88,803)</u>
-	(833,200)	-	(833,200)
88,467	-	-	339,740
-	-	-	2,844
-	-	-	(2,844)
-	-	-	(91,872)
-	-	-	608
1,250	-	363,119	959,922
<u>89,717</u>	<u>(833,200)</u>	<u>363,119</u>	<u>375,198</u>
-	37,500	-	37,500
-	(34,049)	(51,224)	(85,273)
-	3,451	(51,224)	(47,773)
-	-	310,699	310,699
-	-	(364,026)	(364,026)
129	132	310	1,064
<u>129</u>	<u>132</u>	<u>(53,017)</u>	<u>(52,263)</u>
5,600	15,120	(400)	186,359
<u>114,474</u>	<u>47,708</u>	<u>5,419</u>	<u>487,304</u>
<u>\$ 120,074</u>	<u>\$ 62,828</u>	<u>\$ 5,019</u>	<u>\$ 673,663</u>
<u>\$ (79,037)</u>	<u>\$ 896,603</u>	<u>\$ (560,627)</u>	<u>\$ (541,354)</u>
2,282	102,342	282,198	614,368
153	(141,927)	(5,664)	(164,415)
-	-	-	2,135
-	-	-	3,779
(5,114)	(22,945)	(32,874)	(167,384)
(8,396)	5,503	30,494	47,208
194	5,336	3,365	14,684
2,664	31	1,620	4,489
-	(17,000)	(129)	(13,946)
-	-	800	800
4,380	19,229	30,661	153,263
(1,372)	(2,435)	(9,122)	(42,430)
<u>(5,209)</u>	<u>(51,866)</u>	<u>301,349</u>	<u>452,551</u>
<u>\$ (84,246)</u>	<u>\$ 844,737</u>	<u>\$ (259,278)</u>	<u>\$ (88,803)</u>
\$ -	\$ 146,995	\$ -	\$ 146,995

## **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, 2016

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 28,211	\$ -	\$ 1,484,289	\$ 27,652	\$ 1,540,152
Receivables:					
Accounts	6,594	-	-	-	6,594
Due from fiduciary funds	-	-	25,501	-	25,501
Due from other funds	-	-	1,357	-	1,357
Inventories	108,451	2,333	-	-	110,784
Total current assets	143,256	2,333	1,511,147	27,652	1,684,388
Capital assets:					
Equipment	117,956	-	-	-	117,956
Vehicles	23,438	-	-	-	23,438
Less accumulated depreciation	(128,527)	-	-	-	(128,527)
Total capital assets net of accumulated depreciation	12,867	-	-	-	12,867
Total assets	156,123	2,333	1,511,147	27,652	1,697,255
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	47,334	-	-	-	47,334
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	64,041	-	389,150	15,117	468,308
Compensated absences payable	16,809	-	-	-	16,809
Unearned revenue	-	-	-	-	-
Due to other funds	-	1,357	-	-	1,357
Total current liabilities	80,850	1,357	389,150	15,117	486,474
Noncurrent liabilities:					
Compensated absences payable	29,995	-	-	-	29,995
Other post employment benefits	10,656	-	-	-	10,656
Net Pension Liability	152,107	-	-	-	152,107
Total noncurrent liabilities	192,758	-	-	-	192,758
Total liabilities	273,608	1,357	389,150	15,117	679,232
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	42,196	-	-	-	42,196
<b>NET POSITION</b>					
Investment in capital assets	12,867	-	-	-	12,867
Unrestricted	(125,214)	976	1,121,997	12,535	1,010,294
Total net position	\$ (112,347)	\$ 976	\$ 1,121,997	\$ 12,535	\$ 1,023,161

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2016**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services:					
Services	\$ 624,328	\$ -	\$ -	\$ -	\$ 624,328
Fuel	285,395	-	-	-	285,395
Supply charges	-	2,199	-	-	2,199
Employer contributions	-	-	2,337,902	70,889	2,408,791
Employee contributions	-	-	171,414	73,024	244,438
Other contributions	-	-	142,051	7,016	149,067
Other operating revenue	760	-	8,134	-	8,894
	<u>910,483</u>	<u>2,199</u>	<u>2,659,501</u>	<u>150,929</u>	<u>3,723,112</u>
Total operating revenues					
Operating expenses:					
Cost of sales and services:					
Personal services	308,034	-	-	-	308,034
Commodities	409,100	2,194	-	-	411,294
Contractual services	197,399	-	2,930,645	139,641	3,267,685
Administration	16,800	-	3,000	-	19,800
Depreciation	2,182	-	-	-	2,182
	<u>933,515</u>	<u>2,194</u>	<u>2,933,645</u>	<u>139,641</u>	<u>4,008,995</u>
Total operating expenses					
Operating income (loss)	(23,032)	5	(274,144)	11,288	(285,883)
Non-operating revenues:					
Interest revenue	-	-	1,693	18	1,711
	<u>-</u>	<u>-</u>	<u>1,693</u>	<u>18</u>	<u>1,711</u>
Income (loss) before transfers	(23,032)	5	(272,451)	11,306	(284,172)
Transfers out	-	-	(51,530)	-	(51,530)
	<u>-</u>	<u>-</u>	<u>(51,530)</u>	<u>-</u>	<u>(51,530)</u>
Change in net position	(23,032)	5	(323,981)	11,306	(335,702)
Net position, June 30, 2015	<u>(89,315)</u>	<u>971</u>	<u>1,445,978</u>	<u>1,229</u>	<u>1,358,863</u>
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>

City of Muscatine, Iowa

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2016

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ 910,755	\$ 2,199	\$ 2,652,808	\$ 150,929	\$ 3,716,691
Payments to suppliers	(632,125)	(1,831)	(2,708,782)	(127,677)	(3,470,415)
Payments to employees	(209,872)	-	-	-	(209,872)
Payments for employee benefits	(64,408)	-	-	-	(64,408)
Payments for interfund services used	(16,800)	-	(3,000)	-	(19,800)
Net cash provided (used) by operating activities	<u>(12,450)</u>	<u>368</u>	<u>(58,974)</u>	<u>23,252</u>	<u>(47,804)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	(51,530)	-	(51,530)
Advances from other funds	-	1,357	-	-	1,357
Advances to other funds	-	-	(1,357)	-	(1,357)
Advances to fiduciary funds	-	-	(25,501)	-	(25,501)
Repayment of advances from other funds	-	(1,725)	-	-	(1,725)
Repayment of advances to other funds	-	-	22,677	-	22,677
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(368)</u>	<u>(55,711)</u>	<u>-</u>	<u>(56,079)</u>
<b>Cash flows from investing activities</b>					
Interest received	-	-	1,693	18	1,711
Net increase (decrease) in cash and pooled investments	(12,450)	-	(112,992)	23,270	(102,172)
Cash and pooled investments, June 30, 2015	40,661	-	1,597,281	4,382	1,642,324
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>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (23,032)	\$ 5	\$ (274,144)	\$ 11,288	\$ (285,883)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,182	-	-	-	2,182
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	272	-	4,038	-	4,310
Inventories	9,203	363	-	-	9,566
Deferred outflows of resources	(23,871)	-	-	-	(23,871)
Increase (decrease) in:					
Accounts payable and accruals	258	-	221,863	11,964	234,085
Compensated absences payable	5,554	-	-	-	5,554
Other post employment benefits payable	124	-	-	-	124
Deferred revenue	-	-	(10,731)	-	(10,731)
Net pension liability	23,653	-	-	-	23,653
Deferred inflows of resources	(6,793)	-	-	-	(6,793)
Total adjustments	<u>10,582</u>	<u>363</u>	<u>215,170</u>	<u>11,964</u>	<u>238,079</u>
Net cash provided (used) by operating activities	<u>\$ (12,450)</u>	<u>\$ 368</u>	<u>\$ (58,974)</u>	<u>\$ 23,252</u>	<u>\$ (47,804)</u>

## **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, 2016

	<u>Payroll Clearing</u>	<u>Housing Revolving</u>	<u>Totals</u>
Assets:			
Accounts receivable	<u>\$ 1,424</u>	<u>\$ 62,033</u>	<u>\$ 63,457</u>
Liabilities:			
Accounts payable and accruals	-	37,956	37,956
Due to primary government	<u>1,424</u>	<u>24,077</u>	<u>25,501</u>
Total liabilities	<u>\$ 1,424</u>	<u>\$ 62,033</u>	<u>\$ 63,457</u>

**City of Muscatine, Iowa**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year Ended June 30, 2016**

	<u>Balance</u> <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>Payroll Clearing Fund</u></b>				
Assets:				
Accounts receivable	\$ 2,286	\$ -	\$ 862	\$ 1,424
Total assets	<u>\$ 2,286</u>	<u>\$ -</u>	<u>\$ 862</u>	<u>\$ 1,424</u>
Liabilities:				
Due to primary government	\$ 2,286	\$ -	\$ 862	\$ 1,424
Total liabilities	<u>\$ 2,286</u>	<u>\$ -</u>	<u>\$ 862</u>	<u>\$ 1,424</u>
<b><u>Housing Revolving Fund</u></b>				
Assets:				
Accounts receivable	\$ 51,362	\$ 10,671	\$ -	\$ 62,033
Liabilities:				
Accounts payable and accruals	\$ 32,696	\$ 5,260	\$ -	\$ 37,956
Due to primary government	18,666	5,411	-	24,077
Total liabilities	<u>\$ 51,362</u>	<u>\$ 10,671</u>	<u>\$ -</u>	<u>\$ 62,033</u>
<b><u>Total</u></b>				
Assets:				
Accounts receivable	\$ 53,648	\$ 10,671	\$ -	\$ 63,457
Total assets	<u>\$ 53,648</u>	<u>\$ 10,671</u>	<u>\$ 862</u>	<u>\$ 63,457</u>
Liabilities:				
Accounts payable and accruals	\$ 32,696	\$ 5,260	\$ -	\$ 37,956
Due to primary government	20,952	5,411	862	25,501
Total liabilities	<u>\$ 53,648</u>	<u>\$ 10,671</u>	<u>\$ 862</u>	<u>\$ 63,457</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, 2016**

**ASSETS**

Current:	
Cash and pooled investments	<u>\$ 756,804</u>
Restricted assets:	
Cash and pooled investments	<u>1,708,729</u>
Capital assets:	
Land	1,080,608
Land improvements	2,490,422
Buildings	37,314
Equipment	31,317
Less accumulated depreciation	<u>(2,098,717)</u>
Total capital assets (net of accumulated depreciation)	<u>1,540,944</u>
Total assets	<u><u>4,006,477</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accruals	117,748
Compensated absences payable	<u>1,857</u>
Total current liabilities	<u>119,605</u>
Noncurrent liabilities:	
Closure/post-closure obligation	2,910,143
Compensated absences payable	<u>808</u>
Total noncurrent liabilities	<u>2,910,951</u>
Total liabilities	<u>3,030,556</u>

**NET POSITION**

Net investment in capital assets	1,540,944
Unrestricted	<u>(565,023)</u>
Total net position	<u><u>\$ 975,921</u></u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2016**

Operating revenues:	
Charges for services	\$ 1,407,713
Other operating revenues	<u>10,000</u>
Total operating revenues	<u>1,417,713</u>
Operating expenses:	
Cost of services:	
Personal services	28,343
Commodities	13,669
Contractual services	938,175
Administration	52,700
Depreciation	<u>279,681</u>
Total operating expenses	<u>1,312,568</u>
Operating income	<u>105,145</u>
Non-operating revenue:	
Intergovernmental revenue	117,177
Interest revenue	<u>2,326</u>
Total non-operating revenues	<u>119,503</u>
Change in net position	224,648
Net position, June 30, 2015	<u>751,273</u>
Net position, June 30, 2016	<u><u>\$ 975,921</u></u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Cash Flows  
Year Ended June 30, 2016**

<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 1,422,523
Payments to suppliers	(740,972)
Payments to employees	(20,366)
Payments for employee benefits	(7,150)
Payments for interfund services used	(52,700)
Net cash provided by operating activities	<u>601,335</u>
 <b>Cash flows from noncapital financing activities</b>	
Subsidies from federal, state and local governments	<u>117,177</u>
Net cash provided (used) by noncapital financing activities	<u>117,177</u>
 <b>Cash flows from investing activities</b>	
Interest received	<u>2,326</u>
Net cash provided by investing activities	<u>2,326</u>
 Net increase in cash and pooled investments	 720,838
 Cash and pooled investments, June 30, 2015	 <u>1,744,695</u>
 Cash and pooled investments, June 30, 2016	 <u>\$ 2,465,533</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Cash flows from operating activities:	
Operating income	<u>\$ 105,145</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	279,681
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	4,810
Increase (decrease) in:	
Accounts payable and accruals	49,446
Compensated absences payable	615
Closure/post-closure liability	161,638
Total adjustments	<u>496,190</u>
Net cash provided by operating activities	<u>\$ 601,335</u>

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<u><a href="#">Financial Trends (Schedules 1 – 5)</a></u>	115-121
<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>	
<u><a href="#">Revenue Capacity (Schedules 6 – 9)</a></u>	122-125
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	
<u><a href="#">Debt Capacity (Schedules 10 – 13)</a></u>	126-129
<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>	
<u><a href="#">Demographic and Economic Information (Schedules 14 – 15)</a></u>	130-131
<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>	
<u><a href="#">Operating Information (Schedules 16 – 18)</a></u>	132-134
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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

	Fiscal Year									
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Governmental activities										
Net investment in capital assets	\$ 51,581,004	\$ 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
Restricted	3,305,450	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
Unrestricted	6,823,222	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
Total governmental activities net position	<u>\$ 61,709,676</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 52,481,362	\$ 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
Restricted	-	-	190,093	413,321	135,331	178,360	136,888	107,422	108,024	108,677
Unrestricted	6,023,561	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
Total business-type activities net position	<u>\$ 58,504,923</u>	<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>
Primary government										
Net investment in capital assets	\$ 104,062,366	\$ 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
Restricted	3,305,450	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
Unrestricted	12,846,783	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
Total primary government net position	<u>\$ 120,214,599</u>	<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>

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

	Fiscal Year									
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 6,476,982	\$ 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
Public works	3,299,503	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
Health and social services	26,700	16,660	16,660	17,100	17,800	17,800	20,000	20,000	20,000	45,000
Culture and recreation	3,774,353	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
Community and economic development	2,446,232	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
General government	1,866,359	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
Interest and fees on long-term debt	432,626	391,759	473,916	439,305	570,313	504,515	496,578	423,211	426,846	379,115
Total governmental activities expense	<u>18,322,755</u>	<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>
Business-type activities:										
Water pollution control	4,581,077	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
Transfer station	2,363,530	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
Refuse collection	1,423,922	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
Airport	545,259	561,312	605,009	709,883	566,129	462,094	551,499	501,897	494,037	421,115
Parking	210,405	244,774	201,409	228,674	247,292	244,115	237,933	236,762	228,917	240,745
Transit	781,763	872,252	907,562	1,028,876	1,016,663	1,077,339	1,121,524	1,091,925	1,023,229	999,884
Golf course	586,908	778,125	825,757	798,587	818,018	871,848	864,167	827,963	774,271	790,351
Boat harbor	37,325	33,015	34,648	31,605	29,041	31,036	27,878	29,463	28,210	28,205
Marina	24,203	12,461	10,961	19,451	12,802	19,507	13,873	8,589	12,623	12,061
Convention and visitors bureau	-	-	-	-	-	-	-	-	-	83,397
Ambulance	912,403	428,659	483,223	390,308	426,829	473,350	500,046	558,157	539,780	624,785
Public housing	911,298	924,183	975,076	994,013	1,120,421	1,164,215	1,089,036	1,173,841	1,078,474	1,058,502
Total business-type activities expense	<u>12,378,093</u>	<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>
Total primary government expense	<u>\$ 30,700,848</u>	<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>

(Continued)

	Fiscal Year									
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>(Continued)</b>										
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 383,518	\$ 421,978	\$ 438,932	\$ 339,786	\$ 530,879	\$ 1,230,430	\$ 1,137,537	\$ 1,024,538	\$ 1,136,430	\$ 1,152,410
Public works	140,649	151,785	319,112	231,564	262,393	634,870	224,263	290,158	486,680	156,247
Culture and recreation	616,982	598,707	494,131	448,271	478,394	545,297	488,456	485,838	541,931	565,515
Community and economic development	398,479	405,832	358,812	480,137	430,574	426,917	456,674	418,418	492,972	458,379
General government	382,812	410,042	473,567	506,364	545,322	529,471	747,062	721,830	725,488	722,068
Operating grants and contributions	4,263,038	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
Capital grants and contributions	2,018,077	963,114	108,213	1,726,091	3,398,652	1,398,288	767,392	2,014,424	2,250,427	561,749
Total governmental activities program revenues	<u>8,203,555</u>	<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>
Business-type activities:										
Charges for services:										
Water pollution control	3,854,728	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
Transfer station	1,893,083	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
Refuse collection	1,364,809	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
Airport	47,351	41,023	39,523	37,647	37,833	42,124	69,136	69,495	69,189	74,379
Parking	178,128	204,733	194,821	176,103	175,691	182,220	177,415	190,844	204,458	218,424
Transit	129,429	183,586	185,653	175,505	169,004	177,055	179,622	184,755	189,163	240,930
Golf course	532,104	719,281	764,679	821,005	773,938	874,501	740,694	761,256	763,269	770,450
Boat harbor	26,022	23,899	23,359	29,104	27,338	39,814	28,665	22,633	20,081	21,293
Marina	22,494	10,721	6,599	19,623	13,473	18,757	13,079	8,080	12,223	11,441
Convention and visitors bureau	-	-	-	-	-	-	-	-	-	4,360
Ambulance	817,532	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
Public housing	382,556	424,905	420,104	557,631	444,151	542,721	475,486	473,576	465,212	488,197
Operating grants and contributions	674,031	1,017,826	1,008,488	961,896	924,856	659,185	820,150	920,279	963,100	1,045,579
Capital grants and contributions	324,539	353,324	1,317,819	919,232	349,116	661,419	561,426	532,157	497,661	3,463,587
Total business-type activities program revenues	<u>10,246,806</u>	<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>
Total primary government program revenues	<u>\$ 18,450,361</u>	<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>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (10,119,200)	\$ (12,109,991)	\$ (14,554,473)	\$ (12,133,262)	\$ (12,729,099)	\$ (12,644,427)	\$ (13,462,021)	\$ (13,421,834)	\$ (12,266,865)	\$ (15,348,367)
Business-type activities	<u>(2,131,287)</u>	<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>
Total primary government net expense	<u>\$ (12,250,487)</u>	<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>

(Continued)

	Fiscal Year									
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 11,763,138	\$ 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
Utility taxes	63,986	67,703	64,358	63,449	52,274	58,048	57,576	56,387	52,923	58,665
Local option sales tax	2,589,592	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
Hotel/motel taxes	338,818	366,261	344,354	302,273	363,664	347,771	335,701	415,041	353,869	361,803
Cable franchise taxes	242,164	239,812	239,039	236,192	236,253	225,902	222,288	212,286	191,331	189,044
Utility franchise taxes	-	-	-	-	227,680	170,225	103,931	113,660	96,810	81,308
Intergovernmental, unrestricted	99,002	150,424	149,913	151,270	154,551	156,229	150,031	115,185	13,418,365	808,792
Unrestricted investment income	455,562	399,317	267,227	45,999	22,297	16,177	13,582	14,256	130,276	136,940
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Contributions to endowments	8,735	7,980	6,620	5,550	7,850	6,373	6,958	5,726	4,178	11,654
Transfers	(2,630,548)	(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)
<b>Total governmental activities</b>	<b>12,930,449</b>	<b>13,150,226</b>	<b>12,428,248</b>	<b>11,049,680</b>	<b>11,548,556</b>	<b>15,241,082</b>	<b>13,182,916</b>	<b>13,460,705</b>	<b>29,475,402</b>	<b>17,006,661</b>
Business-type activities:										
Unrestricted investment income	317,561	256,849	182,286	43,652	24,232	17,875	9,379	10,222	10,057	9,051
Gain (loss) on sale of capital assets	4,348	-	-	-	11,216	-	19,874	3,564	-	-
Transfers	2,630,548	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
Dissolution of component unit	-	-	-	-	-	-	-	-	56,616	-
<b>Total business-type activities</b>	<b>2,952,457</b>	<b>3,168,044</b>	<b>3,730,507</b>	<b>4,383,879</b>	<b>4,563,818</b>	<b>1,162,178</b>	<b>3,421,763</b>	<b>3,662,716</b>	<b>1,324,923</b>	<b>1,872,536</b>
<b>Total primary government</b>	<b>\$ 15,882,906</b>	<b>\$ 16,318,270</b>	<b>\$ 16,158,755</b>	<b>\$ 15,433,559</b>	<b>\$ 16,112,374</b>	<b>\$ 16,403,260</b>	<b>\$ 16,604,679</b>	<b>\$ 17,123,421</b>	<b>\$ 30,800,325</b>	<b>\$ 18,879,197</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 2,811,249	\$ 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
Business-type activities	821,170	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
<b>Total primary government</b>	<b>\$ 3,632,419</b>	<b>\$ 3,587,843</b>	<b>\$ 1,402,447</b>	<b>\$ 2,737,339</b>	<b>\$ 2,853,319</b>	<b>\$ 2,721,567</b>	<b>\$ 2,244,585</b>	<b>\$ 1,998,087</b>	<b>\$ 16,983,556</b>	<b>\$ 5,815,588</b>

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

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11 (1)</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
General Fund										
Reserved	\$ 65,640	\$ 11,833	\$ 119,222	\$ 155,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,670,285	1,733,810	1,641,489	1,720,635	-	-	-	-	-	-
Nonspendable	-	-	-	-	15,637	5,221	88,328	40,843	2,974	117,190
Assigned	-	-	-	-	382,877	256,263	506,407	430,858	396,519	445,593
Unassigned	-	-	-	-	2,141,534	3,319,319	3,073,412	3,388,877	3,984,638	4,035,533
Total General Fund	<u>\$ 1,735,925</u>	<u>\$ 1,745,643</u>	<u>\$ 1,760,711</u>	<u>\$ 1,875,767</u>	<u>\$ 2,540,048</u>	<u>\$ 3,580,803</u>	<u>\$ 3,668,147</u>	<u>\$ 3,860,578</u>	<u>\$ 4,384,131</u>	<u>\$ 4,598,316</u>
All other governmental funds										
Reserved	\$ 2,675,724	\$ 4,162,323	\$ 2,349,556	\$ 3,659,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,965,479	8,589,873	7,606,228	7,026,552	-	-	-	-	-	-
Capital projects funds	(688,952)	(4,856)	(1,564,725)	(565,270)	-	-	-	-	-	-
Nonspendable	-	-	-	-	2,437,508	1,314,714	1,226,852	988,000	992,178	1,003,832
Assigned	-	-	-	-	-	-	-	-	13,160,939	12,715,352
Restricted	-	-	-	-	4,062,133	7,651,467	5,632,650	5,608,054	3,438,043	5,713,190
Unassigned	-	-	-	-	(1,538,918)	(232,181)	(208,308)	(190,622)	(473,188)	(22,842)
Total all other governmental funds	<u>\$ 8,952,251</u>	<u>\$ 12,747,340</u>	<u>\$ 8,391,059</u>	<u>\$ 10,120,934</u>	<u>\$ 4,960,723</u>	<u>\$ 8,734,000</u>	<u>\$ 6,651,194</u>	<u>\$ 6,405,432</u>	<u>\$ 17,117,972</u>	<u>\$ 19,409,532</u>

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)**

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
<b>Revenues</b>										
Taxes	\$ 14,997,698	\$ 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
Licenses and permits	324,913	319,931	324,492	285,956	271,372	308,385	390,491	354,747	349,228	389,596
Fines and forfeitures	144,427	203,136	177,324	183,714	393,340	1,029,833	895,789	815,217	1,011,189	997,069
Intergovernmental	5,170,180	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
Charges for services	418,119	437,472	480,659	449,346	444,456	556,802	527,813	560,435	560,286	573,758
Use of money and property	654,064	620,396	453,027	232,725	205,724	226,243	207,593	179,505	250,866	265,333
Special assessments	3,764	-	-	-	-	-	-	-	-	-
Other	1,488,012	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
<b>Total revenues</b>	<u>23,201,177</u>	<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>
<b>Expenditures</b>										
Public safety	6,122,631	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
Public works	1,640,026	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
Health and social services	26,700	16,660	16,660	17,100	17,800	17,800	20,000	20,000	20,000	45,000
Culture and recreation	2,513,499	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
Community and economic development	2,271,322	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
General government	1,754,039	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
Capital outlay	3,611,445	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
Debt service:										
Principal	1,343,176	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
Interest	431,653	378,304	475,087	422,906	579,145	508,615	508,706	430,422	445,161	389,568
Paying agent	2,800	2,800	1,600	1,800	2,250	2,700	2,800	2,250	2,000	2,500
Bond issuance costs	-	6,962	-	-	-	28,329	15,021	-	-	17,355
<b>Total expenditures</b>	<u>19,717,291</u>	<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>
Excess of revenues over (under) expenditures	<u>3,483,886</u>	<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>
Other financing sources (uses)										
General obligation bonds issued	-	5,120,000	-	7,425,000	-	4,496,400	-	2,575,000	-	3,250,879
General obligation bond premium (discount)	-	2,655	-	21,741	-	-	-	48,595	-	211,712
Refunding bonds issued	-	1,714,384	-	-	-	218,600	1,115,000	-	-	1,299,121
Refunding bond premium	-	2,220	-	-	-	-	-	-	-	44,328
Payment of refunded bonds	-	(1,680,000)	-	-	-	-	-	-	-	-
Insurance recoveries	103,514	379,589	-	-	-	-	-	-	-	-
Transfers in	5,783,805	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
Transfers out	(8,368,958)	(9,295,371)	(9,307,960)	(10,072,466)	(11,062,941)	(8,235,432)	(10,375,962)	(10,888,850)	(9,984,504)	(10,596,410)
<b>Total other financing sources (uses)</b>	<u>(2,481,639)</u>	<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>
<b>Net change in fund balances</b>	<u>\$ 1,002,247</u>	<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>
Debt service as a percentage of non-capital expenditures	10.6%	9.6%	9.8%	9.9%	11.6%	10.7%	15.2%	10.0%	12.9%	17.0%

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

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Incremental Property Tax (TIF Districts)</u>	<u>Utility Excise Tax</u>	<u>Mobile Home Tax</u>	<u>Hotel/Motel Tax</u>	<u>Cable Franchise Tax</u>	<u>Utility Franchise Tax (1)</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
2006/2007	\$ 10,737,977	\$ 1,004,423	\$ 63,986	\$ 20,738	\$ 338,818	\$ 242,164	\$ -	\$ 2,589,592	\$ 14,997,698
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
Change 2006/2007 to 2015/2016	15.8%	95.3%	-8.3%	75.5%	6.8%	-21.9%	-	7.6%	19.4%

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

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

<b>Tax Collection Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Railroads and Utilities</b>	<b>Less: Military Exemption</b>	<b>Total Taxable Value</b>	<b>Total Direct Tax Rate (per \$1,000 of Valuation)</b>	<b>Estimated Actual Value</b>	<b>Taxable Value as a Percentage of Estimated Actual Value</b>
2006/2007	\$332,674,470	\$203,766,173	\$122,163,719	\$ 7,712,376	\$ 2,382,598	\$663,934,140	\$ 16.03891	\$ 1,063,565,913	62.4%
2007/2008	336,495,971	211,504,406	115,798,968	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	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	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	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	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	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	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	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	5,032,917	1,812,242	781,075,199	15.67209	1,193,627,101	65.4%

Source: Muscatine County Auditor's Office

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

Fiscal Year	City Direct Rates									Overlapping Rates			Totals by School District	
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Emergency Management	Total Direct Rate	County Consolidated	School Districts		Muscatine Community	Louisa-Muscatine Community
											Muscatine Community	Louisa-Muscatine Community		
2006/2007	\$8.10000	\$4.07275	\$2.93250	\$0.21753	\$0.37863	\$0.06750	\$0.27000	\$ -	\$ 16.03891	\$ 8.44031	\$ 14.70326	\$ 14.85256	\$ 39.18248	\$ 39.33178
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

Notes - Per State statutes maximum tax rates apply to the General Fund, Transit, Levee and Emergency levies. The City has been at the maximum rate of \$8.10 for the General Fund, and \$0.0675 for the Levee as shown above. A maximum rate of \$0.95 applies to the Transit tax and a maximum rate of \$0.27 applies to the Emergency tax; the City's Transit and Emergency levies are less than the maximum allowed.

Source: Muscatine County Auditor's Office

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

<u>Taxpayer</u>	<u>January 1, 2014 Valuation (for 2015/2016 Tax Levy)</u>			<u>January 1, 2005 Valuation (for 2006/2007 Tax Levy)</u>		
	<u>Taxable Valuation (1)</u>	<u>Rank</u>	<u>Percent of Total Taxable Value</u>	<u>Taxable Valuation (1)</u>	<u>Rank</u>	<u>Percent of Total Taxable Value</u>
Grain Processing/Kent Feeds	\$ 36,011,592	1	4.6%	\$ 38,327,290	2	5.8%
HNI Corporation (HON Industries/HON Financial)	28,313,856	2	3.6%	44,501,750	1	6.7%
Wal-View Developments	16,200,000	3	2.1%			
Wal-Mart Stores, Inc.	9,182,583	4	1.2%	9,492,720	6	1.4%
Heinz, U.S.A.	9,031,077	5	1.2%	10,446,080	4	1.6%
Menard Inc.	8,734,230	6	1.1%			
Bridgestone Bandag LLC / Bandag, Inc.	7,930,386	7	1.0%	18,693,660	3	2.8%
GRIDCO, LLC	6,850,521	8	0.9%	5,481,240	12	0.8%
Sodarak Properties, LLC (Property formerly owned by Riverbend Leasing, LLC)	6,305,598	9	0.8%	9,506,210	5	1.4%
Cobblestone Apartments	6,110,964	10	0.8%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	6,095,745	11	0.8%	7,011,160	7	1.1%
Muscatine Downtown Investors	6,030,999	12	0.8%			
LHV Muscatine LLC/Hy-Vee Inc	5,807,934	13	0.7%	5,293,760	14	0.8%
Muscatine Mall Associates LLP	5,373,351	14	0.7%	4,396,720	16	0.7%
First National Bank of Muscatine	5,279,949	15	0.7%	6,364,030	9	1.0%
W I D, Inc.	5,206,752	16	0.7%	5,693,320	11	0.9%
BT Prime Mover	5,152,329	17	0.7%	5,808,100	10	0.9%
Central State Bank	4,903,191	18	0.6%	5,384,610	13	0.8%
SECO Investment Co. (Stanley Engineering Co.)	4,871,313	19	0.6%	6,794,470	8	1.0%
Cottonwood Apartments LLC	4,310,739	20	0.6%			
TJD, LLC (CAM II) (Warehousing)				4,642,330	15	0.7%
	<u>\$ 187,703,109</u>		<u>24.2%</u>	<u>\$ 187,837,450</u>		<u>28.4%</u>

1. Commercial and industrial taxable valuations were rolled back to 90% of assessed values for the January 1, 2014 valuations used for the 2015/2016 tax levy. In 2006/2007 these properties were taxed at 100% of assessed valuations.

Source: Muscatine County Auditor's Office

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (2)	Total Tax Collections (2)	Ratio of Total Tax Collections to Total Tax Levy (3)
		Amount (1)	Percent of Levy Collected (3)			
2006/2007	\$ 10,736,626	\$ 10,733,950	99.98%	\$ 4,027	\$ 10,737,977	100.01%
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%

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

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Bonds</b>	<b>Capital Lease</b>	<b>General Obligation Bonds</b>	<b>State Revolving Fund Loan</b>			
2006/2007	\$ 6,409,835	\$ 2,700,000	\$ 3,097	\$ 5,605,740	\$ -	\$ 14,718,672	1.9%	\$ 648
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	3.0%	1,340
2014/2015	14,332,162	810,000	-	-	13,698,000	28,840,162	2.6%	1,211
2015/2016	15,402,985	690,000	-	-	13,082,000	29,174,985	N/A	1,225

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

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

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Estimated Actual Value of Property (1)</b>	<b>Percentage of Actual Valuation</b>	<b>Population (2)</b>	<b>Per Capita</b>
2006/2007	\$ 12,015,575	\$ 1,063,565,913	1.1%	22,697	\$ 529
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

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

**Sources:**

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

**City of Muscatine, Iowa**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**  
**(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	\$ 15,880,000	44.27%	\$ 7,030,076
Eastern Iowa Community College (EICC)	16,015,000	6.20%	992,930
<b>Other debt</b>			
Eastern Iowa Community College (EICC)	32,660,000	6.20%	<u>2,024,920</u>
Subtotal, overlapping debt			\$ 10,047,926
<b>City direct debt (2)</b>		100.00%	<u>16,092,985</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 26,140,911</u></u>

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

**Sources:**

Muscatine County Auditor's Office  
Eastern Iowa Community College

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

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

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/2015</u>	<u>2015/2016</u>
Debt limit (1)	\$ 53,178,296	\$ 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
Total debt applicable to limit	<u>15,028,097</u>	<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>
Legal debt margin	<u>\$ 31,141,174</u>	<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>
Total debt applicable to the limit as a percentage of debt limit	28.26%	33.02%	26.70%	35.03%	30.18%	32.77%	28.65%	28.62%	24.36%	24.99%

**Legal Debt Margin Calculation for Fiscal Year 2015/2016**

Total assessed valuation as of January 1, 2014	\$ 1,263,279,891
Debt limit - 5% of assessed valuation	<u>\$ 63,163,995</u>
Amount of debt applicable to debt limit:	
General obligation bonds	\$ 15,095,000
Tax increment revenue bonds	<u>690,000</u>
Total debt applicable to debt limit	<u>15,785,000</u>
Legal debt margin	<u>\$ 47,378,995</u>

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

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

<b>Fiscal Year</b>	<b>Popula- tion (1)</b>	<b>Personal Income (2)</b>	<b>Personal Per Capita Income (2)</b>	<b>Median Age (1)</b>	<b>Percent High School Graduates or Higher (1)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (4)</b>
2006/2007	22,697	778,575,191	34,303	35.8	80.3%	5,387	3.2%
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	1,057,873,247	44,413	38.2	85.2%	5,341	5.2%
2014/2015	23,819	1,090,934,019	45,801	38.2	85.2%	5,171	4.5%
2015/2016	23,819	N/A	N/A	38.2	85.2%	5,084	3.8%

**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 2015.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

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

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>
HNI Corporation//The HON Company, Allsteel	3,800	1	16.4%	3,700	1	16.1%
Grain Processing/Kent Feeds	900	2	3.9%	1,465	2	6.4%
Muscatine Community School District	853	3	3.7%	1,100	3	4.8%
Trinity Muscatine (Formerly Unity Health Care)	468	4	2.0%	520	5	2.3%
Monsanto Company	432	5	1.9%	455	7	2.0%
Hy-Vee Food Store	396	6	1.7%	420	8	1.8%
Heinz, U.S.A.	395	7	1.7%	500	6	2.2%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	370	8	1.6%	200	14	0.9%
Wal-Mart Superstore	338	9	1.5%	325	9	1.4%
Musco Sports Lighting	320	10	1.4%	220	13	1.0%
Muscatine Power & Water	280	11	1.2%	300	10	1.3%
SECO Investment Co. (Stanley Engineering Co.)	254	12	1.1%	250	11	1.1%
City of Muscatine	221	13	1.0%	221	12	1.0%
Muscatine County	195	14	0.8%	200	15	0.9%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	189	15	0.8%	550	4	2.4%
	<u>9,411</u>		<u>40.7%</u>	<u>10,426</u>		<u>45.6%</u>

**Sources:**

1. Muscatine Chamber of Commerce & Industry provided the 2016 employment figures. The 2007 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 23,195 in 2015 and 23,037 in 2007.

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

<b>Function</b>	<b>2006/07</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>
General government (1)	17.85	17.35	17.35	17.05	16.00	16.00	16.00	16.05	16.05	17.05
Public Safety:										
Police										
Officers	38.00	38.00	39.00	40.00	39.00	41.00	42.00	42.00	41.00	41.00
Civilians	3.75	3.88	3.88	3.88	3.88	3.88	3.88	3.88	3.73	3.73
Fire										
Firefighters and officers (2)	29.50	36.00	36.00	36.00	36.00	36.00	37.00	37.00	37.00	37.00
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	15.75	15.75	15.75	15.93	15.91	15.74	15.51	14.95	14.71	14.33
Art center	4.33	4.33	4.34	4.04	4.57	4.54	4.25	4.25	4.52	4.70
Parks and recreation	13.00	12.75	12.75	12.75	11.83	11.75	11.75	11.75	11.75	11.75
Community and economic development (3)	7.00	6.50	6.50	6.17	6.67	6.72	6.92	6.92	6.93	7.44
Public works	16.74	16.84	16.50	16.51	16.51	16.51	16.51	16.66	16.66	16.66
Business-type:										
Parking	3.60	3.60	3.10	3.10	3.10	3.10	3.10	2.90	2.90	2.90
Golf course (4)	2.00	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	2.83	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Refuse collection	9.80	10.30	10.30	11.33	10.45	10.66	10.66	9.56	9.56	9.56
Landfill	0.33	0.33	0.33	0.33	0.30	0.25	0.25	0.25	0.25	0.25
Transfer station	3.67	3.67	3.67	3.67	3.58	3.42	3.42	3.42	3.42	3.42
Water pollution control (5)	29.50	29.70	31.00	30.33	29.61	29.61	29.61	28.61	27.61	26.61
Ambulance (6)	7.75	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Housing	10.50	10.50	10.50	10.75	12.50	12.13	12.25	11.50	12.25	11.77
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>Totals</b>	<b>220.65</b>	<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>

1. One new full time Communications Manager position added in FY 2015/2016.
2. Firefighter positions were allocated to the Ambulance operation through 2006/2007. This number fluctuated each year. 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.
3. The 2015/2016 Community Development budget reflects an additional part time Community Services Officer for the Rental Housing Licensing/Inspection Program.
4. The City changed from a contractual arrangement with a Golf Professional to having a Golf Pro on staff beginning in 2007/2008.
5. The 2015/2016 WPCP budget reflects the elimination of the vacant Plant Lead Operator position and elimination of the Lift Station/Plant Maint Supervisor. Several positions were reclassified to reflect current operational needs.
6. The City began providing ambulance service July 1, 2000 adding 6 equivalent positions. 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.

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>2006</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>
Public Safety:										
Police										
Calls for service	20,427	21,437	20,066	22,011	18,667	20,312	22,795	21,954	22,535	22,626
Traffic enforcement	5,188	4,616	3,425	4,066	3,406	3,247	3,840	3,484	3,645	3,094
Arrests	2,062	2,114	2,195	2,111	1,827	1,885	1,916	1,506	1,611	1,400
Parking tickets issued	1,764	1,710	1,721	1,438	1,280	1,329	1,607	1,595	2,060	2,030
Fire (includes ambulance)										
Calls for service	2,963	3,530	3,650	3,414	3,711	3,916	3,864	4,022	4,433	4,526
Culture and recreation:										
Parks and recreation										
Aquatic Center attendance (1)	45,891	41,076	46,649	33,462	39,813	41,620	43,810	36,664	31,827	37,355
Adult program participants	328	376	408	499	532	634	817	1,510	1,688	1,550
Children's program participants	1,547	1,602	1,610	1,590	2,006	2,066	2,274	2,827	2,779	2,712
Community and economic development:										
Building-related permits	969	1,195	915	902	925	1,021	1,016	929	980	993
Business-type:										
Golf course										
Rounds played	31,825	29,748	32,687	34,767	33,374	31,491	34,036	28,557	28,024	28,796

**Fiscal Year Indicators**

<b>Function/Department</b>	<b>2006/07</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>
Culture and recreation:										
Library										
Registered borrowers	20,315	16,504	16,415	17,671	17,512	18,639	19,877	20,204	20,620	19,861
Circulation (2)	319,446	332,355	336,210	357,897	311,425	355,993	381,942	399,874	359,032	484,583
Art center										
Attendance	15,640	22,582	19,704	26,054	27,522	29,552	23,070	13,868	13,194	14,186
Cemetery burials	95	110	96	97	121	112	77	91	95	95
Public works:										
Miles of streets maintained	140	140	140	140	140	140	140	140	144	144
Business-type activities:										
Transit										
Total passengers	151,434	180,382	188,303	172,306	172,580	188,277	175,548	179,919	180,390	168,712
Parking (3)										
Tickets issued	15,764	13,204	9,704	8,465	8,684	11,212	11,499	12,270	12,162	12,210
Refuse collection										
Tons of refuse collected	9,482	8,731	8,129	8,391	8,180	7,765	7,957	8,215	8,280	8,400
Tons recycled (curbside) (4)	N/A	N/A	N/A	N/A	294	1,284	1,327	1,309	1,251	1,225
Transfer station										
Tons of waste processed	44,883	49,263	41,320	29,915	31,492	32,004	32,896	35,366	38,939	40,652
Water pollution control										
Cubic feet of wastewater treated (in millions)	208.26	279.03	289.79	301.01	314.76	201.15	224.80	218.50	279.00	261.40

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. 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.

4. The Curbside recycling collection program began April 1, 2011.

Source: City of Muscatine records

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

<b>Function/Department</b>	<b>2006/07</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>
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	9	9	9	9	9	12	12	13	13	13
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1
Fire pumps	4	4	4	4	4	4	4	4	4	4
Water Tender	0	0	0	0	0	0	1	1	1	1
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	4	4	4	4	4	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	14	15	15
Park acreage	254	254	254	254	254	254	254	254	254	254
Swimming pools	2	2	2	2	2	2	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	8	10	10	10	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	140	144	144
Business-type activities:										
Transit:										
Buses	10	10	10	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	16.4 million	16.4 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, 2016, 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 4, 2016. Our report includes a reference to other auditors who audited the financial statements of Muscatine Power & Water, a discretely presented component unit. 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*. However, we noted an immaterial instance of noncompliance or other matters which is described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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 4, 2016



**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, 2016. 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, 2016. 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, 2016.

### **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 4, 2016

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
Section 8 Housing Choice Vouchers	14.871	IA049VO	\$ -	\$ 1,718,674
Section 8 Housing Choice Vouchers	14.871	IA049AF	-	201,617
Section 8 Housing Choice Vouchers	14.871	IA049FSH565A015	-	27,828
Section 8 Housing Choice Vouchers	14.871	IA049FSH193A014	-	32,680
			-	1,980,799
Public and Indian Housing Operating Subsidy	14.850	IA04900000115D/116D	-	188,985
Public Housing Capital Funds Program	14.872	IA05P049501-13/14	-	166,481
Housing Counseling Grant	14.169	HC150821025	-	11,515
Subtotal U.S. Department of Housing and Urban Development Direct Programs			-	2,347,780
Indirect:				
Pass-through Iowa Economic Development Authority Community Development Block Grant States Program	14.228	13-DTR-001	-	22,294
<b>Total U.S. Department of Housing     and Urban Development</b>			-	2,370,074
<b>U.S. Department of Transportation</b>				
Indirect:				
Pass-through Iowa Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509	18-0031-533-16	-	375,776
Formula Grants for Other Than Urbanized Areas	20.509	TF 2016-082	-	252
			-	376,028
Highway Planning and Construction Program	20.205	STP-U-5330(626)--70-70	-	71,921
Highway Planning and Construction Program	20.205	STP-U-5330(614)--27-70	-	72,978
			-	144,899
Pass-through Iowa Department of Public Safety State and Community Highway Safety	20.600	PAP 16-405d-M6OT, Task 35	-	11,056
State and Community Highway Safety	20.600	PAP 15-405d-M6OT, Task 40	-	3,691
			-	14,747
<b>Total U.S. Department of Transportation</b>			-	535,674
<b>Federal Aviation Administration</b>				
Direct:				
Airport Rehabilitate Runway	20.106	3-19-0063-019-2014	-	6,398
Airport Rehabilitate Runway	20.106	3-19-0063-020-2015	-	3,127,599
Airport Master Plan Update	20.106	3-19-0063-021-2016	-	1,800
<b>Total Federal Aviation Administration</b>			-	3,135,797

(Continued)

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Justice</b>				
Direct:				
Edward Byrne Memorial Justice Assistance	16.738	2014-DJ-BX-0193	-	334 *
Edward Byrne Memorial Justice Assistance	16.738	2015-DJ-BX-0461	9,841	19,681 *
Bulletproof Vest Partnership Program	16.607	N/A	-	2,016
Subtotal U.S. Department of Justice Direct Programs			9,841	22,031
Indirect:				
Pass-through Iowa Governor's Office of Drug Control Policy and Muscatine County				
Edward Byrne Memorial Justice Assistance	16.738	13-JAG-112784	-	19,467 *
<b>Total U.S. Department of Justice</b>			9,841	\$ 41,498
<b>Office of National Drug Control Policy</b>				
Indirect:				
Pass-through Iowa Department of Public Safety				
High Intensity Drug Trafficking Area Grant	07.G14MW0002A	G14MW0002A	-	12,797
High Intensity Drug Trafficking Area Grant	07.G15MW0002A	G15MW0002A	-	29,759
High Intensity Drug Trafficking Area Grant	07.G16MW0002A	G16MW0002A	-	44,220
<b>Total Office of National Drug Control Policy</b>			-	86,776
<b>Total Expenditures of Federal Awards</b>			\$ 9,841	\$ 6,169,819

\*Total CFDA 16.738 expenditures \$39,482.

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, 2016**

---

**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, 2016. 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, 2016**

---

Findings	Status	Corrective Action Plan or Other Explanation
None Reported		

**City of Muscatine, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

---

**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?  Yes  No
- Significant deficiency identified?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency identified?  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
20.106	Airport Improvement 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, 2016**

---

**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-16**

Certified Budget –

Finding: Expenditures for the year ended June 30, 2016 exceeded the amounts budgeted for the debt service function.

Recommendation: Expenditures should have been amended in accordance with Chapter 384.18 of the Code of Iowa before expenditures exceeded the budget in the debt service function.

Response: Expenditures exceeded the budget in the debt service function as a result of the issuance costs for the refunding bonds issued during the year. Budgets will be amended prior to expenditures exceeding the budget functions.

Conclusion: Response accepted.

**IV-B-16**

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-16**

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-16**

Business Transactions – No business transactions between the City and City officials or employees were noted.

**IV-E-16**

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-16**

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, 2016**

---

**IV-G-16**

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-16**

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

**IV-I-16**

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

**IV-J-16**

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

**City of Muscatine, Iowa**

**Corrective Action Plan  
Year Ended June 30, 2016**

---

Findings	Corrective Action Plan	Anticipated Date of Completion
<b>Other Findings Related to Required Statutory Reporting</b>		
<b>IV-A-16</b> Expenditures exceeded budget in the debt service function.	See IV-A-16	June 30, 2017