

# *City of Muscatine, Iowa*



*Comprehensive Annual Financial Report*

*For the Year Ended June 30, 2020*

**CITY OF MUSCATINE, IOWA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

**SUBMITTED BY:**

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

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

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

**COVER:**

**In the Summer of 2020, a New Color Changing LED Lighting System,  
Designed and Donated by Musco Sports Lighting, was Installed  
on the Norbert F. Beckey Bridge over the Mississippi River**

## CITY OF MUSCATINE, IOWA

### Comprehensive Annual Financial Report For the Year Ended June 30, 2020

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**FINANCE & RECORDS**

TO: Honorable Mayor and City Council

DATE: November 12, 2020

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, 2020.

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, 2020. The independent auditor's report is located at the front of the financial section of this report.

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

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

### **Profile of the Government**

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

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

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

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

The City Council is required to hold two public hearings on and adopt a budget for each fiscal year no later than March 31 of the preceding year. The first public hearing is on the maximum property tax rate for certain tax levies. The final public hearing is on the final proposed tax rate and total revenues and appropriations. 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 2019/2020 include two discretely presented component units. These component units are those entities for which the City is considered to be financially accountable. These entities are the Muscatine County Solid Waste Management Agency (Agency) and Muscatine Power and Water (MP&W). The Agency is comprised of eight governmental entities in Muscatine County and based on the City of Muscatine population, the City accounts for 56% of the board's voting authority. The City Council also approves the Agency's budget, sets its rates, and approves any debt issuance. MP&W is a municipal utility which provides water, electric, and communications services within the City of Muscatine and in other areas within Muscatine County. MP&W's governing board is appointed by the City Council. MP&W provides a financial benefit by providing electricity for City buildings and all street and traffic lighting free of charge to the City. These entities are reported in separate columns in the government-wide statements to emphasize that they are legally separate from the City.

## **Local Economy**

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include Kraft-Heinz, food processing; Bridgestone-Bandag, makers of pre-cured tire tread rubber; Bayer (formerly Monsanto Company), herbicides and plastics; Raymond-Muscatine, front-end loaders, etc.; Grain Processing Corporation/Kent Feeds, corn distillates and feed; Stanley Consultants Inc., consulting engineers and architects; and Musco Sports Lighting LLC, sports lighting systems. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten calendar years ranged from 2.6% to 7.6% with the rate for 2019 at 2.9%. Prior to 2009, 2010, and 2011 when the rates were 8.1%, 7.6%, and 6.4%, respectively, the highest previous rate was 4.6% in 2008. The higher rates beginning in 2009 were attributed to the local effect from the national economy.

While the City normally reports only annual unemployment rates, the COVID-19 pandemic impacted the Muscatine County monthly unemployment rates beginning in April of 2020. In mid-March of 2020, the Governor of Iowa ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed to the public in an effort to reduce

the spread of the coronavirus. Muscatine County's unemployment rate increased to 11.0% in April of 2020 and further increased to 13.3% in May. The unemployment rate decreased to 9.2% in June, 6.7% in July, 6.3% in August, and to 4.4% in September (the most recent month available). Businesses began re-opening in June, with some restrictions. See the separate section "Impacts of the COVID-19 Pandemic" later in this transmittal letter.

Muscatine Power and Water (MP&W), the City of Muscatine's municipal light, water, and communications utility, operates one of the largest municipal power plants in the State of Iowa. This plant provides for abundant supplies of low cost electricity. The MP&W communications division is currently building a 100% fiber optic network. When this project is completed, Muscatine will be among the elite cities with gigabit connectivity to every address. The City's Water Pollution Control Plant has undergone renovation over the years and currently has the capacity to triple the volume of wastewater it treats with only marginal increases in operating expenses. The City operates a general aviation airport and has excellent railroad service provided by the Canadian Pacific Railroad.

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

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

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

In 2008 the City held an election for the continuation of this tax and it again received strong support by voters. The ballot question approved extending this tax for an additional ten years (through June 30, 2019) with up to 20% of the proceeds to be used for the City's Pavement Management Program with the remaining 80% to be used for storm and sanitary sewer improvement projects. Future sewer projects have been identified including those required by an Order for Compliance on Consent issued by the United States Environmental Protection Agency (E.P.A.). Provisions of the Order required the City to complete separation of the combined sewers in the Hershey Avenue area by December 31, 2011, and separation of the remaining combined portions of the sewer system including the West Hill area by December 31, 2028. The Hershey Avenue Sewer Separation project was completed in 2011/2012. The first phase of the West Hill Sewer Separation project was completed in the fall of 2013 and the second phase was completed in the fall of 2014. The phase 3 contract provided that this work be done over three calendar years (2015, 2016, and 2017) and this phase was substantially completed in 2017. This timing corresponds to the timing of the local option sales tax receipts that funded this project. With the completion of phase 3, the overall West Hill Sewer Separation project was approximately 35% complete. Phase 4-A of this project was completed in 2018/2019, Phase 4-B was completed in 2019/2020, and Phase 4-C was under construction in 2019/2020.

The previous 10-year local option sales tax period was scheduled to end on June 30, 2019 and a referendum was held on March 6, 2018 on the proposal to extend this tax for an additional 15 years (through June 30, 2034) to fund future sewer (80%) and street (20%) improvement projects. The extension of this tax was again approved by voters with 88% voting in favor of the extension. The 80% allocation of the local option sales tax for sewer improvements will fund project costs and anticipated debt service costs for the remaining phases of the West Hill Sewer Separation project mandated by the Consent Order.

The City began a comprehensive Pavement Management Program in 2007. Allocations totaling over \$5 million funded the initial upgrade of streets throughout the City. These improvements were substantially completed by June 30, 2010. The initial costs of this program were funded with general obligation bond proceeds. Annual allocations to maintain all streets at this higher level began in 2010/2011 with funding from the 20% allocation of local option sales tax and road use tax funds. The 20% allocation of local option taxes was \$593,104 in 2019/2020. In 2019/2020, a total of \$1,042,365 was expended for pavement management projects with \$593,104 funded from local option sales tax and \$449,261 funded from road use tax funds.

Engineering design began in July of 2015 and was completed in early 2017 on the first phase of the reconstruction of the Mississippi Drive/Grandview Avenue corridor from the Mississippi River bridge to the intersection of Grandview Avenue and the Highway 61 Bypass. This corridor is a portion of the Highway 61 business route which runs through the downtown area of the City. Project construction began in May of 2017 and was substantially completed in the fall of 2018 on phase one of the project from the Mississippi River bridge to Broadway, excluding the intersection at Mulberry Avenue. Phase one of this project was funded with a portion of the \$13 million in Transfer of Jurisdiction funds the City received from the State in August of 2014 as well as a \$4 million contribution from the Canadian Pacific Railroad. The next phase of the project, the 2<sup>nd</sup> Street and Mulberry Avenue roundabout was under construction in 2019/2020 and scheduled for completion in the fall of 2020. The Grandview Avenue phase was in the design phase in 2018/2019 and 2019/2020. Construction for the Grandview Avenue portion of this project is scheduled to begin in 2020/2021 and to be completed in 2021/2022.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. An update to the Airport Layout Plan was completed in 2018/2019 that identifies future year improvements for the airport. The Federal Aviation Administration funded 90% of the cost of this Plan. In the current year, construction was in progress on three new hangars and the related apron expansion. This project will be partially funded from a State grant with the local share funded from the May 2020 bond issue. Engineering design was completed in 2019/2020 for the reconstruction of Taxiway A with construction scheduled for fiscal year 2020/2021. Federal Aviation Administration (FAA) funding was originally set at 90% of project costs. After the budget was adopted, the City received notification that the 10% local share would be waived due to increased FAA funding related to the COVID-19 pandemic.

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 has allowed flexibility for the City Council to modify this rate if needed to continue to provide expected levels of City services to residents. This rate can be modified by giving a 90-day notice to Alliant Energy. For the 2012/2013 fiscal year City Council chose to reduce the Utility Franchise Fee rate to 1% which generated \$103,931 in 2012/2013, \$113,660 in 2013/2014, \$96,810 in 2014/2015, \$81,308 in 2015/2016, \$81,399 in 2016/2017, and \$102,859 in 2017/2018. The rate reduction was possible since there had been increased revenues in other areas of the General Fund budget.

The original 2018/2019 budget included an increase in the utility franchise fee rate from 1% to 5% effective July 1, 2018. This increase was budgeted due to the loss of revenue from the automated traffic enforcement (ATE) camera at the University Avenue and Highway 61 intersection which was ordered to be shut down by the Iowa Department of Transportation (IDOT) in April of 2017. This franchise fee increase was

expected to generate \$325,600 in additional revenues, which was the approximate amount of the loss in revenue from the ATE camera at this intersection. After the City adopted the ordinance in March of 2018 to increase the utility franchise fee rate to 5% effective July 1, 2018, the City was notified that its appeal of the IDOT order for removal of the camera at this intersection was successful and the camera was reactivated on June 18, 2018. The City Council subsequently adopted an ordinance in June of 2018 reducing the utility franchise fee rate back to 2% effective September 1, 2018. At the 2% rate for the 2018/2019 fiscal year, the utility franchise fee generated \$220,448.

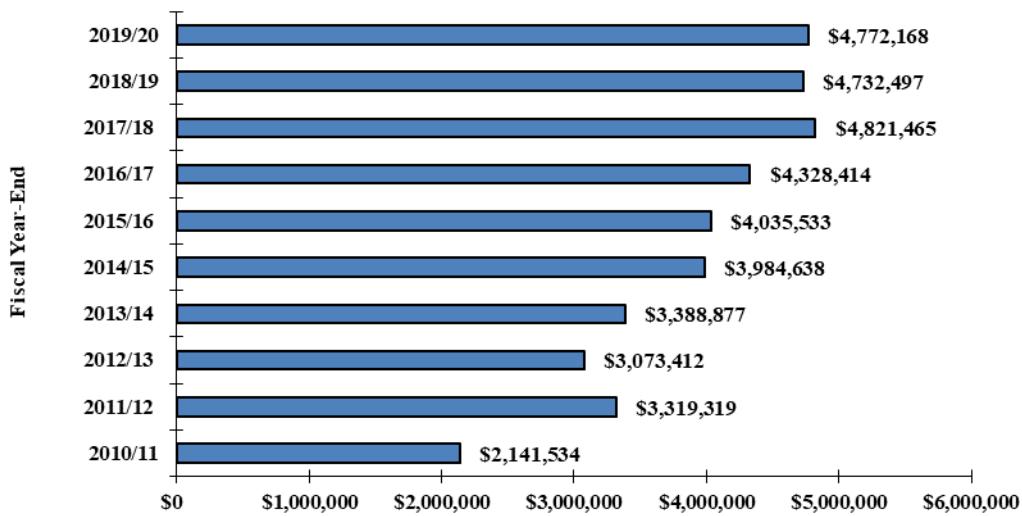
The 2019/2020 budget included an increase in the Utility Franchise Fee from 2% to the maximum rate allowed of 5%. This increase was implemented in order for the City to maintain its current level of services and to provide necessary capital equipment to departments. The additional 3% on the franchise fee was necessary in order to (1) fund increased Information Technology (IT) capital outlay and operating costs to reduce the risks of a future ransomware or similar attack, (2) capital outlay for the police department including replacing the previous squad car video system with a system that included body-worn cameras, and (3) the expected reduction in revenue from ATE fines. A Supreme Court ruling in September of 2018 resulted in the City temporarily suspending the issuance of notices to violators at all ATE locations. This ruling provides that cities can no longer find the recipient of an ATE citation liable for the violation because they have failed to pay, failed to appeal, or failed to request the issuance of a citation. If an individual does not voluntarily pay for and admit liability for the citation, cities must either file a municipal infraction proceeding or let the citation be. Collection rates using the municipal infractions process are expected to be less than the collection rates when unpaid citations were forwarded to the City's collection agent. The collection agent had listed unpaid citations on the State's Income Offset program as part of their collection efforts.

### **Relevant Financial Policies and State Legislation**

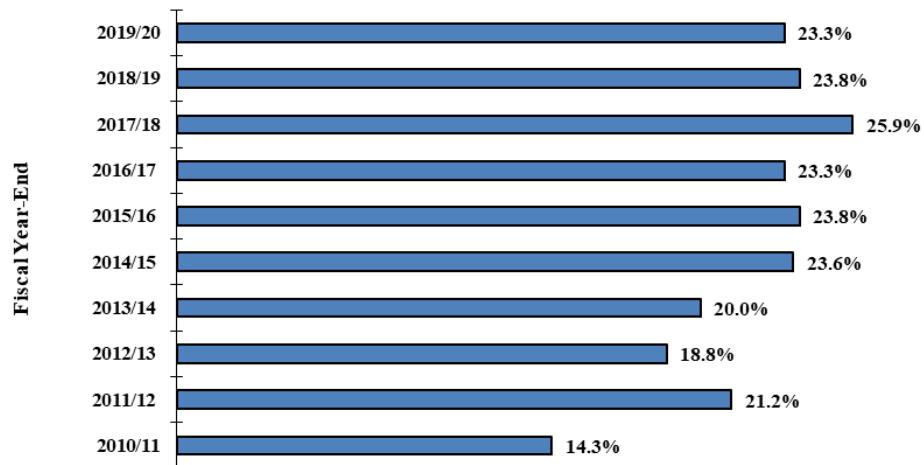
In November of 2013 the City's minimum General Fund balance policy was updated from the previous 10% of General Fund expenditures level to two months of General Fund expenditures, which is equivalent to 16.7%. The updated policy also addresses conditions for use of reserves, authority over reserves, 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 following charts show ten-year histories of unassigned General Fund balances.

### General Fund Fund Balance History



### Year-End General Fund Balances as a Percent of Expenditures



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 was in part attributed to several categories of new revenues including automated traffic enforcement fines (implemented in the spring of 2011), and fire inspection and fire permit fees (effective in April of 2011). The unassigned General Fund balance on June 30, 2014 increased by \$315,465 to \$3,388,877 (20.0% of General Fund expenditures); on June 30, 2015 it increased by \$595,761 to \$3,984,638 (23.6% of expenditures); and at the end of 2015/2016 the unassigned balance further

increased by \$50,895 to \$4,035,533 (23.8% of expenditures). The unassigned General Fund balance on June 30, 2017 increased by \$292,881 to \$4,328,414 which was 23.3% of General Fund expenditures and on June 30, 2018 the unassigned fund balance increased by \$493,051 to \$4,821,465 (25.9% of General Fund expenditures). The unassigned General Fund balance on June 30, 2019 decreased by \$88,968 to \$4,732,497 (23.8% of General Fund expenditures). This decrease was due to the increase of \$141,303 in prepaid items, which is included in the nonspendable portion of the General Fund balance. The unassigned General Fund balance on June 30, 2020 increased by \$39,671 to \$4,772,168 which was 23.3% of General Fund expenditures. The recent General Fund ending balances have all exceeded the 16.7% minimum fund balance requirement in the updated policy.

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

The Property Tax Reform legislation also created a new “multi-residential” property class which will be rolled back from the 90% commercial rollback level to the residential level of approximately 60%. This rollback is being implemented over eight years beginning in fiscal year 2016/2017 and continuing through 2023/2024. There is no provision in this legislation for any backfill funding to local governments. The multi-residential rollback decreased from 90% to 86.25% for 2016/2017, decreased to 82.50% for 2017/2018, decreased to 78.75% in 2018/2019, decreased to 75.00% in 2019/2020, will decrease to 71.25% in 2020/2021, and will continue to be rolled back by 3.75% each year through 2023/2024. This change in rollback will result in an approximately \$1.5 million decrease in taxable property valuations in each of the upcoming years. For 2019/2020 and 2020/2021, increases in residential, commercial, and industrial property valuations more than offset the multi-residential property valuation decreases, and there was an overall 1.84% increase in taxable property valuations in 2019/2020 and a .86% increase in 2020/2021.

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 through 2017/2018. While the original budget for 2018/2019 provided for this rate to increase to 5%, the rate was subsequently set at 2%. The availability of this revenue source assists in continuing to fund the City’s core General Fund services to the community. The 2019/2020 budget included an increase in the Utility Franchise Fee from 2% to the maximum rate allowed of 5%. This increase was implemented in order for the City to maintain its current level of services and provide the necessary capital equipment to departments. The additional 3% on the franchise fee was implemented in order to (1) fund increased Information Technology (IT) capital outlay and operating costs to reduce the risks of a future ransomware or similar attack, (2) capital outlay for the police department including replacing the previous squad car video system with a system that included body-worn cameras, and (3) the expected reduction in revenue from ATE fines. The franchise fee may be increased (up to the 5% maximum) or decreased 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 \$666,300 of incremental taxes were not claimed by the City for 2019/2020 and this amount is estimated at \$664,200 for 2020/2021. 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 2020/2021 include (1) completion of construction of the 2<sup>nd</sup> Street and Mulberry Avenue roundabout which is part of the Mississippi Drive Corridor Reconstruction project, (2) completing the engineering design, bidding, and starting construction of the Grandview Avenue portion of the Corridor project, (3) completion of phase 4-C and the start of phase 5-A of the multi-year, multi-phase West Hill Sewer Separation project, (4) completing the construction of the downtown streetscaping project, (5) continuing the annual pavement management and new sidewalk construction projects, and (6) completing the reconstruction of Taxiway A at the airport.

An additional initiative for the upcoming year is to complete construction of the remaining components of the "Pearls of Progress Projects". The HNI Corporation donated their former headquarters building in downtown Muscatine to the City to be used as the new Musser Public Library and HNI Community Center. The cost to convert this building into the new library and community center was over \$1.4 million and this project was completed in 2017/2018. The Community Dog Park was completed in 2018/2019. These were two of the four projects in the City's Pearls of Progress Project that was awarded a \$500,000 Community Attractions and Tourism (CAT) Grant from the State of Iowa. The remaining projects are the West Side Trail to connect Kent Stein Park to Discovery Park, and the Muscatine County project to construct cabins at Deep Lakes Park, that are both scheduled to be completed by the end of the 2020 calendar year. The estimated total cost of these four projects is over \$8.1 million. Funding will be from grants, donations (including the donation of the library building), City bond proceeds, County Conservation Board funds, and the CAT grant.

## **Impacts of the COVID-19 Pandemic**

In mid-March of 2020, the Governor of Iowa ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed to the public in an effort to reduce the spread of the coronavirus. The City continued to provide essential services to the public, but City facilities were closed to the public.

At the April 16, 2020 meeting, City Council authorized the expansion of the City's existing Forgivable Loan Program for Small Businesses to include a new "Economic Assistance for Muscatine Small Businesses" program for small business impacted by the COVID-19 public health crisis. The program provided up to \$2,500 to assist small businesses in managing decreases in income or increases in expenses to address health and safety measures. Funds were provided as forgivable loans that could be used for normal business expenses such as rent or mortgage payments, business insurance premiums, commercial property taxes, utilities, personnel expenses, and inventory. Forgivable loans totaling \$231,267 were provided to 94 small businesses with the goal of assisting the businesses to survive and to recover as quickly as possible.

The City Council met several times in May and June to review and discuss the projected impacts of the COVID-19 pandemic on City revenues in both the 2019/2020 fiscal year and the upcoming 2020/2021 year, as well as budget revisions to address the revenue shortfalls. At their June 18, 2020 meeting, the City Council formally approved the following six budget revisions, which were not expected to have immediate impacts on essential services provided to the residents of the community.

1. The \$1 million allocation for the FY 2020/2021 Pavement Management program and the \$100,000 allocation for the New Sidewalk program, be deferred due to the projected reductions in Road Use Tax and Local Option Sales Tax revenues until such time as funds are determined to be available for all or a portion of these projects.

2. Hiring of the three new firefighter positions and the new Human Resources Generalist position, all added in the FY 2020/2021 budget, be deferred until funding is determined to be available.
3. The \$50,000 assigned funding allocation for merit pay for fulltime non-union employees be deferred until funding is determined to be available.
4. Various department budgeted expenditures be reduced as previously identified which includes, but is not limited to Aquatic Center expenditures due to that facility not opening in 2020.
5. All permanent fulltime and permanent part-time positions that become vacant be reviewed by the City Administrator before being authorized to be re-filled.
6. All budgeted capital outlay items be reviewed by the City Administrator before purchasing (any over \$5,000 will also require City Council approval).

At the June 18 meeting it was noted that there is still uncertainty in the duration and extent of the revenue impacts to the City and the City Council may in the future determine that additional budget revisions may be necessary.

At the end of the 2019/2020 fiscal year, there were reductions in revenues as projected at the meetings. Significant General Fund revenue reductions were in hotel/motel taxes, construction permits, and Parks and Recreation facility usage and program fees. These reductions, however, were offset by expenditure reductions in most departments. While a decrease in General Fund balance was anticipated due to the revenue reductions, the City was able to maintain the unreserved General Fund balance at the same approximate level as budgeted.

Due to the team effort of the City Council and City staff, as well as the recovering economy and CARES (Coronavirus Aid, Relief, and Economic Security) Act funding, the financial impacts of COVID-19 have not been as significant as originally projected for fiscal year 2019/2020. There are still however, revenue concerns going forward. City Council and City staff plan to use caution going forward in fiscal year 2020/2021 due to the uncertainty of these revenues as well as the economy.

### **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, 2019. This was the 26th 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 also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2020/2021. 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 2020/2021 budget was the 36th 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 2021/2022 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/ Carol A. Webb  
City Administrator

/s/ Nancy A. Lueck  
Finance Director



Government Finance Officers Association

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

Presented to

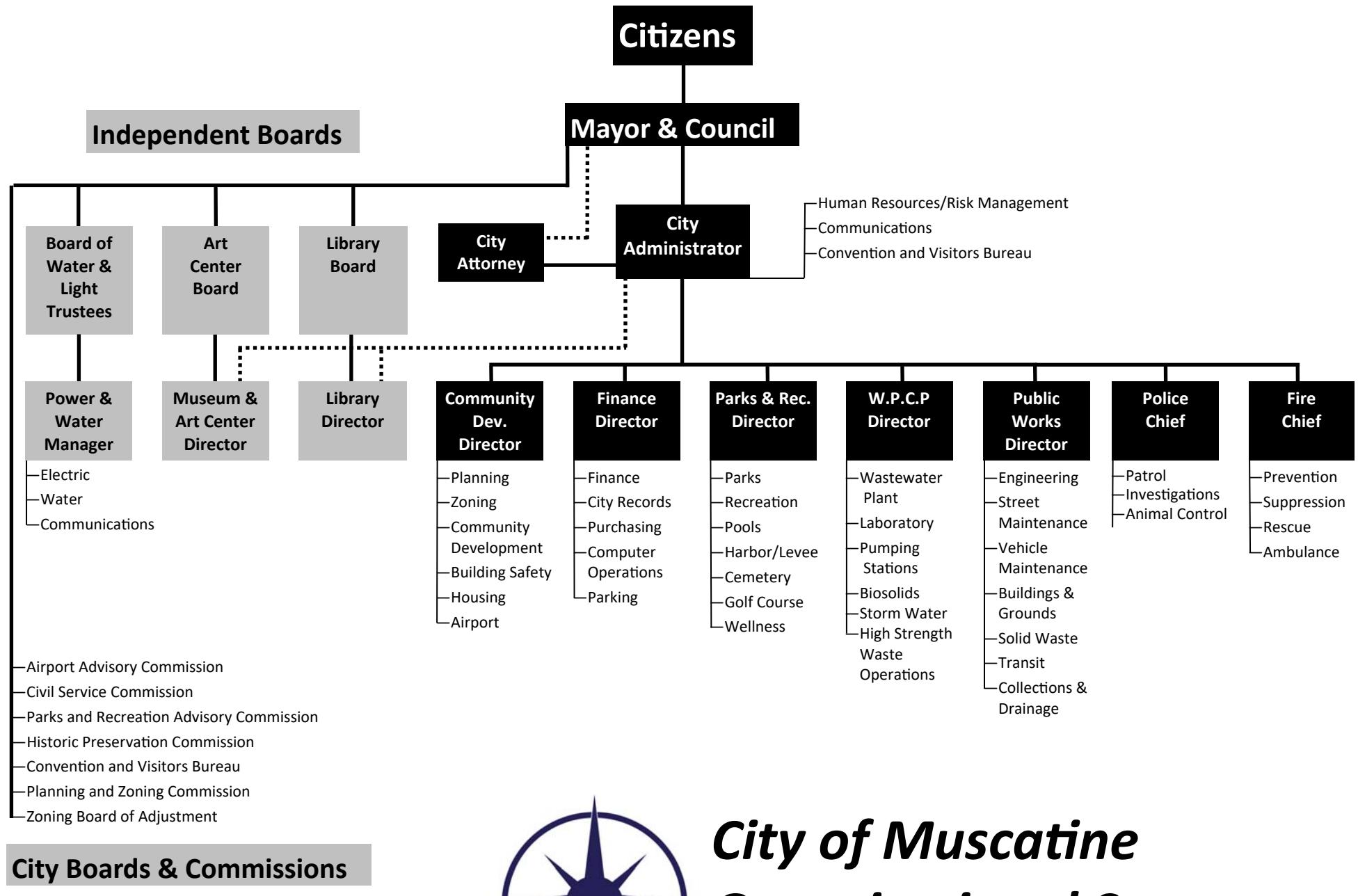
**City of Muscatine  
Iowa**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



***City of Muscatine  
Organizational Structure***

## CITY OF MUSCATINE, IOWA

### List of Principal Officials June 30, 2020

Diana Broderson, Mayor

#### **CITY COUNCIL**

DeWayne Hopkins  
At Large

Kelcey Brackett  
At Large

Dennis Froelich  
First Ward

Osmond Malcolm  
Second Ward

Peggy Gordon  
Third Ward

Nadine Brockert  
Fourth Ward

John Jindrich  
Fifth Ward

#### **COUNCIL APPOINTED OFFICIALS**

City Administrator  
City Attorney

Carol A. Webb  
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  
Jodi Royal-Goodwin  
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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscatine Power & Water, which represent 90 percent, 91 percent, and 87 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units and remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power & Water, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Muscatine, Iowa, as of June 30, 2020, 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, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in Muscatine Power & Water's net OPEB liability and related ratios, 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, and Muscatine Power & Water schedule of changes in net pension liability and schedule of employer contributions, and schedules of the Muscatine Power & Water proportionate share of the net pension liabilities for pension retirement systems, and schedules of the Muscatine Power & Water's contributions for pension retirement systems on pages 20-35 and 98-118, 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 12, 2020 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 12, 2020

## 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, 2020. 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 \$164,789,303 (net position). Of this amount, \$7,254,458 (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 \$2,883,965 during the year. This overall increase includes a \$1,261,588 decrease in the governmental activities and a \$4,145,553 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 \$18,045,264, an increase of \$1,093,185 in comparison with the prior year. There were decreases of \$1,440,430 in the Other Street Improvements fund, \$44,971 in the Debt Service fund, \$308,713 in the Local Option Sales Tax fund, \$36,743 in the Road Use Tax fund, and \$179,232 in the General fund. These decreases were offset by increases of \$127,974 in the Employee Benefits fund and \$2,975,300 in Other Governmental funds. Of the ending balance, approximately 6% (\$1,104,135) was nonspendable, 38% (\$6,818,066) was restricted, 30% (\$5,350,895) was assigned, and 26% (\$4,772,168) 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 \$4,772,168, which was 23.3% of total general fund expenditures.
- The City's total debt increased by \$2,866,639 (12.1%) during the current fiscal year. During the year, \$6,310,000 in new general obligation debt was issued and \$2,630,000 in general obligation debt was retired. No new tax increment revenue bonds were issued and \$145,000 was retired. Sewer revenue loans outstanding decreased by \$700,000 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, Soccer Events, 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 36-37 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 38-43 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 thirteen (13) 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 nine (9) 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 nine (9) 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 44-48 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 49 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 50-97.

**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 changes in the City's other post-employment benefits plan liability and related schedules, (3) the Muscatine Power & Water schedule of changes in the other post-employment benefits plan liability and related schedules, (4) the City's proportionate share of net pension liability and related pension contributions, (5) required supplementary information for Muscatine Power & Water's single-employer defined benefit pension plan, and (6) Muscatine Power & Water'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 \$164,789,303 at the close of the fiscal year ended June 30, 2020.

By far the largest portion of the City's net position (92.6%) reflects its investment in capital assets (e.g., land, infrastructure, 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**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 39,082,378	\$ 37,250,490	\$ 14,908,399	\$ 14,391,555	\$ 53,990,777	\$ 51,642,045
Capital assets	85,768,036	83,096,709	90,118,758	86,544,695	175,886,794	169,641,404
Total assets	124,850,414	120,347,199	105,027,157	100,936,250	229,877,571	221,283,449
Deferred outflows of resources	4,353,550	4,667,106	779,929	847,297	5,133,479	5,514,403
Long-term liabilities outstanding	33,401,800	28,892,736	14,554,310	15,431,650	47,956,110	44,324,386
Other liabilities	2,150,351	1,700,339	1,771,304	1,222,986	3,921,655	2,923,325
Total liabilities	35,552,151	30,593,075	16,325,614	16,654,636	51,877,765	47,247,711
Deferred inflows of resources	17,899,925	17,407,754	444,057	237,049	18,343,982	17,644,803
Net position:						
Net investment in capital assets	73,561,365	71,749,786	79,043,719	75,043,292	152,605,084	146,793,078
Restricted	4,802,845	5,278,510	126,916	117,227	4,929,761	5,395,737
Unrestricted	(2,612,322)	(14,820)	9,866,780	9,731,343	7,254,458	9,716,523
Total net position	<u>\$ 75,751,888</u>	<u>\$ 77,013,476</u>	<u>\$ 89,037,415</u>	<u>\$ 84,891,862</u>	<u>\$ 164,789,303</u>	<u>\$ 161,905,338</u>

A portion of the City's net position (3.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,254,458) 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 for the government as a whole and the business-type activities.

Net investment in capital assets increased by \$5,812,006 during the year. Restricted net position decreased by \$465,976. Unrestricted net position decreased by \$2,462,065 during the year with the unrestricted net position of business-type activities increasing by \$135,437 and the unrestricted net position of governmental activities decreasing by \$2,597,502.

## CITY OF MUSCATINE CHANGES IN NET POSITION

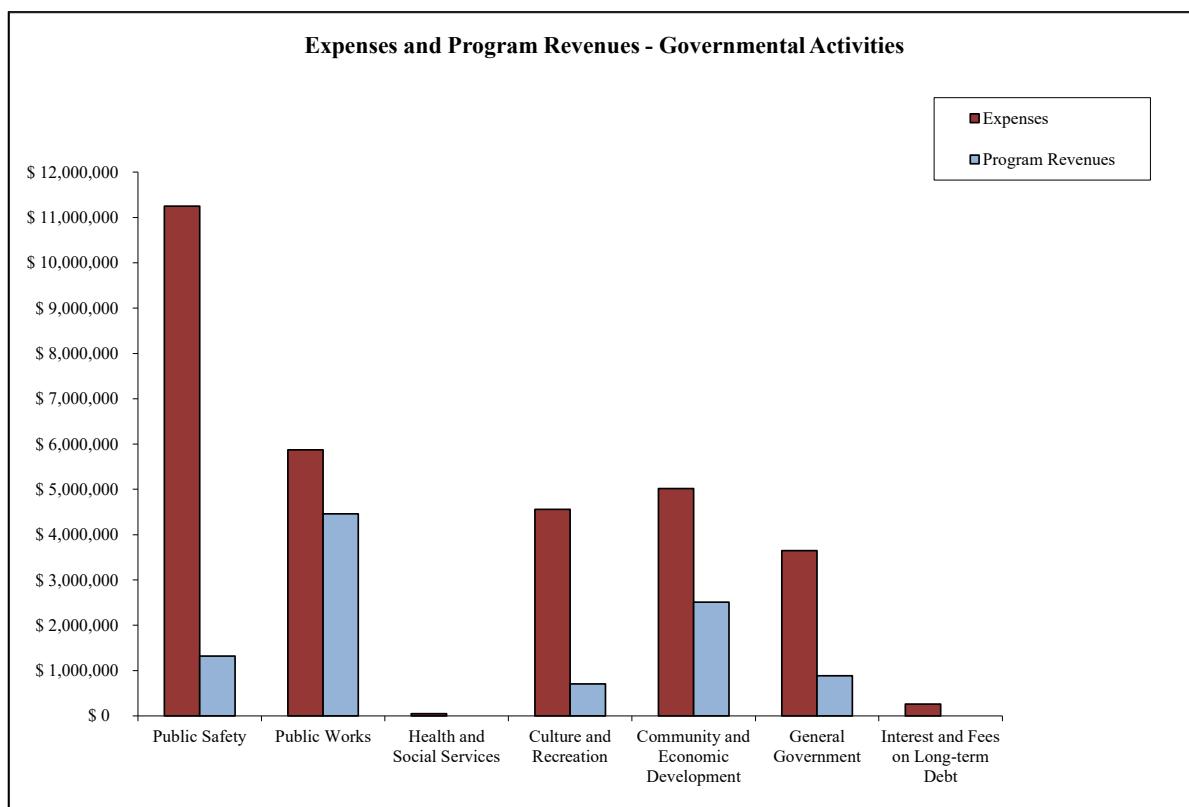
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,784,405	\$ 2,696,562	\$ 15,386,404	\$ 14,734,371	\$ 18,170,809	\$ 17,430,933
Operating grants, contributions and restricted interest	5,971,139	6,187,745	1,484,888	1,113,863	7,456,027	7,301,608
Capital grants and contributions	1,135,003	1,278,580	704,054	113,706	1,839,057	1,392,286
General revenues:						
Property taxes	16,638,396	15,941,284	-	-	16,638,396	15,941,284
Utility taxes	53,623	49,050	-	-	53,623	49,050
Local option sales tax	2,940,519	3,206,407	-	-	2,940,519	3,206,407
Hotel/motel tax	398,588	494,951	-	-	398,588	494,951
Cable franchise tax	143,166	158,717	-	-	143,166	158,717
Utility franchise fees	440,654	220,448	-	-	440,654	220,448
Intergovernmental, not restricted to specific programs	710,704	705,064	-	-	710,704	705,064
Unrestricted investment earnings	325,962	445,013	217,382	234,817	543,344	679,830
Other	4,580	82,516	24,750	-	29,330	82,516
<b>Total revenues</b>	<b>31,546,739</b>	<b>31,466,337</b>	<b>17,817,478</b>	<b>16,196,757</b>	<b>49,364,217</b>	<b>47,663,094</b>
<b>Expenses:</b>						
Public safety	11,249,523	10,159,973	-	-	11,249,523	10,159,973
Public works	5,871,272	5,545,863	-	-	5,871,272	5,545,863
Health and social service	50,000	50,000	-	-	50,000	50,000
Culture and recreation	4,556,522	4,332,644	-	-	4,556,522	4,332,644
Community and economic development	5,016,984	4,402,409	-	-	5,016,984	4,402,409
General government	3,648,966	3,661,530	-	-	3,648,966	3,661,530
Interest and fees on long-term debt	263,120	305,361	-	-	263,120	305,361
Water pollution control	-	-	6,943,121	6,914,396	6,943,121	6,914,396
Transfer station	-	-	2,245,386	2,456,161	2,245,386	2,456,161
Refuse collection	-	-	2,196,991	2,226,253	2,196,991	2,226,253
Airport	-	-	469,323	510,418	469,323	510,418
Parking	-	-	241,560	247,032	241,560	247,032
Transit	-	-	1,083,419	1,128,327	1,083,419	1,128,327
Golf course	-	-	794,259	742,773	794,259	742,773
Boat harbor	-	-	30,182	30,948	30,182	30,948
Marina	-	-	6,472	7,302	6,472	7,302
Convention & visitors bureau	-	-	106,593	90,793	106,593	90,793
Ambulance	-	-	661,470	667,276	661,470	667,276
Soccer events	-	-	51,905	47,409	51,905	47,409
Public housing	-	-	993,184	918,038	993,184	918,038
<b>Total expenses</b>	<b>30,656,387</b>	<b>28,457,780</b>	<b>15,823,865</b>	<b>15,987,126</b>	<b>46,480,252</b>	<b>44,444,906</b>
<b>Increase (decrease) in net position</b>						
before transfers	890,352	3,008,557	1,993,613	209,631	2,883,965	3,218,188
Transfers in (out)	(2,151,940)	(1,537,960)	2,151,940	1,537,960	-	-
<b>Increase (decrease) in net position</b>	<b>(1,261,588)</b>	<b>1,470,597</b>	<b>4,145,553</b>	<b>1,747,591</b>	<b>2,883,965</b>	<b>3,218,188</b>
Net position, beginning of year	<b>77,013,476</b>	<b>75,542,879</b>	<b>84,891,862</b>	<b>83,144,271</b>	<b>161,905,338</b>	<b>158,687,150</b>
Net position, end of year	<b>\$ 75,751,888</b>	<b>\$ 77,013,476</b>	<b>\$ 89,037,415</b>	<b>\$ 84,891,862</b>	<b>\$ 164,789,303</b>	<b>\$ 161,905,338</b>

**Governmental activities.** Governmental activities decreased the City's net position by \$1,261,588 during the year. This overall decrease was due to the following:

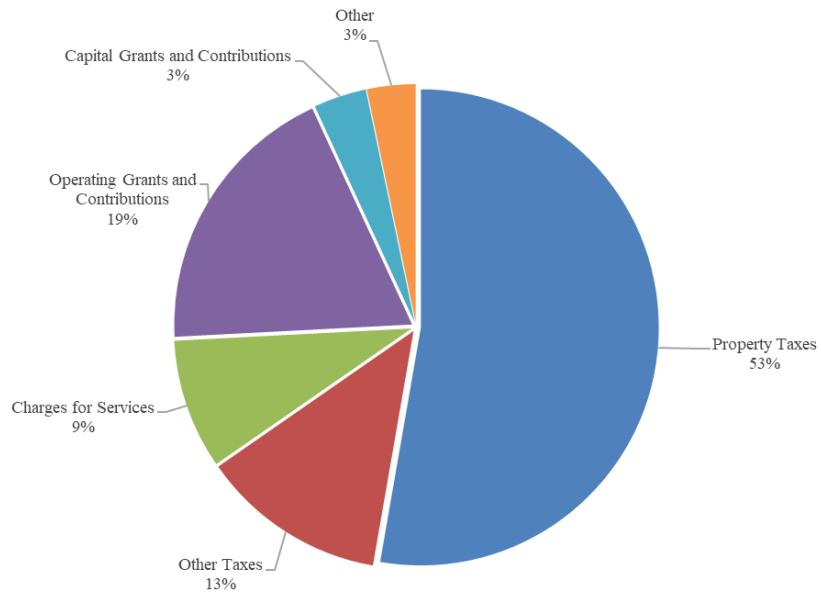
- Revenues for governmental activities increased in total by \$80,402 or .3% from the previous year. This overall increase is due to increases in property taxes (\$697,112), utility taxes (\$4,573), utility franchise fees (\$220,206), charges for services (\$87,843), and intergovernmental not restricted to specific programs (\$5,640). These increases were partially offset by decreases in operating grants, contributions, and restricted interest (\$216,606), capital grants and contributions (\$143,577), local option sales tax (\$265,888), hotel/motel tax (\$96,363), unrestricted investment earnings (\$119,051), cable franchise fees (\$15,551), and other revenues (\$77,936).
- The property tax increase of \$697,112 includes \$420,308 in incremental property taxes and \$276,804 in regular property taxes. The City's property tax rate remained the same in fiscal year 2019/2020 as it was in 2018/2019. Fiscal year 2019/2020 was the first year of the tax increment financing (TIF) rebates for the Muscatine Hotel Development and the HNI facilities expansion on North University Drive. The TIF rebates on these new projects resulted in the incremental property tax increase.
- The utility franchise fee increase of \$220,206 was due to the increase in the utility franchise fee rate from 2% in the prior year to 5% in 2019/2020. For the 2019/2020 budget, the City Council chose to increase the utility franchise fee in lieu of considering a property tax rate increase in order to fund (1) increased Information Technology (IT) capital outlay and operating costs to reduce the risks of a future ransomware or similar attack, (2) capital outlay for the police department including replacing the previous squad car video system with a system that will include body-worn cameras, and (3) the expected reduction in revenue from automated traffic enforcement (ATE) fines.
- Charges for services for governmental activities increased by \$87,843 (3.3%) compared to the prior year. Public safety charges for services increased by \$142,234, community development charges decreased by \$42,224, and culture and recreation charges decreased by \$86,039. Public works charges increased by \$11,411 and general government charges increased by \$62,461. The increase in public safety charges is due to a \$192,922 increase in revenue from automated traffic enforcement (ATE) camera fines and the net effect of various other increases and decreases in police department revenues. In the prior year, ATE revenues were lower due to an Iowa Supreme Court ruling in September 2018 which resulted in the City suspending the issuance of notices to violators at all ATE locations. The City modified its ATE ordinance and the language in the notices of violations, and the traffic cameras were re-activated on March 1, 2019. The decrease in community development charges for services is due to a decrease in construction permit fees. The decrease in culture and recreation charges is due to reductions in facility usage and program fees due to the COVID-19 pandemic. The Aquatic Center did not open for the 2020 season, and most programs and facility rentals were suspended beginning in mid-March through mid-June.
- Operating grants, contributions, and restricted interest decreased by \$216,606. There were decreases of \$108,676 in public works, \$68,324 in culture and recreation, and \$78,752 in community and economic development. These decreases were partially offset by an increase of \$39,146 in public safety.
- Capital grants and contributions decreased by \$143,577 compared to the previous year. Capital grants and contributions fluctuate from year to year based on construction schedules for capital projects with grant funding.
- Expenses for governmental activities increased by \$2,198,607 or 7.7% from the previous year. Of the overall increase, 4.7% is due to the change in expenses for unfunded pension system liabilities compared to the prior year. There was a \$1,332,104 increase in unfunded pension liabilities

(expense increase) in the current year compared to a \$317,331 unfunded pension liabilities increase (expense increase) in the prior year.

- Governmental expenses increased in the public safety function (\$1,089,550), increased in public works (\$325,409), increased in culture and recreation (\$223,878), increased in community and economic development (\$614,575), decreased in general government (\$12,564), and decreased in interest and fees on long-term debt (\$42,241). The increase in public safety is due to the \$1,131,920 increase in expense for the unfunded Municipal Fire and Police Retirement System of Iowa (MFPSI) pension liability. The increase in community and economic development includes the \$231,257 allocation for the COVID-19 Small Business Forgivable Loans and an increase in tax increment financing (TIF) rebates for economic development projects.



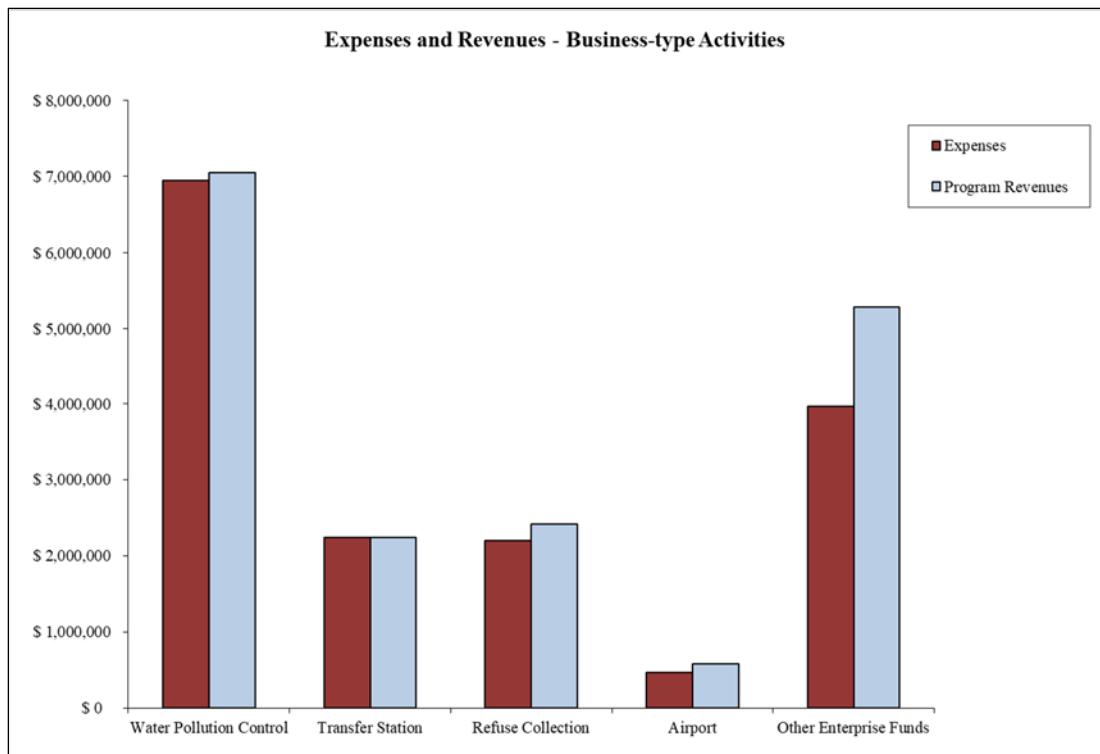
### Revenues By Source - Governmental Activities



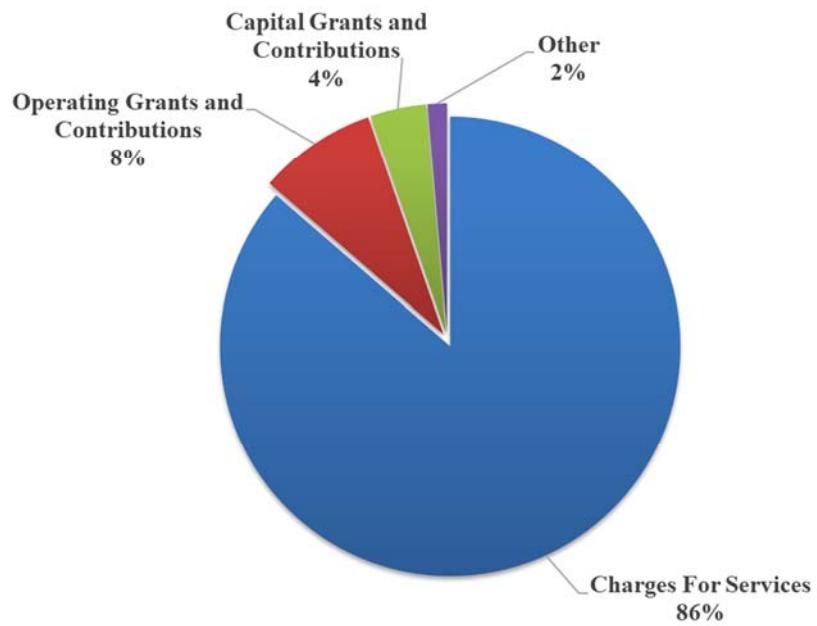
**Business-type activities.** Business-type activities increased the City's total net position by \$4,145,553 during the year. Increases in net position were reported in the Water Pollution Control, Transfer Station, Refuse Collection, Airport, Transit, Convention and Visitors Bureau, Ambulance, and Public Housing funds. Decreases in net position were reported in the Parking, Golf Course, Boat Harbor, and Soccer Events funds. Key elements of these changes are as follows:

- Net position of the Water Pollution Control fund increased by \$2,923,221 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$2,684,352 of sewer-related capital project costs during the year.
- Net position of the Transfer Station fund increased by \$172,724 during the year.
- Net position of the Refuse Collection fund increased by \$188,566 during the year.
- Net position of the Airport fund increased by \$468,103 during the year.
- Net position of the non-major enterprise funds increased by \$291,155 during the year due to increases in the Transit (\$14,644), Convention and Visitors Bureau (\$20,832), Ambulance (\$315,254), and Public Housing (\$97,494) funds. These increases were partially offset by decreases in the Parking (\$75,224), Golf Course (\$34,247), Boat Harbor (\$10,148), and Soccer Events (\$37,450) funds.
- Revenues for the business-type activities increased in total by \$1,620,721 (10.0%).

- Charges for services increased in total by \$652,033 (4.4%). Water pollution control charges for services increased by \$239,498, transfer station charges decreased by \$141,308, refuse collection charges increased by \$75,105, and airport charges increased by \$6,833. The increase in water pollution control charges was due to a rate increase and increased industrial usage. The Transfer station charges for services decrease was due to a decrease in waste volume, the refuse collection increase was due to a rate increase, and airport charges had a small increase from normal operations. There were increases of \$492,659 in ambulance charges, \$83,627 in golf course charges, \$15,506 in boat harbor charges, and \$425 in convention and visitors bureau charges. There were decreases in charges for services in the parking fund of \$29,144, transit of \$41,993, marina of \$999, soccer events of \$47,581, and public housing of \$595. Fiscal year 2019/2020 is the first year of additional ambulance revenues from GEMT (Ground Emergency Medical Transportation) funding for Medicaid patients, which resulted in \$373,880 in new funding. The decreases in parking, transit, and soccer events are related to the COVID-19 pandemic. With many downtown business closed from mid-March through early June due to the pandemic, there were minimal parking fees and fines during this time period. The transit system also suspended operations during a portion of this time and when services resumed, it was on a limited basis. The Parks department did not hold the annual College Search Kickoff soccer event in 2020.
- Operating grants and contributions increased by \$371,025 (33.3%). Operating grants and contributions increased by \$76,430 in the water pollution control fund, by \$2,031 in the airport fund, by \$18,391 in the transit fund, by \$40,028 in the ambulance fund, and by \$240,787 in the public housing fund. Operating grants and contributions decreased by \$5,050 in the refuse collection fund and by \$1,592 in the convention and visitors bureau fund.
- Capital grants and contributions increased by \$590,348. Airport capital grants increased by \$418,209 and transit capital grants increased by \$172,139.
- Expenses for the business-type activities decreased \$163,261 (1.0%). Expenses increased by \$28,725 in the water pollution control fund; decreased by \$210,775 in the transfer station fund; decreased by \$29,262 in the refuse collection fund; decreased by \$41,095 in the airport fund; decreased by \$5,472 in the parking fund; decreased by \$44,908 in the transit fund; increased by \$51,486 in the golf course fund; decreased by \$766 in the boat harbor fund; decreased by \$830 in the marina fund; increased by \$15,800 in the convention and visitors bureau fund; decreased by \$5,806 in the ambulance fund; increased by \$4,496 in the soccer events fund; and increased by \$75,146 in the public housing fund.



**Revenues By Source - Business-type Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,045,264, an increase of \$1,093,185 (6.4%) in comparison with the prior year. There were increases in fund balance of \$127,974 in the employee benefits fund and \$2,975,300 in the non-major governmental funds. These increased were partially offset by decreases of \$179,232 in the general fund, \$308,713 in the local option sales tax fund, \$36,743 in the road use tax fund, \$44,971 in the debt service fund, and \$1,440,430 in the other street improvements fund.

Of the combined \$18,045,264 governmental fund balances at year-end, 6.1% (\$1,104,135) is classified as nonspendable and includes prepaid items, advances to other funds, and permanent fund principal. A total of \$6,818,066 (37.8%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total \$5,350,895 (29.6%) 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 \$4,772,168 is classified as unassigned (26.5%). By definition unassigned balances include all deficit balances. There were no deficit fund balances in governmental funds at the end of the current fiscal year.

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 \$4,772,168, while the total fund balance was \$5,105,988. The General Fund balance includes a total of \$80,245 classified as nonspendable for prepaid items (\$70,652) and advances to other funds (\$9,593). The assigned portion of the balance totals \$253,575, which includes \$105,875 for purchases on order and \$147,700 for future equipment purchases. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent 23.3% and 24.9%, respectively, of total general fund expenditures. These percentages decreased from the prior year computation of unassigned and total fund balances of 23.8% and 26.6%, respectively. The City of Muscatine's general fund balance decreased by \$179,232 (3.4%) during the current fiscal year.

The Employee Benefits fund balance increased during the year by \$127,974. Taxes are levied in this fund for employee benefits for general fund employees. The increase in fund balance was due to savings from employee vacancies during the year.

The Local Option Sales Tax fund balance decreased during the fiscal year by \$308,713. The fund balance of \$257,778 at year-end will be used to fund street and sewer projects in the upcoming year.

The Road Use Tax fund balance decreased by \$36,743 during the year. The fund balance of \$1,329,029 at year-end will be used for future street maintenance and capital project costs.

The Debt Service fund balance decreased by \$44,971 during the year. This was a budgeted use of fund balance. The ending fund balance of \$137,770 will be used for future year bond principal and interest payments.

The Other Street Improvements Fund balance decreased by \$1,440,430 during the year. This decrease reflects the use of funds received in prior years for the Mississippi Drive Corridor Reconstruction project. In the 2014/2015 fiscal year the city received \$13 million from the State from the transfer of jurisdiction of the Mississippi Drive/Grandview Avenue corridor. These funds were assigned to be used to reconstruct this major business route, which runs through downtown Muscatine. This overall project is being done in phases with phase one from the Mississippi River Bridge to Broadway completed in 2018. The next phase for the 2<sup>nd</sup> and Mulberry Avenue roundabout was substantially completed in the current year. The Grandview Avenue phase is scheduled to begin in fiscal year 2020/2021 and to be completed in 2021/2022.

The fund balances in the Other Governmental Funds increased in total by \$2,975,300. Fund balances decreased by \$194,967 in the non-major special revenue funds, increased by \$3,163,440 in the non-major capital projects funds, and increased by \$6,827 in the non-major permanent funds. The non-major capital projects fund increase is primarily due to unspent proceeds from the May 2020 bond issue, which will be used for various street, park, and other improvements in the upcoming year.

**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, 2020 was \$88,483,656, an increase of \$4,043,769 from the previous fiscal year's net position. Of the net position of the enterprise funds, \$79,043,719 is the net investment in capital assets of the enterprise funds. Restricted net position totaled \$126,916. Unrestricted net position totaled \$9,313,021, a decrease of \$662,405 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 \$2,123,497 as of June 30, 2020, an increase of \$32,123 from the previous year. Net position increased by \$33,055 in the Health Insurance fund, by \$18,487 in the Dental Insurance fund, and by \$291 in the Central Supplies fund. Net position decreased by \$19,690 in the Equipment Services fund.

### **General Fund Budgetary Highlights**

During the year there was a \$262,600 increase in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund increased by \$131,943 from the original to the amended budget. Following are the main components of the overall budget appropriation increase during the year:

- There was an overall \$20,900 decrease in the public safety function budgets. This included an increase of \$35,100 in the police department budget, a decrease of \$400 in the animal control budget, and a decrease of \$55,600 in the fire department budget. The increase in the police department budget is primarily due to expenditures funded from CARES (Coronavirus Aid, Relief, and Economic Security) Act funding for purchases related to the COVID-19 pandemic. The decrease in the fire department budget is primarily due to vacancy savings and new employees starting at entry-level steps in the pay plan.
- Public works function budgeted expenditures were increased in total by \$53,500. This increase is primarily due to increased equipment maintenance costs in the roadway maintenance division.
- The culture and recreation function appropriation increased in total by \$94,600. A new seasonal pay plan was implemented beginning in the spring of 2020 that resulted in budget increases totaling

\$29,500 in the various park department divisions. The park maintenance budget also increased by \$53,400 due to increased repair and maintenance supplies and services including repairs needed due to the 2019 flood.

- The community and economic development function appropriation decreased by \$84,200. This reduction was primarily due to savings in personal services costs due to a staff reorganization, vacancy savings, and new employees starting at lower steps in the pay plan.
- There was a \$219,600 increase in the general government function appropriation from the original budget to the amended budget. The overall increase is primarily due to increases in the city administrator budget for severance pay to the former city administrator and in the human resources budget for increased labor attorney costs.

### **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, 2020, amounts to \$175,886,794 (net of accumulated depreciation), an increase of \$6,245,390 compared to the prior year. This investment in capital assets includes land, buildings and building improvements, machinery and equipment, park facilities, streets, and bridges. The City of Muscatine's investment in capital assets for the current fiscal year increased by \$2,671,327 for governmental activities compared to the prior year and increased by \$3,574,063 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 \$13,974,404.
- Major asset additions included \$4,485,463 in street improvements; \$2,937,154 in sewer system improvements; \$2,655,372 for the High Strength Waste Receiving Station; \$1,217,443 for the West Side Trail project; \$353,687 for park improvements; and \$779,390 for airport improvements.
- Depreciation expense totaled \$8,184,065 for the year with \$4,440,570 in the governmental activities and \$3,743,495 in the business-type activities.

#### **City of Muscatine Capital Assets**

#### **(Net of Depreciation)**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land, art work, and construction in progress, not being depreciated	\$ 25,715,961	\$ 21,044,560	\$ 4,937,125	\$ 4,490,718	\$ 30,653,086	\$ 25,535,278
Other capital assets net of accumulated depreciation	60,052,075	62,052,149	85,181,633	82,053,977	145,233,708	144,106,126
<b>Total capital assets</b>	<b>\$ 85,768,036</b>	<b>\$ 83,096,709</b>	<b>\$ 90,118,758</b>	<b>\$ 86,544,695</b>	<b>\$ 175,886,794</b>	<b>\$ 169,641,404</b>

Additional information on the City of Muscatine's capital assets can be found in note 4 on pages 63-65 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$26,635,495. Of this amount, \$16,074,495 is general obligation debt backed by the full faith and credit of

the City with \$15,410,456 of this debt reflected as debt of the governmental activities and \$664,039 reflected as debt of the business-type 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**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
General obligation bonds	\$ 15,410,456	\$ 11,624,424	\$ 664,039	\$ 738,432	\$ 16,074,495	\$ 12,362,856
Revenue bonds	150,000	295,000	10,411,000	11,111,000	10,561,000	11,406,000
Total	<u>\$ 15,560,456</u>	<u>\$ 11,919,424</u>	<u>\$ 11,075,039</u>	<u>\$ 11,849,432</u>	<u>\$ 26,635,495</u>	<u>\$ 23,768,856</u>

The City's total bonded debt increased in total by \$2,866,639 during the year. The City issued \$6,310,000 in new general obligation bonds during the year. Debt retired totaled \$3,475,000, which included \$2,630,000 in general obligation bonds, \$145,000 of tax increment revenue bonds, and \$700,000 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 \$71,250,964. The amount of bonded debt applicable to the debt limit totals \$15,750,000. The City also has Tax Increment Financing rebate agreements that total to a maximum obligation of \$2,835,525 as of the end of the year. The bonded debt and rebate agreements total to \$18,585,525. 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 Investor Services for the City's most recent general obligation bond issue in May of 2020. This rating was the same rating as that assigned for the May 2018 bond issue.

Additional information on the City's long-term debt can be found in note 5 on pages 66-71 of this report.

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

- The unemployment rate for Muscatine County was 2.9% for calendar year 2019 compared to 2.6% for calendar year 2018. Separate unemployment figures are not maintained for the City of Muscatine.
- While the City normally reports only annual unemployment rates, the COVID-19 pandemic impacted the Muscatine County monthly unemployment rates beginning in April of 2020. In mid-March of 2020, the Governor of Iowa ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed to the public in an effort to reduce the spread of the coronavirus. Muscatine County's unemployment rate increased to 11.0% in April of 2020 and further increased to 13.3% in May. The unemployment rate decreased to 9.2% in June, 6.7% in July, 6.3% in August, and to 4.4% in September (the most recent month available). Businesses began re-opening in June, with some restrictions. Further discussion of the impacts of the COVID-19 pandemic is included in the letter of transmittal.

- The City's taxable value increased by 1.84% for the 2019/2020 year and increased by .86% for the upcoming 2020/2021 fiscal year.
- In 2013 State legislation for property tax reform implemented a 10% rollback at 5% per year over two years (2014/2015 and 2015/2016), on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation included some backfill funding for local governments. There was no further change to the rollback factor on commercial, industrial, or railroad valuations for 2016/2017, 2017/2018, 2018/2019, 2019/2020, or 2020/2021. This legislation also created a new “multi-residential” property class which will be rolled back to residential levels by January 1, 2022, without backfill to local governments. This is being phased in beginning in the 2016/2017 fiscal year. The rollback factor for these properties was 86.25% in 2016/2017, 82.50% for 2017/2018, 78.75% for 2018/2019, 75.00% for 2019/2020, and will be 71.25% for 2020/2021. The rollback will continue to decrease by 3.75% each year until 2023/2024 when it will be equivalent to the residential rollback in place at that time.
- The upcoming budget provides funding for capital improvement projects to continue. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (80%) and also ongoing costs of the City's pavement management program (20%). On March 6, 2018, voters approved a 15-year extension (to June 30, 2034) to the local option sales tax which was previously scheduled to end on June 30, 2019.
- Construction began in the spring of 2017 and the contract was closed out in May of 2019 on phase one of the Mississippi Drive Corridor reconstruction project. The first phase of this project was from the Mississippi River bridge to Broadway except for the intersection at Mulberry Avenue. Construction began in the fall of 2019 on the roundabout for the 2<sup>nd</sup> and Mulberry intersection. This project is scheduled for completion in the fall of 2020. Construction is scheduled to begin in 2020/2021 on the Grandview Avenue portion of the project. The Corridor project is being funded from the \$13 million in Transfer of Jurisdiction funds the City received from the State in August of 2014, \$4 million in contributions from the Canadian Pacific Railroad (for phase one), and federal grant funding of \$3,550,000 to assist in funding the Grandview Avenue phase of this project.
- In November of 2017, the City was awarded a \$500,000 Community Attractions and Tourism (CAT) Grant from the State of Iowa for the Pearls of Progress Project. This project has four component projects including (1) renovation of the former HNI headquarters building to be used for the new Musser Public Library and HNI Community Center, (2) the Community Dog Park, (3) the new West Side Trail, and (4) the Muscatine County project to construct cabins at Deep Lakes Park. The estimated total cost of these projects is over \$8.1 million. Funding will be from grants, donations (including the donation of the library building by HNI Corporation), City bond proceeds, County Conservation Board funds, and the CAT grant. The library building renovation was completed in 2017/2018 and the dog park was completed in 2018/2019. Construction for the West Side Trail and Deep Lakes Park cabins (a Muscatine County project) was underway in 2019/2020 and is scheduled for completion by the end of calendar year 2020.
- Several other capital projects were underway in 2019/2020 and scheduled to be completed in 2020/2021. These include phase 4-C of the West Hill Sewer Separation project funded from local option sales tax and new airport hangars and the related apron expansion funded from State grants with the local match for these projects included in the May 2020 bond issue. The conversion of a portion of Park Avenue from a four-lane to a three-lane configuration is scheduled for construction in the upcoming

year. Construction also began in 2019/2020 on the 2<sup>nd</sup> Street Streetscape project, which is scheduled for completion by the end of calendar year 2021.

- In 2020/2021, the City will continue the ongoing maintenance portion of the Comprehensive Pavement Management Program. Prior year funding allocations totaling over \$5 million were used to complete the initial upgrade of the City's streets. Annual allocations to maintain streets at this higher level will continue to be funded from the 20% allocation of local option sales tax and road use taxes.
- In 2007, the City signed a Consent Order with the Environmental Protection Agency (E.P.A.) that 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 \$54 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 2020/2021 budget provides for an increase in sewer and golf course fees. No fee increases are budgeted for the transfer station, refuse collection, 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, 2020

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	<b>Total</b>	<b>Muscatine County Solid Waste Agency</b>
	<b>ASSETS</b>	<b></b>	<b></b>	<b></b>	<b></b>
Cash and pooled investments	\$ 15,618,489	\$ 11,088,786	\$ 26,707,275	\$ 1,642,862	\$ 19,348,494
Investments	4,392,668	546,752	4,939,420	-	54,729,235
Receivables (net of allowance for uncollectibles):					
Interest	53,183	33,910	87,093	12,336	541,389
Taxes	17,919,174	-	17,919,174	-	-
Accounts	382,563	1,868,081	2,250,644	-	10,537,414
Intergovernmental	1,077,752	616,084	1,693,836	-	-
Due from fiduciary funds	29,646	-	29,646	-	-
Internal balances	(553,759)	553,759	-	-	-
Inventories	92,010	35,886	127,896	-	16,211,273
Prepays	70,652	4,400	75,052	-	1,404,370
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	158,837	158,837	2,406,656	969,505
Accrued Interest	-	1,904	1,904	-	-
Unamortized debt issuance costs	-	-	-	-	48,755
Capital assets:					
Land, art work and construction in progress, not being depreciated	25,715,961	4,937,125	30,653,086	1,080,608	10,809,700
Other capital assets net of accumulated depreciation	60,052,075	85,181,633	145,233,708	922,918	-
Utility plant in service	-	-	-	-	104,114,845
Joint venture rights	-	-	-	-	100,839
Total assets	124,850,414	105,027,157	229,877,571	6,065,380	218,815,819
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	4,123,822	711,686	4,835,508	-	11,658,671
OPEB related deferred outflows	229,728	68,243	297,971	-	136,718
Total deferred outflows of resources	4,353,550	779,929	5,133,479	-	11,795,389
<b>LIABILITIES</b>					
Accounts payable and accruals	1,867,243	1,259,187	3,126,430	95,299	10,094,200
Retainages payable	157,187	353,401	510,588	-	-
Deposits	-	49,267	49,267	-	1,107,500
Accrued interest payable	40,418	19,481	59,899	-	-
Escrow liability	33,315	2,192	35,507	-	-
Unearned revenue	52,188	53,951	106,139	-	213,137
Unearned revenue - O&M account	-	-	-	-	28,032,866
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	2,428,424
Accrued interest payable	-	-	-	-	46,718
Noncurrent liabilities:					
Due within one year	3,413,859	1,003,476	4,417,335	2,149	-
Due in more than one year	29,987,941	13,550,834	43,538,775	1,480	41,154,384
Closure/post-closure obligation	-	33,825	33,825	3,942,881	1,016,294
Total liabilities	35,552,151	16,325,614	51,877,765	4,041,809	84,093,523
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	1,079,884	439,817	1,519,701	-	1,228,905
OPEB related deferred inflows	14,269	4,240	18,509	-	135,318
Deferred inflow - property taxes	16,805,772	-	16,805,772	-	-
Total deferred inflows of resources	17,899,925	444,057	18,343,982	-	1,364,223
<b>NET POSITION</b>					
Net investment in capital assets	73,561,365	79,043,719	152,605,084	2,003,526	93,653,973
Restricted for:					
Debt service	137,770	126,916	264,686	-	922,787
Public works	1,611,807	-	1,611,807	-	-
Community and economic development	326,124	-	326,124	-	-
Public safety	10,929	-	10,929	-	-
Employee benefits	203,933	-	203,933	-	-
Tax increment financing projects	939,625	-	939,625	-	-
Capital projects	93,337	-	93,337	-	-
Perpetual care, nonexpendable	891,890	-	891,890	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	455,430	-	455,430	-	-
Unrestricted	(2,612,322)	9,866,780	7,254,458	20,045	50,576,702
Total net position	\$ 75,751,888	\$ 89,037,415	\$ 164,789,303	\$ 2,023,571	\$ 145,153,462

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, 2020**

Functions:							Net (Expense) Revenue and Changes in Net Position		
	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
<b>Primary Government:</b>									
Governmental activities:									
Public safety	\$ 11,249,523	\$ 807,220	\$ 453,200	\$ 61,567	\$ (9,927,536)	\$ -	\$ (9,927,536)		
Public works	5,871,272	214,523	3,203,673	1,043,520	(1,409,556)	-	(1,409,556)		
Health and social services	50,000	-	-	-	(50,000)	-	(50,000)		
Culture and recreation	4,556,522	390,270	288,428	29,916	(3,847,908)	-	(3,847,908)		
Community and economic development	5,016,984	486,714	2,024,838	-	(2,505,432)	-	(2,505,432)		
General government	3,648,966	885,678	1,000	-	(2,762,288)	-	(2,762,288)		
Interest and fees on long-term debt	263,120	-	-	-	(263,120)	-	(263,120)		
Total governmental activities	<u>30,656,387</u>	<u>2,784,405</u>	<u>5,971,139</u>	<u>1,135,003</u>	<u>(20,765,840)</u>	<u>-</u>	<u>(20,765,840)</u>		
Business-type activities:									
Water pollution control	6,943,121	6,961,278	86,769	-	-	104,926	104,926		
Transfer station	2,245,386	2,246,507	-	-	-	1,121	1,121		
Refuse collection	2,196,991	2,372,780	41,619	-	-	217,408	217,408		
Airport	469,323	83,328	19,375	482,141	-	115,521	115,521		
Parking	241,560	167,081	-	-	-	(74,479)	(74,479)		
Transit	1,083,419	132,968	685,024	221,913	-	(43,514)	(43,514)		
Golf course	794,259	764,809	-	-	-	(29,450)	(29,450)		
Boat harbor	30,182	19,396	-	-	-	(10,786)	(10,786)		
Marina	6,472	4,242	-	-	-	(2,230)	(2,230)		
Convention and visitors bureau	106,593	425	-	-	-	(106,168)	(106,168)		
Ambulance	661,470	2,129,341	41,928	-	-	1,509,799	1,509,799		
Soccer Events	51,905	13,446	-	-	-	(38,459)	(38,459)		
Public housing	993,184	490,803	610,173	-	-	107,792	107,792		
Total business-type activities	<u>15,823,865</u>	<u>15,386,404</u>	<u>1,484,888</u>	<u>704,054</u>	<u>-</u>	<u>1,751,481</u>	<u>1,751,481</u>		
Total primary government	<u>\$ 46,480,252</u>	<u>\$ 18,170,809</u>	<u>\$ 7,456,027</u>	<u>\$ 1,839,057</u>	<u>(20,765,840)</u>	<u>1,751,481</u>	<u>(19,014,359)</u>		
<b>Component Units:</b>									
Muscatine County Solid Waste Agency	\$ 1,107,149	\$ 1,152,647	\$ 117,177	\$ -				\$ 162,675	\$ -
Muscatine Power & Water	105,034,406	114,831,191	-	62,244				-	9,859,029
Total component units	<u>\$ 106,141,555</u>	<u>\$ 115,983,838</u>	<u>\$ 117,177</u>	<u>\$ 62,244</u>				<u>162,675</u>	<u>9,859,029</u>
General revenues:									
Property taxes					16,638,396	-	16,638,396	-	-
Utility taxes					53,623	-	53,623	-	-
Local option sales tax					2,940,519	-	2,940,519	-	-
Hotel/motel taxes					398,588	-	398,588	-	-
Cable franchise taxes					143,166	-	143,166	-	-
Utility franchise fees					440,654	-	440,654	-	-
Intergovernmental, unrestricted					710,704	-	710,704	-	-
Unrestricted investment income					325,962	217,382	543,344	72,512	1,756,541
Gain on sale of capital assets					-	24,750	24,750	-	1,636
Contributions to endowments					4,580	-	4,580	-	-
Transfers					(2,151,940)	2,151,940	-	-	-
Total general revenues, contributions to endowments and transfers					<u>19,504,252</u>	<u>2,394,072</u>	<u>21,898,324</u>	<u>72,512</u>	<u>1,758,177</u>
Change in net position					<u>(1,261,588)</u>	<u>4,145,553</u>	<u>2,883,965</u>	<u>235,187</u>	<u>11,617,206</u>
Net position, June 30, 2019					<u>77,013,476</u>	<u>84,891,862</u>	<u>161,905,338</u>	<u>1,788,384</u>	<u>133,536,256</u>
Net position, June 30, 2020					<u>\$ 75,751,888</u>	<u>\$ 89,037,415</u>	<u>\$ 164,789,303</u>	<u>\$ 2,023,571</u>	<u>\$ 145,153,462</u>

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

**City of Muscatine, Iowa**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<b>General</b>	<b>Employee Benefits</b>	<b>Local Option Sales Tax</b>	<b>Road Use Tax</b>	<b>Debt Service</b>	<b>Other Street Improvements</b>
<b>ASSETS</b>						
Cash and pooled investments	\$ 5,012,312	\$ 22,370	\$ 1,879	\$ 676,767	\$ 23,099	\$ 2,353,170
Investments	-	-	-	-	-	3,000,000
Receivables (net of allowance for uncollectibles):						
Interest	17,616	-	1,171	-	3,351	11,136
Taxes	8,042,805	4,500,700	279,728	-	2,416,592	-
Accounts	346,302	-	-	-	-	5,113
Intergovernmental	271,940	-	-	652,262	-	30,000
Prepaid insurance	70,652	-	-	-	-	-
Advances to other funds	9,593	-	-	-	-	-
Total assets	<u>13,771,220</u>	<u>4,523,070</u>	<u>282,778</u>	<u>1,329,029</u>	<u>2,443,042</u>	<u>5,399,419</u>
<b>LIABILITIES</b>						
Accounts payable and accruals	\$ 811,129	\$ -	\$ -	\$ -	\$ -	\$ 212,904
Retainages payable	-	-	-	-	-	89,195
Escrow liability	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Unearned revenue	4,898	-	-	-	-	-
Total liabilities	<u>816,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302,099</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	7,707,757	4,319,137	-	-	2,305,272	-
Unavailable revenue - other taxes	-	-	25,000	-	-	-
Unavailable revenue - intergovernmental	141,448	-	-	-	-	-
Total deferred inflows of resources	<u>7,849,205</u>	<u>4,319,137</u>	<u>25,000</u>	<u>-</u>	<u>2,305,272</u>	<u>-</u>
<b>FUND BALANCES</b>						
<b>Nonspendable</b>						
Prepaid items	70,652	-	-	-	-	-
Advances to other funds	9,593	-	-	-	-	-
Permanent fund principal	-	-	-	-	-	-
<b>Restricted for:</b>						
Grant purposes	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	-	-
Streets and sidewalks	-	-	-	1,329,029	-	-
Law enforcement	-	-	-	-	-	-
Building improvements	-	-	-	-	-	-
Park improvements	-	-	-	-	-	-
Tax levy purposes	-	203,933	-	-	-	-
Sewer and street projects	-	-	257,778	-	-	-
Debt service	-	-	-	-	137,770	-
Housing and community development	-	-	-	-	-	-
Art center	-	-	-	-	-	-
Library	-	-	-	-	-	-
Levee improvement projects	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
<b>Assigned to:</b>						
Purchases on order - public safety	24,033	-	-	-	-	-
Purchases on order - public works	74,608	-	-	-	-	-
Purchases on order - culture and recreation	6,963	-	-	-	-	-
Purchases on order - general government	271	-	-	-	-	-
Future equipment purchases	147,700	-	-	-	-	-
Streets	-	-	-	-	-	5,097,320
<b>Unassigned</b>						
Total fund balances	<u>5,105,988</u>	<u>203,933</u>	<u>257,778</u>	<u>1,329,029</u>	<u>137,770</u>	<u>5,097,320</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,771,220</u>	<u>\$ 4,523,070</u>	<u>\$ 282,778</u>	<u>\$ 1,329,029</u>	<u>\$ 2,443,042</u>	<u>\$ 5,399,419</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
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\$ 5,089,993	\$ 13,179,590
1,392,668	4,392,668

12,949	46,223
2,679,349	17,919,174
22,445	373,860
123,550	1,077,752
-	70,652
<u>28,065</u>	<u>37,658</u>
<u>9,349,019</u>	<u>37,097,577</u>

\$ 602,492	\$ 1,626,525
67,992	157,187
33,315	33,315
37,658	37,658
<u>47,290</u>	<u>52,188</u>
<u>788,747</u>	<u>1,906,873</u>

2,573,000	16,905,166
-	25,000
<u>73,826</u>	<u>215,274</u>
<u>2,646,826</u>	<u>17,145,440</u>

-	70,652
-	9,593
1,023,890	1,023,890
115,089	115,089
96,313	96,313
2,173,320	3,502,349
71,825	71,825
503,957	503,957
384,771	384,771
791,034	994,967
-	257,778
-	137,770
238,306	238,306
378,654	378,654
55,994	55,994
59,511	59,511
20,782	20,782

-	24,033
-	74,608
-	6,963
-	271
-	147,700
-	5,097,320
-	4,772,168
<u>5,913,446</u>	<u>18,045,264</u>

<u><u>\$ 9,349,019</u></u>	<u><u>\$ 37,097,577</u></u>
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**City of Muscatine, Iowa**

**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2020**

Total governmental fund balances	\$ 18,045,264
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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.	85,753,779
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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.	339,668
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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:	
---	--

Pensions:

Deferred outflows of resources	\$ 4,078,161
Deferred inflows of resources	<u>(1,048,265)</u>
	3,029,896

Other post-employment benefits:

Deferred outflows of resources	\$ 223,942
Deferred inflows of resources	<u>(13,910)</u>
	210,032

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.	2,123,497
--	-----------

Internal service fund allocations to business-type activities	(553,759)
---	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
--	--

Bonds payable	(15,560,456)
Accrued interest payable	(40,418)
Compensated absences	(1,615,047)
Other post-employment benefits	(954,502)
Pension liability	<u>(15,026,066)</u>

Net position of governmental activities	<u><u>\$ 75,751,888</u></u>
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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, 2020**

	<b>General</b>	<b>Employee Benefits</b>	<b>Local Option Sales Tax</b>	<b>Road Use Tax</b>	<b>Debt Service</b>	<b>Other Street Improvements</b>
<b>REVENUES</b>						
Taxes:						
Property	\$ 7,503,729	\$ 4,064,781	\$ -	\$ -	\$ 2,498,390	\$ -
Utility	29,005	15,721	-	-	8,897	-
Hotel/motel	398,588	-	-	-	-	-
Cable franchise	143,166	-	-	-	-	-
Utility franchise	440,654	-	-	-	-	-
Local option sales	-	-	2,965,519	-	-	-
Licenses and permits	303,758	-	-	-	-	-
Fines and forfeitures	639,514	-	-	-	-	-
Intergovernmental	997,856	179,345	-	3,122,915	106,111	30,000
Charges for services	436,956	-	-	-	-	-
Use of money and property	178,958	-	3,224	-	17,471	102,297
Other	1,124,864	-	-	-	-	324,637
Total revenues	<u>12,197,048</u>	<u>4,259,847</u>	<u>2,968,743</u>	<u>3,122,915</u>	<u>2,630,869</u>	<u>456,934</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	9,507,469	-	-	-	-	-
Public works	2,537,951	-	-	-	-	-
Health and social services	50,000	-	-	-	-	-
Culture and recreation	3,157,119	-	-	-	-	-
Community and economic development	762,556	-	-	-	-	-
General government	2,980,206	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	2,565,000	-
Interest	-	-	-	-	314,190	-
Paying agent	-	-	-	-	2,900	-
Capital outlay:						
Public safety	551,150	-	-	-	-	-
Public works	435,987	-	-	-	-	2,455,207
Culture and recreation	365,976	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
General government	162,960	-	-	-	-	-
Total expenditures	<u>20,511,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,882,090</u>	<u>2,455,207</u>
Revenues over (under) expenditures	<u>(8,314,326)</u>	<u>4,259,847</u>	<u>2,968,743</u>	<u>3,122,915</u>	<u>(251,221)</u>	<u>(1,998,273)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
General obligation bonds issued	-	-	-	-	-	432,600
General obligation bond premium	-	-	-	-	-	124,788
Transfers in	8,313,882	-	-	-	206,250	455
Transfers out	(178,788)	(4,131,873)	(3,277,456)	(3,159,658)	-	-
Total other financing sources (uses)	<u>8,135,094</u>	<u>(4,131,873)</u>	<u>(3,277,456)</u>	<u>(3,159,658)</u>	<u>206,250</u>	<u>557,843</u>
Net change in fund balances	(179,232)	127,974	(308,713)	(36,743)	(44,971)	(1,440,430)
Fund balances, June 30, 2019	<u>5,285,220</u>	<u>75,959</u>	<u>566,491</u>	<u>1,365,772</u>	<u>182,741</u>	<u>6,537,750</u>
Fund balances, June 30, 2020	<u>\$ 5,105,988</u>	<u>\$ 203,933</u>	<u>\$ 257,778</u>	<u>\$ 1,329,029</u>	<u>\$ 137,770</u>	<u>\$ 5,097,320</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,472,102	\$ 16,539,002
- 53,623	
- 398,588	
- 143,166	
- 440,654	
- 2,965,519	
- 303,758	
- 639,514	
2,755,950 7,192,177	
- 436,956	
86,063 388,013	
196,186 1,645,687	
<hr/> 5,510,301	<hr/> 31,146,657

300	9,507,769
- 2,537,951	
- 50,000	
46,870 3,203,989	
 4,073,619 4,836,175	
- 2,980,206	
 145,000 2,710,000	
16,965 331,155	
- 2,900	
 3,508 554,658	
2,113,059 5,004,253	
1,668,519 2,034,495	
 160,356 160,356	
314,295 477,255	
<hr/> 8,542,491 34,391,162	
<hr/> (3,032,190) (3,244,505)	

5,877,400	6,310,000
- 124,788	
1,598,623 10,119,210	
(1,468,533) (12,216,308)	
<hr/> 6,007,490 4,337,690	
 2,975,300 1,093,185	
 2,938,146 16,952,079	
<hr/> \$ 5,913,446 \$ 18,045,264	

**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, 2020**

Net change in fund balances - total governmental funds	\$ 1,093,185
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:	
Capital asset purchases capitalized	7,251,519
Depreciation expense	(4,436,832)
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	55,503
Capital contributions -art	5,000
Loss on disposal of capital assets	(200,125)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	339,668
Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	(225,478)
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	(6,434,788)
General obligation bond principal payments	2,565,000
Tax increment bond principal payments	145,000
Net effects of bond premiums, discounts, and deferred amounts on refunding	83,755
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absenses	(58,329)
Change in other post-employment benefits	(30,080)
Pension expense	(1,332,104)
Change in accrued interest payable	(12,821)
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	32,123
Allocation of net revenue (expense) to business-type activities	<u>(101,784)</u>
Change in net position of governmental activities	<u><u>\$ (1,261,588)</u></u>

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, 2020**

**Business-type Activities - Enterprise Funds**

	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Airport</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>							
Current assets:							
Cash and pooled investments	\$ 9,791,852	\$ 187,667	\$ 55,032	\$ -	\$ 1,054,235	\$ 11,088,786	\$ 2,438,899
Investments	-	-	-	-	546,752	546,752	-
Receivables (net of allowance for uncollectibles):							
Interest	30,330	340	443	-	2,797	33,910	6,960
Accounts	928,154	148,295	319,793	121	471,718	1,868,081	8,703
Intergovernmental:							
Federal	-	-	-	198,963	96,391	295,354	-
State	2,099	-	-	318,631	-	320,730	-
Due from fiduciary funds	-	-	-	-	-	-	29,646
Due from other funds	-	-	-	-	2,571	2,571	1,506
Inventories	-	-	-	-	35,886	35,886	92,010
Prepaid items	-	-	-	-	4,400	4,400	-
Total current assets	<u>10,752,435</u>	<u>336,302</u>	<u>375,268</u>	<u>517,715</u>	<u>2,214,750</u>	<u>14,196,470</u>	<u>2,577,724</u>
Noncurrent assets:							
Restricted cash and pooled investments	125,012	33,825	-	-	-	158,837	-
Restricted accrued interest	1,904	-	-	-	-	1,904	-
Advances to other funds	242,558	-	-	-	-	242,558	-
Capital assets:							
Land	550,791	175,000	-	1,408,973	764,686	2,899,450	-
Land improvements	173,126	1,019,897	-	13,708,901	3,137,908	18,039,832	-
Buildings and building improvements	52,319,142	7,454,628	1,312,083	1,709,785	9,129,400	71,925,038	-
Equipment	5,313,890	774,287	133,695	585,795	1,164,414	7,972,081	130,407
Vehicles	1,225,623	565,072	988,584	117,342	1,747,065	4,643,686	67,145
Infrastructure	68,078,892	-	-	-	-	68,078,892	-
Construction in progress	1,188,540	-	-	849,135	-	2,037,675	-
Less accumulated depreciation	(55,014,604)	(6,320,232)	(1,488,938)	(10,474,888)	(12,179,234)	(85,477,896)	(183,295)
Total capital assets net of accumulated depreciation	<u>73,835,400</u>	<u>3,668,652</u>	<u>945,424</u>	<u>7,905,043</u>	<u>3,764,239</u>	<u>90,118,758</u>	<u>14,257</u>
Total noncurrent assets	<u>74,204,874</u>	<u>3,702,477</u>	<u>945,424</u>	<u>7,905,043</u>	<u>3,764,239</u>	<u>90,522,057</u>	<u>14,257</u>
Total assets	<u>84,957,309</u>	<u>4,038,779</u>	<u>1,320,692</u>	<u>8,422,758</u>	<u>5,978,989</u>	<u>104,718,527</u>	<u>2,591,981</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related deferred outflows	297,805	34,663	97,924	-	281,294	711,686	45,661
OPEB related deferred outflows	36,552	5,323	10,241	-	16,127	68,243	5,786
Total deferred outflows of resources	<u>334,357</u>	<u>39,986</u>	<u>108,165</u>	<u>-</u>	<u>297,421</u>	<u>779,929</u>	<u>51,447</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accruals	635,811	47,660	97,266	169,049	309,401	1,259,187	240,718
Retainages payable	324,146	-	-	29,255	-	353,401	-
Compensated absences payable	108,351	9,548	32,562	-	65,015	215,476	18,312
Due to other funds	-	-	-	-	2,571	1,506	-
Deposits	-	-	-	-	49,267	49,267	-
Accrued interest payable	19,481	-	-	-	-	19,481	-
Escrow liability	-	-	-	-	2,192	2,192	-
Unearned revenue	-	-	48	3,573	50,330	53,951	-
State revolving fund loan	723,000	-	-	-	-	723,000	-
General obligation bonds	65,000	-	-	-	-	65,000	-
Total current liabilities	<u>1,875,789</u>	<u>57,208</u>	<u>129,876</u>	<u>201,877</u>	<u>478,776</u>	<u>2,743,526</u>	<u>260,536</u>
Noncurrent liabilities:							
General obligation bonds	599,039	-	-	-	-	599,039	-
State revolving fund loan	9,688,000	-	-	-	-	9,688,000	-
Advances from other funds	-	-	-	242,558	-	242,558	-
Compensated absences	89,226	15,388	39,763	-	57,978	202,355	25,042
Other post-employment benefits	155,796	22,688	43,650	-	68,742	290,876	24,661
Net pension liability	1,200,851	144,508	404,362	-	1,020,843	2,770,564	177,714
Transfer station closure obligation	-	33,825	-	-	-	33,825	-
Total noncurrent liabilities	<u>11,732,912</u>	<u>216,409</u>	<u>487,775</u>	<u>242,558</u>	<u>1,147,563</u>	<u>13,827,217</u>	<u>227,417</u>
Total liabilities	<u>13,608,701</u>	<u>273,617</u>	<u>617,651</u>	<u>444,435</u>	<u>1,626,339</u>	<u>16,570,743</u>	<u>487,953</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related deferred inflows	202,946	23,833	68,203	-	144,835	439,817	31,619
OPEB related deferred inflows	2,270	331	636	-	1,003	4,240	359
Total deferred inflows of resources	<u>205,216</u>	<u>24,164</u>	<u>68,839</u>	<u>-</u>	<u>145,838</u>	<u>444,057</u>	<u>31,978</u>
<b>NET POSITION</b>							
Net investment in capital assets	62,760,361	3,668,652	945,424	7,905,043	3,764,239	79,043,719	14,257
Restricted for:							
Debt service	126,916	-	-	-	-	126,916	-
Unrestricted	8,590,472	112,332	(203,057)	73,280	739,994	9,313,021	2,109,240
Total net position	<u>\$ 71,477,749</u>	<u>\$ 3,780,984</u>	<u>\$ 742,367</u>	<u>\$ 7,978,323</u>	<u>\$ 4,504,233</u>	<u>\$ 88,483,656</u>	<u>\$ 2,123,497</u>

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, 2020**

Total enterprise fund net position	\$ 88,483,656
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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

553,759

Net position of business-type activities	<u>\$ 89,037,415</u>
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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, 2020**

<b>Business-type Activities - Enterprise Funds</b>							
	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Airport</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
Operating revenues:							
Charges for sales and services	\$ 6,634,307	\$ 2,239,362	\$ 2,345,595	\$ 74,678	\$ 3,566,719	\$ 14,860,661	\$ 1,037,929
Employer contributions	-	-	-	-	-	-	3,039,100
Employee contributions	-	-	-	-	-	-	355,426
Other contributions	-	-	-	-	-	-	182,066
Other	326,971	7,145	27,185	8,650	150,792	520,743	629
Total operating revenues	<u>6,961,278</u>	<u>2,246,507</u>	<u>2,372,780</u>	<u>83,328</u>	<u>3,717,511</u>	<u>15,381,404</u>	<u>4,615,150</u>
Operating expenses:							
Cost of sales and services:							
Personal services	2,321,496	281,219	647,418	-	1,795,175	5,045,308	363,109
Commodities	403,998	31,142	75,527	1,170	431,058	942,895	461,836
Contractual services	1,282,919	1,636,954	1,290,168	96,138	1,153,174	5,459,353	3,721,025
Administration	235,900	3,700	91,000	10,000	155,000	495,600	21,800
Depreciation	2,519,011	295,574	106,004	362,015	460,891	3,743,495	3,738
Total operating expenses	<u>6,763,324</u>	<u>2,248,589</u>	<u>2,210,117</u>	<u>469,323</u>	<u>3,995,298</u>	<u>15,686,651</u>	<u>4,571,508</u>
Operating income (loss)	<u>197,954</u>	<u>(2,082)</u>	<u>162,663</u>	<u>(385,995)</u>	<u>(277,787)</u>	<u>(305,247)</u>	<u>43,642</u>
Non-operating revenues (expenses):							
Intergovernmental	77,830	-	41,619	19,375	1,337,125	1,475,949	-
Interest revenue	202,083	887	1,153	182	22,016	226,321	43,323
Interest expense	(238,998)	-	-	-	-	(238,998)	-
Insurance recoveries	-	-	-	-	5,000	5,000	-
Gain (loss) on sale of capital assets	-	-	24,750	-	-	24,750	-
Non-operating revenues (expenses), net	<u>40,915</u>	<u>887</u>	<u>67,522</u>	<u>19,557</u>	<u>1,364,141</u>	<u>1,493,022</u>	<u>43,323</u>
Income (loss) before capital contributions and transfers	<u>238,869</u>	<u>(1,195)</u>	<u>230,185</u>	<u>(366,438)</u>	<u>1,086,354</u>	<u>1,187,775</u>	<u>86,965</u>
Capital contributions - grants	-	-	-	482,141	221,913	704,054	-
Transfers in	2,684,352	173,919	-	352,400	178,588	3,389,259	-
Transfers out	-	-	(41,619)	-	(1,195,700)	(1,237,319)	(54,842)
Change in net position	<u>2,923,221</u>	<u>172,724</u>	<u>188,566</u>	<u>468,103</u>	<u>291,155</u>	<u>4,043,769</u>	<u>32,123</u>
Net position, June 30, 2019	<u>68,554,528</u>	<u>3,608,260</u>	<u>553,801</u>	<u>7,510,220</u>	<u>4,213,078</u>	<u>84,439,887</u>	<u>2,091,374</u>
Net position, June 30, 2020	<u><u>\$ 71,477,749</u></u>	<u><u>\$ 3,780,984</u></u>	<u><u>\$ 742,367</u></u>	<u><u>\$ 7,978,323</u></u>	<u><u>\$ 4,504,233</u></u>	<u><u>\$ 88,483,656</u></u>	<u><u>\$ 2,123,497</u></u>

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

**City of Muscatine, Iowa**  
**Reconciliation of the Change in Net Position of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2020**

Change in net position in enterprise funds \$ 4,043,769

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 101,784

Change in net position of business-type activities \$ 4,145,553

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, 2020**

**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	\$ 7,002,668	\$ 2,273,342	\$ 2,364,800	\$ 83,891	\$ 3,570,811	\$ 15,295,512	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	4,636,627
Payments to suppliers	(1,744,624)	(1,745,202)	(123,895)	(96,933)	(1,361,118)	(5,071,772)	(4,256,804)
Payments to employees	(1,570,020)	(186,879)	(428,602)	-	(1,289,724)	(3,475,225)	(231,338)
Payments for employee benefits	(669,497)	(91,729)	(190,231)	-	(407,350)	(1,358,807)	(116,696)
Payments for interfund services used	(247,190)	(14,714)	(1,297,921)	(10,000)	(277,883)	(1,847,708)	(21,800)
Net cash provided (used) by operating activities	<u>2,771,337</u>	<u>234,818</u>	<u>324,151</u>	<u>(23,042)</u>	<u>234,736</u>	<u>3,542,000</u>	<u>9,989</u>
<b>Cash flows from noncapital financing activities</b>							
Transfers to other funds	-	-	(41,619)	-	(1,195,700)	(1,237,319)	(54,842)
Transfers from other funds	2,684,352	173,919	-	352,400	178,588	3,389,259	-
Advances from other funds	-	-	-	242,558	2,571	245,129	1,506
Advances to other funds	-	-	-	-	(2,571)	(2,571)	(1,506)
Advances to fiduciary funds	-	-	-	-	-	-	(29,646)
Repayment of advances from other funds	-	(127,403)	(138,229)	-	(1,695)	(267,327)	(1,787)
Repayment of advances to other funds	23,074	-	-	-	1,695	24,769	18,642
Subsidies from federal, state and local grants	75,731	-	41,619	19,375	1,350,951	1,487,676	-
Net cash provided (used) by noncapital financing activities	<u>2,783,157</u>	<u>46,516</u>	<u>(138,229)</u>	<u>614,333</u>	<u>333,839</u>	<u>3,639,616</u>	<u>(67,633)</u>
<b>Cash flows from capital and related financing activities</b>							
Capital contributions	-	-	-	558	221,913	222,471	-
Purchase of capital assets	(5,471,847)	(94,214)	(156,350)	(605,742)	(476,236)	(6,804,389)	-
Principal paid on capital debt	(765,000)	-	-	-	-	(765,000)	-
Interest paid on capital debt	(249,720)	-	-	-	-	(249,720)	-
Insurance reimbursement for loss on capital assets	-	-	-	-	5,000	5,000	-
Proceeds from sale of capital assets	-	-	24,750	-	-	24,750	-
Net cash provided (used) by capital and related financing activities	<u>(6,486,567)</u>	<u>(94,214)</u>	<u>(131,600)</u>	<u>(605,184)</u>	<u>(249,323)</u>	<u>(7,566,888)</u>	<u>-</u>
<b>Cash flows from investing activities</b>							
Proceeds from sales and maturities of investments	-	-	-	-	424,400	424,400	-
Purchase of investments	-	-	-	-	(706,225)	(706,225)	-
Interest received	208,855	547	710	182	23,161	233,455	44,871
Net cash provided (used) by investing activities	<u>208,855</u>	<u>547</u>	<u>710</u>	<u>182</u>	<u>(258,664)</u>	<u>(48,370)</u>	<u>44,871</u>
Net increase (decrease) in cash and pooled investments	<u>(723,218)</u>	<u>187,667</u>	<u>55,032</u>	<u>(13,711)</u>	<u>60,588</u>	<u>(433,642)</u>	<u>(12,773)</u>
Cash and pooled investments, June 30, 2019	<u>10,640,082</u>	<u>33,825</u>	<u>-</u>	<u>13,711</u>	<u>993,647</u>	<u>11,681,265</u>	<u>2,451,672</u>
Cash and pooled investments, June 30, 2020	<u>\$ 9,916,864</u>	<u>\$ 221,492</u>	<u>\$ 55,032</u>	<u>\$ -</u>	<u>\$ 1,054,235</u>	<u>\$ 11,247,623</u>	<u>\$ 2,438,899</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Cash flows from operating activities:							
Operating income (loss)	\$ 197,954	\$ (2,082)	\$ 162,663	\$ (385,995)	\$ (277,787)	\$ (305,247)	\$ 43,642
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	2,519,011	295,574	106,004	362,015	460,891	3,743,495	3,738
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable	41,390	26,835	(7,585)	616	(165,091)	(103,835)	21,477
Inventories	-	-	-	-	(320)	(320)	15,130
Pension related deferred outflows	122,202	14,263	40,589	-	107,837	284,891	19,951
OPEB related deferred outflows	(11,679)	(1,571)	(2,987)	-	(5,172)	(21,409)	(1,784)
Increase (decrease) in:							
Accounts payable and accruals	(55,517)	(86,694)	39,383	375	118,797	16,344	(86,893)
Escrow liability payable	-	-	-	-	2,192	2,192	-
Compensated absences payable	7,561	(5,425)	3,393	-	12,456	17,985	2,297
Other post-employment benefits	15,232	1,484	2,657	-	6,829	26,202	2,044
Deferred revenue	-	-	(395)	(53)	18,641	18,193	-
Deposits	-	-	-	-	(250)	(250)	-
Net pension liability	(73,827)	(8,594)	(22,265)	-	(42,449)	(147,135)	(10,937)
Pension related deferred inflows	9,298	1,083	2,804	-	(1,714)	11,471	1,377
OPEB related deferred inflows	(288)	(55)	(110)	-	(124)	(577)	(53)
Total adjustments	<u>2,573,383</u>	<u>236,900</u>	<u>161,488</u>	<u>362,953</u>	<u>512,523</u>	<u>3,847,247</u>	<u>(33,653)</u>
Net cash provided (used) by operating activities	<u>\$ 2,771,337</u>	<u>\$ 234,818</u>	<u>\$ 324,151</u>	<u>\$ (23,042)</u>	<u>\$ 234,736</u>	<u>\$ 3,542,000</u>	<u>\$ 9,989</u>

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, 2020**

	<b><u>Agency Funds</u></b>
Assets:	
Accounts receivable	<u><u>\$ 50,946</u></u>
Liabilities:	
Accounts payable and accruals	21,300
Due to primary government	<u>29,646</u>
Total liabilities	<u><u>\$ 50,946</u></u>

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

## **CITY OF MUSCATINE, IOWA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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. Post-Employment Benefits Other than Pensions (OPEB)
10. Industrial Revenue Bonds
11. Risk Management
12. Commitments and Contingencies
13. Urban Renewal Development Agreements and Tax Abatements
14. Pending Governmental Accounting Standards Board (GASB) Standards
15. Subsequent Event

## CITY OF MUSCATINE, IOWA

### NOTES TO FINANCIAL STATEMENTS

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

##### A. Reporting Entity

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

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

#### Discretely Presented Component Units

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

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

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

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

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

## **Joint Venture**

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

## **Jointly Governed Organizations**

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

## **B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and all other revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The City has determined that there are various revenues, except for property tax revenues, including reimbursement of expenditures that are received between 60 and 90 days and therefore have adopted a 90 day availability period in order to keep the revenues and expenditures in the same current period.

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2020, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2019 and March 31, 2020. Any County collections on the 2019-2020 tax levy remitted to the City within sixty days subsequent to June 30, 2020, 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, 2020, 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 weighted average cost method. MP&W's inventories are also valued at their weighted average cost.

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

### **4. Restricted Assets**

Restricted assets of the Transfer Station fund represents amounts set aside under law to provide for Transfer Station closure costs. Transfer Station assets of \$33,825 at June 30, 2020 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 \$126,916 at June 30, 2020 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 \$2,406,656, at June 30, 2020 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

Muscatine Power & Water's restricted assets represent amounts set aside under the terms of the water loan agreement. In accordance with the covenants of the bond resolutions, the amounts have been segregated into a bond sinking fund. In accordance with the loan agreement, the sinking fund is used solely for the purpose of paying the interest on and principal of the outstanding loan. The composition of the restricted assets at December 31, 2019 relates to the water utility sinking fund of \$969,505.

## 5. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 pension related deferred outflows and OPEB related deferred outflows.

## 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. For the Blue/White Collar bargaining unit, accrued vacation pay at retirement 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 and OPEB related deferred inflows in the government-wide statements and the proprietary fund statements.

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

## **10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

## **11. Fund Equity**

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

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

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

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

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

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

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

## **12. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. As of June 30, 2020, there were unspent bond proceeds totaling \$3,353,785 in governmental activities. 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 \$1,611,807 for public works, \$203,933 for employee benefits, \$10,929 for public safety, and \$939,625 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, 2020, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 83,770
Cash in bank	216,897
Savings accounts	49,911
Money market accounts	7,954,975
Iowa Public Agency Investment Trust	11,332,018
Certificates of deposit	16,217,479
	<hr/>
	\$ 35,855,050

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 \$11,332,018 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, 2020 the carrying amount of the City's deposits with financial institutions totaled \$24,439,262 and the bank balances were \$34,709,548. 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, 2019 MP&W's deposits were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held at December 31, 2019 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. 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. As of December 31, 2019, the utility had no investments subject to credit risk.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. 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. At December 31, 2019, the utilities had no investments subject to concentration of credit risk.

**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, 2019, the utility had no investments subject to interest rate risk.

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, 2020 consist of the following:

Due to/Advance from	Due from/advance to							Totals
	Nonmajor Governmental		Airport	Nonmajor Enterprise		Internal Service	Fiduciary	
	General	Nonmajor Governmental	Airport	Nonmajor Enterprise	Internal Service	Fiduciary		
General	\$ 9,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,593
Nonmajor governmental	28,065	-	-	-	-	-	-	28,065
Water pollution control	-	242,558	-	-	-	-	-	242,558
Nonmajor enterprise	-	-	-	2,571	-	-	-	2,571
Internal service	-	-	-	-	1,506	29,646	31,152	
<b>Total</b>	<b>\$ 37,658</b>	<b>\$ 242,558</b>	<b>\$ 2,571</b>	<b>\$ 1,506</b>	<b>\$ 29,646</b>	<b>\$ 313,939</b>		

The \$242,558 balance due from the Airport is the result of a loan for working capital needs resulting from amounts in intergovernmental receivables at year end. It is expected that this amount will 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	Transfers from									
	General	Employee Benefits	Local Option Sales Tax	Road Use Tax	Other Street Improvements	Nonmajor Governmental	Refuse Collection	Nonmajor Enterprise	Internal Service	Totals
	General	Employee Benefits	Local Option Sales Tax	Road Use Tax	Other Street Improvements	Nonmajor Governmental	Refuse Collection	Nonmajor Enterprise	Internal Service	Totals
General	\$ -	\$ 4,131,873	\$ -	\$ 2,709,941	\$ -	\$ 221,526	\$ -	\$ 1,195,700	\$ 54,842	\$ 8,313,882
Debt service	-	-	-	-	-	206,250	-	-	-	206,250
Other street improvements	-	-	-	455	-	-	-	-	-	455
Nonmajor governmental	-	-	593,104	449,262	-	556,257	-	-	-	1,598,623
Water pollution control	-	-	2,684,352	-	-	-	-	-	-	2,684,352
Transfer station	-	-	-	-	-	132,300	41,619	-	-	173,919
Airport	200	-	-	-	-	352,200	-	-	-	352,400
Nonmajor enterprise	178,588	-	-	-	-	-	-	-	-	178,588
<b>Total</b>	<b>\$ 178,788</b>	<b>\$ 4,131,873</b>	<b>\$ 3,277,456</b>	<b>\$ 3,159,658</b>	<b>\$ -</b>	<b>\$ 1,468,533</b>	<b>\$ 41,619</b>	<b>\$ 1,195,700</b>	<b>\$ 54,842</b>	<b>\$ 13,508,469</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, 2020 is as follows:

### Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,391,797	\$ 280,314	\$ -	\$ 11,672,111
Art work	7,743,026	5,000	-	7,748,026
Construction in progress	1,909,737	6,431,203	(2,045,116)	6,295,824
Total capital assets, not being depreciated	<u>21,044,560</u>	<u>6,716,517</u>	<u>(2,045,116)</u>	<u>25,715,961</u>
Capital assets, being depreciated:				
Land improvements	20,448,942	359,206	-	20,808,148
Buildings	10,631,607	184,747	-	10,816,354
Building improvements	5,442,632	199,708	-	5,642,340
Equipment	6,405,830	477,664	(73,876)	6,809,618
Vehicles	6,465,991	376,931	(402,498)	6,440,424
Other Assets	42,992	-	-	42,992
Infrastructure	<u>86,615,798</u>	<u>1,042,365</u>	<u>-</u>	<u>87,658,163</u>
Total capital assets, being depreciated	<u>136,053,792</u>	<u>2,640,621</u>	<u>(476,374)</u>	<u>138,218,039</u>
Less accumulated depreciation for:				
Land improvements	(12,899,399)	(690,994)	-	(13,590,393)
Buildings	(6,384,989)	(226,911)	-	(6,611,900)
Building improvements	(1,826,770)	(241,443)	-	(2,068,213)
Equipment	(4,767,340)	(305,520)	73,876	(4,998,984)
Vehicles	(3,779,933)	(366,963)	202,373	(3,944,523)
Other Assets	(25,975)	(4,005)	-	(29,980)
Infrastructure	<u>(44,317,237)</u>	<u>(2,604,734)</u>	<u>-</u>	<u>(46,921,971)</u>
Total accumulated depreciation	<u>(74,001,643)</u>	<u>(4,440,570)</u>	<u>276,249</u>	<u>(78,165,964)</u>
Total capital assets, being depreciated, net	<u>62,052,149</u>	<u>(1,799,949)</u>	<u>(200,125)</u>	<u>60,052,075</u>
Governmental activities capital assets, net	<u>\$ 83,096,709</u>	<u>\$ 4,916,568</u>	<u>\$ (2,245,241)</u>	<u>\$ 85,768,036</u>

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,899,450	\$ -	\$ -	\$ 2,899,450
Construction in progress	<u>1,591,268</u>	<u>6,402,317</u>	<u>(5,955,910)</u>	<u>2,037,675</u>
Total capital assets, not being depreciated	<u>4,490,718</u>	<u>6,402,317</u>	<u>(5,955,910)</u>	<u>4,937,125</u>
Capital assets, being depreciated:				
Land improvements	17,801,754	-	-	17,801,754
Buildings	64,769,873	-	-	64,769,873
Building improvements	4,822,472	2,570,771	-	7,393,243
Equipment	7,066,409	860,827	(34,750)	7,892,486
Vehicles	4,307,383	559,950	(144,052)	4,723,281
Sewer system	<u>65,199,289</u>	<u>2,879,603</u>	<u>-</u>	<u>68,078,892</u>
Total capital assets, being depreciated	<u>163,967,180</u>	<u>6,871,151</u>	<u>(178,802)</u>	<u>170,659,529</u>
Less accumulated depreciation for:				
Land improvements	(12,061,224)	(365,361)	-	(12,426,585)
Buildings	(38,602,479)	(1,138,621)	-	(39,741,100)
Building improvements	(3,382,930)	(185,528)	-	(3,568,458)
Equipment	(4,590,357)	(403,664)	34,750	(4,959,271)
Vehicles	(2,885,999)	(327,008)	144,052	(3,068,955)
Sewer system	<u>(20,390,214)</u>	<u>(1,323,313)</u>	<u>-</u>	<u>(21,713,527)</u>
Total accumulated depreciation	<u>(81,913,203)</u>	<u>(3,743,495)</u>	<u>178,802</u>	<u>(85,477,896)</u>
Total capital assets, being depreciated, net	<u>82,053,977</u>	<u>3,127,656</u>	<u>-</u>	<u>85,181,633</u>
Business type activities capital assets, net	<u>\$ 86,544,695</u>	<u>\$ 9,529,973</u>	<u>\$ (5,955,910)</u>	<u>\$ 90,118,758</u>

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

Governmental activities:	
Public safety	\$ 414,326
Public works	2,966,819
Culture and recreation	985,568
Community and economic development	1,005
General government	69,114
Capital assets held by the Government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,738</u>
Total depreciation expense - governmental activities	<u>\$ 4,440,570</u>
Business-type activities:	
Water pollution control	\$ 2,519,011
Refuse collection	106,004
Transfer station	295,574
Airport	362,015
Parking	40,390
Transit	82,034
Golf course	52,017
Boat harbor	10,148
Ambulance	119,644
Public housing	<u>156,658</u>
Total depreciation expense - business-type activities	<u>\$ 3,743,495</u>

## Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	1,080,608	-	-	1,080,608
Capital assets, being depreciated:				
Land improvements	2,705,634	20,730	-	2,726,364
Buildings	37,314	-	-	37,314
Building improvements	38,784	-	-	38,784
Equipment	81,566	-	-	81,566
Leachate collection system	616,835	46,600	-	663,435
Total capital assets, being depreciated	3,480,133	67,330	-	3,547,463
Less accumulated depreciation for:				
Land improvements	(2,008,743)	(115,604)	-	(2,124,347)
Buildings	(22,856)	(933)	-	(23,789)
Building improvements	(3,232)	(2,155)	-	(5,387)
Equipment	(32,385)	(6,497)	-	(38,882)
Leachate collection system	(411,498)	(20,642)	-	(432,140)
Total accumulated depreciation	(2,478,714)	(145,831)	-	(2,624,545)
Total capital assets, being depreciated, net	1,001,419	(78,501)	-	922,918
Solid Waste Agency capital assets, net	\$ 2,082,027	\$ (78,501)	\$ -	\$ 2,003,526

Activity for Muscatine Power & Water for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land rights	\$ 5,659,016	\$ -	\$ -	\$ 5,659,016
Construction work in progress	15,241,018	11,091,667	(21,182,001)	5,150,684
Total capital assets, not being depreciated	20,900,034	11,091,667	(21,182,001)	10,809,700
Capital assets being depreciated:				
Generation plant	330,152,582	263,828	(1,351,881)	329,064,529
Transmission and distribution plant	70,054,951	2,384,820	(19,637)	72,420,134
General plant	29,230,347	2,711,919	(611,834)	31,330,432
Source of supply	3,779,236	282,493	-	4,061,729
Pumping equipment	2,501,901	94,063	(5,021)	2,590,943
Purification equipment	1,612,735	1,273,285	-	2,886,020
Distribution system	23,322,208	1,117,246	(11,146)	24,428,308
Network operations plant	32,089,416	15,050,249	(3,951,050)	43,188,615
Total capital assets being depreciated	492,743,376	23,177,903	(5,950,569)	509,970,710
Less accumulated depreciation for:				
Generation plant	(287,343,098)	1,977,758	(1,166,449)	(288,154,407)
Transmission and distribution plant	(57,399,775)	632,145	(21,432)	(58,010,488)
General plant	(24,449,511)	588,295	(586,511)	(24,451,295)
Source of supply	(1,700,311)	98,831	-	(1,799,142)
Pumping equipment	(917,385)	73,608	(5,021)	(985,972)
Purification equipment	(957,555)	27,407	-	(984,962)
Distribution system	(6,446,791)	474,081	(10,835)	(6,910,037)
Network operations plant	(27,265,412)	1,182,537	(3,888,387)	(24,559,562)
Total accumulated depreciation	(406,479,838)	5,054,662	(5,678,635)	(405,855,865)
Total capital assets, being depreciated net	86,263,538	28,232,565	(11,629,204)	104,114,845
Muscatine Power & Water capital assets, net	\$ 107,163,572	\$ 39,324,232	\$ (32,811,205)	\$ 114,924,545

## NOTE 5. LONG-TERM DEBT

**General Obligation Bonds.** The general obligation bonds outstanding as of June 30, 2020 total \$16,074,495. These bonds bear interest at rates ranging from .75% to 5.0%.

General obligation bonds as of June 30, 2020 consist of the following individual issues:

	<b>Issue Date</b>	<b>Amount Issued</b>	<b>Interest Rates</b>	<b>Balance 06/30/20</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>General obligation bonds:</b>						
General corporate	06/01/12	\$ 4,715,000	0.75-1.90	\$ 1,150,000 (1)	\$ 1,150,000	\$ -
General corporate	06/01/14	2,575,000	1.50-2.10	1,575,723 (2)	1,575,723	-
General corporate and refunding	05/26/16	4,550,000	2.00-3.00	2,761,281 (3)	2,761,281	-
General corporate	05/23/18	4,090,000	3.00-5.00	4,152,703 (4)	3,488,664	664,039
General corporate	05/07/20	6,310,000	2.00	6,434,788 (5)	6,434,788	-
Totals				<u>\$ 16,074,495</u>	<u>\$ 15,410,456</u>	<u>\$ 664,039</u>

1. No premium or discount
2. Net of unamortized premium of \$10,723
3. Net of unamortized premium of \$96,281
4. Net of unamortized premium of \$242,703
5. Net of unamortized premium of \$124,788

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

<b>Year Ending</b>	<b>Governmental</b>		<b>Business-Type</b>		
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	2,410,000	383,767	65,000	25,550	
2022	2,485,000	319,788	70,000	22,950	
2023	1,785,000	261,218	75,000	20,150	
2024	1,835,000	211,918	75,000	16,400	
2025	1,475,000	162,813	80,000	12,650	
2026-2030	4,985,000	289,863	260,000	16,600	
	<u>\$ 14,975,000</u>	<u>\$ 1,629,367</u>	<u>\$ 625,000</u>	<u>\$ 114,300</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 \$158,700 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were \$161,965 and \$2,472,102, respectively.

Tax increment revenue bonds as of June 30, 2020 consist of the following:

	<b>Issue Date</b>	<b>Amount Issued</b>	<b>Interest Rates</b>	<b>Balance June 30, 2020</b>
<b>Tax increment revenue bonds:</b>				
Urban Renewal Tax Increment	06/24/04	\$ 1,885,000	5.70-5.80	\$ 150,000

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

Year Ending June 30	Governmental	
	Principal	Interest
2021	\$ 150,000	\$ 8,700

**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, 2020, the loan balance is \$10,411,000. The original Loan had an interest rate of 3% and a loan servicing fee of .25% per annum of the principal amount of the loan outstanding. Effective December 1, 2018, the interest rate on this loan decreased to 1.75% plus the .25% loan servicing fee. Repayment of this loan is to come from future revenues of the Plant.

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

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

Year Ending June 30	Business-Type		
	Principal	Interest	Fees
2021	\$ 723,000	\$ 182,192	\$ 26,028
2022	747,000	169,540	24,220
2023	771,000	156,467	22,353
2024	796,000	142,975	20,425
2025	822,000	129,045	18,435
2026	849,000	114,660	16,380
2027	876,000	99,802	14,258
2028	905,000	84,472	12,068
2029	934,000	68,635	9,805
2030	964,000	52,290	7,470
2031	996,000	35,420	5,060
2032	1,028,000	17,990	2,570
	<u>\$ 10,411,000</u>	<u>\$ 1,253,488</u>	<u>\$ 179,072</u>

Long-term liability activity for the year ended June 30, 2020 was as follows:

**Primary government**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 11,230,000	\$ 6,310,000	\$ (2,565,000)	\$ 14,975,000	\$ 2,410,000
Tax increment revenue bonds	295,000	-	(145,000)	150,000	150,000
Premiums/discounts	394,424	124,788	(83,756)	435,456	-
Total bonds payable	<u>11,919,424</u>	<u>6,434,788</u>	<u>(2,793,756)</u>	<u>15,560,456</u>	<u>2,560,000</u>
Compensated absences	1,597,775	1,081,168	(1,020,542)	1,658,401	853,859
Net pension liability	14,503,718	700,062	-	15,203,780	-
Other post-employment benefits liability	871,819	107,344	-	979,163	-
Governmental activity long-term liabilities	<u>\$ 28,892,736</u>	<u>\$ 8,323,362</u>	<u>\$ (3,814,298)</u>	<u>\$ 33,401,800</u>	<u>\$ 3,413,859</u>
<b>Business-type activities:</b>					
Bonds and loans payable:					
General obligation bonds	\$ 690,000	\$ -	\$ (65,000)	\$ 625,000	\$ 65,000
State revolving fund loan	11,111,000	-	(700,000)	10,411,000	723,000
Premiums	48,432	-	(9,393)	39,039	-
Total bonds and loans payable	<u>11,849,432</u>	<u>-</u>	<u>(774,393)</u>	<u>11,075,039</u>	<u>788,000</u>
Compensated absences	399,846	328,101	(310,116)	417,831	215,476
Net pension liability	2,917,699	-	(147,135)	2,770,564	-
Other post-employment benefits liability	264,673	26,203	-	290,876	-
Closure/post-closure obligation	<u>33,825</u>	<u>-</u>	<u>-</u>	<u>33,825</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 15,465,475</u>	<u>\$ 354,304</u>	<u>\$ (1,231,644)</u>	<u>\$ 14,588,135</u>	<u>\$ 1,003,476</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 \$43,354, of internal service funds compensated absences are included in the above amounts. Pension liability and other post-employment benefits liability for the internal service funds of \$177,714 and \$24,661, respectively, have also been included with governmental activities.

The net pension liability and other post-employment benefits liability are generally liquidated by the general fund and employee benefits fund for governmental activities and the respective funds for business-type activities.

**Discretely presented component units**

Activity for the Solid Waste Agency for the year ended June 30, 2020, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Compensated absences</b>					
Compensated absences	\$ 3,486	\$ 4,658	\$ (4,515)	\$ 3,629	\$ 2,149
Closure/post-closure obligation	<u>3,796,938</u>	<u>145,943</u>	<u>-</u>	<u>3,942,881</u>	<u>-</u>
Total liabilities	<u>\$ 3,800,424</u>	<u>\$ 150,601</u>	<u>\$ (4,515)</u>	<u>\$ 3,946,510</u>	<u>\$ 2,149</u>

Activity for Muscatine Power & Water for the year ended December 31, 2019, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Net pension liability	\$ 14,019,139	\$ 7,562,392	\$ -	\$ 21,581,531
State revolving fund loan	68,000	-	(33,000)	35,000
Water revenue bonds	14,490,000	-	(380,000)	14,110,000
Unamortized bond premiums	850,856	-	(101,459)	749,397
Note payable to bank	8,123,965	-	(1,945,397)	6,178,568
Post-employment health benefit provision	901,507	71,132	(44,327)	928,312
Landfill closure and post-closure liability	1,580,457	-	(564,163)	1,016,294
Total long-term debt	40,033,924	\$ 7,633,524	\$ (3,068,346)	44,599,102
Less current installments	2,358,397			2,428,424
Long-term debt, net of current portion	<u>\$ 37,675,527</u>			<u>\$ 42,170,678</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, 2019 was \$35,000.

In January 2013, the MP&W Board of Trustees approved a borrowing arrangement whereby the electric utility may advance up to \$4,500,000 to the water utility, as needed. The interest rate was originally established at 0.10% and may be adjusted annually, to reflect the electric utility's investment opportunity cost. The terms of the arrangement require annual interest payments on January 1 in each of the years 2014 through 2017. Both the principal and interest on the advance shall be payable in a lump sum due on January 1, 2018. This debt as to both principal and interest is and shall be junior and subordinate in all respects to the State of Iowa Revolving Loan Fund debt. All or any portion of such debt may be prepaid at any time by the water utility without penalty. On June 25, 2013, the electric utility advanced the water utility \$400,000 for capital needs. The interest rate was adjusted to 0.18% on January 1, 2014, and 0.15% on January 1, 2016. In 2014 and in 2015, additional amounts of \$1,500,000 and \$1,000,000, respectively, were advanced to the water utility for capital needs, increasing the total loan to \$2,900,000 as of December 31, 2016.

In May 2017, the MP&W Board of Trustees approved the issuance and securing the payment of future obligations for the purposes of borrowing money for constructing water improvements and extensions. The water utility issued \$14,865,000 Water Revenue Bonds, Series 2017 in June 2017 for that purpose. The premium bonds are S&P "A" rated, a non-bank qualified issue, callable June 1, 2027 at par. The effective interest cost is 3.514844%. The interest payments are due June 1 and December 1, which began December 1, 2017. Principal payments are due December 1 beginning in 2018. Total outstanding bonds payable at December 31, 2019 was \$14,110,000.

On December 14, 2017, the MP&W Communications Revenue Loan Agreement was signed with a local bank providing \$10,000,000 for telecommunications systems improvements and extensions to the municipal Communications Utility. Principal of this loan bears interest at the rate of 2.95% per annum. Both principal and interest are payable in nineteen equal quarterly installments of \$540,916.15 each, due on March 31, June 30, September 30, and December 31 in each of years 2018 to 2022, inclusive.

At December 31, 2019, the state revolving fund loan mature and bear interest as follows:

Year Ending December 31	State Revolving Fund Loan		
	Principal Amount	Interest	Servicing Fee
2020	\$35,000	\$525	\$87

Annual debt service requirements for the revenue bonds and bank loan are as follows:

Year Ending December 31	Revenue Bonds		Bank Loan	
	Principal Amount	Interest	Principal Amount	Interest
2020	\$390,000	\$558,950	\$2,003,424	\$160,241
2021	400,000	547,250	2,063,182	100,482
2022	410,000	535,250	2,111,962	38,942
2023	425,000	522,950	-	-
2024	445,000	501,700	-	-
2025	470,000	479,450	-	-
2026	490,000	455,950	-	-
2027	515,000	431,450	-	-
2028-2032	2,885,000	1,848,800	-	-
2033-2037	3,465,000	1,269,800	-	-
2038-2042	4,215,000	518,800	-	-
Totals	<u>\$ 14,110,000</u>	<u>\$ 7,670,350</u>	<u>\$ 6,178,568</u>	<u>\$ 299,665</u>

Water utility revenues, net of specified operating expenses, are pledged as security of the water debt until fully paid. Principal and interest paid in 2019 and water utility net revenues are as follows:

<u>Water</u>		
Principal and interest paid	\$	981,265
Net revenues		1,810,679

Annual future principal and interest payments are expected to require 52% of the water utility net revenues.

All MP&W communications utility revenues, net of specified operating expenses, are pledged as security of the communications bank loan beginning in 2018 until fully paid. Annual future principal and interest payments are expected to require 25% of communications utility net revenues.

Principal and interest paid in 2019 and communications utility net revenue, are as follows:

<u>Communications</u>		
Principal and interest paid	\$	2,691,540
Net revenues		3,590,655

Restricted assets represent amounts set aside under the terms of the water bond and loan agreements. In accordance with the covenants of the bond resolutions, the amounts have been segregated into funds. In accordance with the bond and loan agreements, the bond fund and sinking fund are used solely for the purpose of paying the interest on and principal of the outstanding debt. The composition of the restricted assets at December 31, 2019 is as follows:

<u>Water Utility</u>	
Debt service reserve	\$ 948,950
Sinking fund	<u>20,555</u>
Total restricted assets	\$ <u>969,505</u>

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

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

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,942,881 reported as landfill closure and post closure care liability at June 30, 2020, represents the cumulative amount reported to date based on the use of 76.3% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$1,226,674 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 2020. The Agency expects the currently-permitted landfill property to reach its capacity in 2034. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Financial assurances for closure and post-closure care is demonstrated through the Financial Test as specified in IAC 567 Chapter 113.14(6)f. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

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

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

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

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

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. 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 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the City and MP&W contributed 9.44 percent of covered payroll, for a total rate of 15.73 percent. Protection occupation members contributed 6.61 percent of covered payroll and the City contributed 9.91 percent of covered payroll for a total rate of 16.52 percent.

The City's contributions to IPERS for the year ended June 30, 2020 were \$786,739. The MP&W contributions for the year ended December 31, 2019 were \$66,922.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$6,376,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.1101200 percent, which was an increase of 0.003140 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,144,783. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,915	\$ 229,488
Changes of assumptions	685,763	95
Net difference between projected and actual earnings on pension plan investments	-	722,416
Changes in proportion and differences between City contributions and proportionate share of contributions	116,196	96,506
City contributions subsequent to the measurement date	<u>786,739</u>	-
<b>Total</b>	<b>\$ 1,606,613</b>	<b>\$ 1,048,505</b>

The \$786,739 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ 124,167
2022	(154,030)
2023	(103,635)
2024	(94,720)
2025	(413)
<b>Total</b>	<b><u>\$ (228,631)</u></b>

At December 31, 2019, MP&W reported a liability of \$482,470 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MP&W's proportion of the net pension liability was based on the utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, MP&W's collective proportion was .008276 percent, which was a decrease of .000736 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the utility recognized IPERS expense of -\$64,552. At December 31, 2019, MP&W reported deferred outflows of resources and deferred inflows of resources related to IPERS from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 1,338	\$ 17,347
Changes of assumptions	51,679	-
Difference between projected and actual earnings	-	54,368
Contributions subsequent to the measurement date	36,263	-
Changes in proportion and differences between contributions and proportionate share of contributions	76,329	72,035
<b>Total</b>	<b>\$ 165,609</b>	<b>\$ 143,750</b>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to IPERS will be recognized in the pension expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ (5,245)
2021	(1,520)
2022	2,098
2023	(1,114)
2024	(4,876)
2025	(3,747)
<b>Total</b>	<b><u>\$ (14,404)</u></b>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60 percent per annum
Rates of salary increase (effective June 30, 2017)	3.25 percent to 16.25 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 percent per annum, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum based on 2.60 percent inflation and 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 employee and heathly annuitant tables with MP-2017 generational adjustments.

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>	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22%	5.60%
International equity	15%	6.08%
Global smart beta equity	3%	5.82%
Core plus fixed income	27%	1.71%
Public credit	4%	3.32%
Public real assets	7%	2.81%
Cash	1%	-0.21%
Private equity	11%	10.13%
Private real assets	8%	4.76%
Private credit	3%	3.01%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00 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 and MP&W's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1%	Discount	1%
	Decrease	Rate	Increase
City's proportionate share of the net pension liability	(6.0%)	(7.0%)	(8.0%)
	\$ 11,346,888	\$ 6,376,670	\$ 2,207,736

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
MP&W's proportionate share of the net pension liability	\$ 856,711	\$ 482,470	\$ 168,561

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, 2020, the City reported payables to the defined benefit pension plan of \$20,528 for legally required employer contributions and \$13,678 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

At December 31, 2019, MP&W reported payables to the defined benefit pension plan of \$5,959 for legally required employer contributions and \$3,970 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, 2019.

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 24.41 percent for the year ended June 30, 2020.

The City's contributions to MFPSI for the year ended June 30, 2020 were \$1,338,183.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations to MFPSI during the fiscal year ended June 30, 2020.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$11,597,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPSI participating employers. At June 30, 2019, the City's proportion was 1.768136 percent which was a decrease of 0.020808 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$2,497,309. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 399,363	\$ 108,526
Changes of assumptions	583,964	52,143
Net difference between projected and actual earnings on pension plan investments	638,988	-
Changes in proportion and differences between City contributions and proportionate share of contributions	268,397	310,527
City contributions subsequent to the measurement date	1,338,183	-
Total	<u>\$ 3,228,895</u>	<u>\$ 471,196</u>

The \$1,338,183 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, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30.</u>	
2021	\$ 767,788
2022	121,946
2023	305,919
2024	211,853
2025	12,010
Total	<u>\$ 1,419,516</u>

Actuarial Assumptions The total pension liability in the June 30, 2019, 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	3.75 percent to 15.11 percent, including inflation
Investment rate of return	7.50 percent per annum, net of investment expense, including inflation

Mortality rates were based on RP 2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward one year, and disabled set-forward one year (male only rates), with five years projection of future mortality improvements with Scale BB.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2007 to June 30, 2018.

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	Long-Term Expected Real Rate of Return
Large cap	5.5%
Small cap	5.8%
International large cap	7.3%
Emerging markets	9.0%
Emerging markets debt	6.3%
Private non-core real estate	8.0%
Master limited partnerships	9.0%
Private equity	9.0%
Core plus fixed income	3.3%
Private core real estate	6.0%
Tactical asset allocation	6.4%

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that 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 the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-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	\$ 18,883,046	\$ 11,597,674	\$ 5,563,959

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, 2020, the City reported payables to the defined benefit pension plan of \$54,749 for legally required employer contributions and \$20,334 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

Summary information of all primary government pension plans as of June 30, 2020 is as follows:

Primary Government IPERS			
	Governmental Activities	Business-type Activities	Total
Net pension liability	\$ (3,668,494)	\$ (2,708,176)	\$ (6,376,670)
Deferred outflows of resources related to pensions	943,740	662,873	1,606,613
Deferred inflows of resources related to pensions	(616,042)	(432,463)	(1,048,505)
Pension expense	683,352	461,431	1,144,783

Primary Government MFPRS			
	Governmental Activities	Business-type Activities	Total
Net pension liability	\$ (11,535,286)	\$ (62,388)	\$ (11,597,674)
Deferred outflows of resources related to pensions	3,180,082	48,813	3,228,895
Deferred inflows of resources related to pensions	(463,842)	(7,354)	(471,196)
Pension expense	2,464,094	33,215	2,497,309

Primary Government Total All Pension			
	Governmental Activities	Business-type Activities	Total
Net pension liability	\$ (15,203,780)	\$ (2,770,564)	\$ (17,974,344)
Deferred outflows of resources related to pensions	4,123,822	711,686	4,835,508
Deferred inflows of resources related to pensions	(1,079,884)	(439,817)	(1,519,701)
Pension expense	3,147,446	494,646	3,642,092

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the plan and additions to/deductions from Muscatine Water and Electric Employees' Pension Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments in separate accounts held at The Principal Financial Group (the plan administrator) are commingled pools, rather than individual securities; they are valued as of the December 31, 2018 measurement date at fair market value.

#### General Information About the Pension Plan

MP&W provides and administers a single-employer defined benefit pension plan with benefits to eligible vested full-time utility and part-time utility employees at separation of service. Eligible employees are those who are not participants in the Iowa Public Employees' Retirement System (IPERS). Water utility employees can choose to participate in either IPERS or the Plan. Total covered valuation payroll for the years ended December 31, 2019 and December 31, 2018 were \$20,802,753 and \$19,722,272, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is

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

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

<u>December 31, 2018</u>	
Active plan members	259
Inactive plan members entitled to but not yet receiving benefits	95
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	<u>192</u>
 Total	 <u>546</u>

The pension plan provides for retirement, disability, and death benefits. There have been no changes in plan provisions during the measurement period and between the December 31, 2018 measurement date and the end of the December 31, 2019 reporting period.

The basis for determining contributions is an actuarially determined contribution (ADC) rate that is calculated in the plan's Actuarial Valuation Report dated December 31, 2019. The ADC rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The ADC for the measurement period ending December 31, 2019 is \$3,345,873, equal to 15.3% of covered valuation payroll; the ADC for the measurement period ending December 31, 2018 is \$3,204,619, equal to 15.4% of covered valuation payroll. Employer contributions, for the years ending December 31, 2019, December 31, 2018, and December 31, 2017 equaled \$3,345,873, \$3,504,169, and \$3,233,148, respectively.

#### Actuarial Assumptions

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

A measurement period of December 31, 2017 to December 31, 2018 has been used for the plan year ending December 31, 2018 for GASB 67 reporting and for the fiscal year ending December 31, 2019 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2019 was measured as of December 31, 2018, using the pension liability that was determined by an actuarial valuation as of December 31, 2018. In 2019, the plan administrator did a comprehensive review of the economic and demographic assumptions and the following were revised as a result:

Inflation	2.25%
Investment rate of return	6.25%
Salary increases (age-based)	Age 25-6.18%; Age 40-4.72%; Age 55-3.88%
Wage base	3.25%
Marriage rate	75%

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

Mortality rates are based on RP-2006 total dataset mortality table projected to future years with historical and assumed mortality improvement rates using the Principal Mortality Improvement Scale (PFG2014-10).

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2018. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2018 is 20-30 years.

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

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity - Large Cap	29.60%	7.70%
US Equity - Mid Cap	3.40%	7.95%
US Equity - Small Cap	1.80%	8.50%
Non - US Equity	18.20%	7.95%
REITs	0.40%	7.60%
Real Estate (direct property)	6.00%	5.55%
TIPS	0.60%	3.50%
Core Bond	38.00%	4.00%
High Yield	2.00%	6.45%
Total	<u><u>100%</u></u>	

The discount rate used to determine the end of period total pension liability is 6.12%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2018-2070. Benefit payments after 2116 are projected to be \$0. The long-term rate of return of 6.25% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.97% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2018 measurement date. This discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

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

For the years ended December 31, 2019 and December 31, 2018, the utility recognized pension expense of \$5,298,711 and \$3,993,001, respectively. At December 31, 2019, the utility reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,100,991	\$ 685,298
Changes of assumptions	3,032,239	399,857
Net difference between projected and actual earnings on pension plan investments	4,013,959	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>3,345,873</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 11,493,062</u></b>	<b><u>\$ 1,085,155</u></b>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ 2,700,476
2021	1,903,720
2022	754,101
2023	<u>1,703,737</u>
<b>Total</b>	<b><u>\$ 7,062,034</u></b>

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

	1% Decrease (5.12%)	Discount Rate (6.12%)	1% Increase (7.12%)
City's proportionate share of the net pension liability 12/31/19	\$ 32,974,949	\$ 21,099,061	\$ 11,437,080

Schedule of Changes in Net Pension Liability

12/31/2019

<u>Total Pension Liability</u>	
Service cost	\$ 1,470,422
Interest	5,246,094
Benefit payments	(3,443,179)
Difference between expected and actual	942,640
Change in assumptions	(201,125)
Change in benefit terms	-
Net change in total pension liability	4,014,852
Total pension liability, beginning	86,939,732
<u>Total pension liability, ending</u>	<u>\$ 90,954,584</u>
<u>Fiduciary Net Position</u>	
Employer contributions	\$ 3,504,169
Net investment income	(3,545,522)
Benefit payments	(3,443,179)
Administration expenses	-
Net change in fiduciary net position	(3,484,532)
Fiduciary net position, beginning	73,340,055
<u>Fiduciary net position, ending</u>	<u>\$ 69,855,523</u>
 Net pension liability	 <u>\$ 21,099,061</u>

	Single Employer Plan	IPERS	Total
Net pension liability	\$ 21,099,061	\$ 482,470	\$ 21,581,531
Deferred outflows of resources	11,493,062	165,609	11,658,671
Deferred inflows of resources	(1,085,155)	(143,750)	(1,228,905)
Pension expense	5,298,711	(64,652)	5,234,059

**NOTE 8. DEFICIT FUND EQUITY**

One City fund had a fund balance/net position deficit as of June 30, 2020. The fund and the amount of the deficit is as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Internal service fund: Equipment services	\$ 59,399

This deficit is not considered a violation of any law, and is expected to be eliminated through future operations.

## **NOTE 9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan description: The City administers a single employer Other Post-Employment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. Under Chapter 509A.13 of the Code of Iowa, “Group Insurance for Public Employees”, if a governing body has procured insurance for its employees, the governing body shall allow its employees who retired before the age of sixty-five years of age to continue participation in the group plan at the employee’s own expense until the employee attains sixty-five years of age.

Benefits provided: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the City. Coverage during retirement continues in the City’s group health and dental plans. All employees opting to continue coverage under the City’s plans are required to contribute the full premium amounts in order to continue coverage at retirement.

The full monthly premium rates as of January 1, 2020 for each plan are as shown below:

<u>Rates</u>	<u>Health</u>	<u>Dental</u>
Single	\$ 623.87	\$ 33.87
Family	1,659.53	91.81

Employees covered by benefit terms: At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	197
	<hr/>
	214

Total OPEB liability: The City’s total OPEB liability of \$1,270,039 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0% per annum
Salary increases	3.0% per annum
Discount rate	2.21% per annum
Retirees' share of benefit-related costs	100%
Health care cost trend rate	5%

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality rates were based on the RP-2014 generational table scaled using MP 2018 and applied on a gender-specific basis.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period 2010-2018.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at July 1, 2019	\$ 1,136,492
Changes for the year:	
Service cost	53,542
Interest	44,206
Changes of benefit terms	-
Differences between expected and actual experience	268,036
Changes in assumptions or other inputs	131,331
Benefit payments	<u>(363,568)</u>
Net changes	<u>133,547</u>
Balance at June 30, 2020	<u><u>\$ 1,270,039</u></u>

There were no changes as a result of changes in benefit terms or differences between expected and actual experience. Changes of assumptions or other inputs reflect a change in the discount rate from 3.87% per annum in 2019 to 2.21% per annum in 2020.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	1.21%	2.21%	3.21%
Total OPEB liability	\$ 1,357,018	\$ 1,270,039	\$ 1,188,291

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1-percentage point higher than the current healthcare cost trend rates.

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	4.00%	5.00%	6.00%
Total OPEB liability	\$ 1,152,514	\$ 1,270,039	\$ 1,407,162

For the year ended June 30, 2020, the City recognized OPEB expense of \$130,034. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 116,003	\$ -
Changes of assumptions or other inputs	181,968	(18,509)
Net difference between projected and actual investments	-	-
Contributions made subsequent to measurement date	-	-
<b>Total</b>	<b>\$ 297,971</b>	<b>\$ (18,509)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	<u>Net Deferred Outflows</u>
2021	\$ 32,286
2022	32,286
2023	32,286
2024	32,286
2025	32,286
Thereafter	<u>118,032</u>
	<u><u>\$ 279,462</u></u>

Muscatine Power & Water – Other Post-Employment Benefits:

The utility-administered, single-employer group health insurance defined benefit plan provides coverage to active employees and retirees (or other qualified terminated employees aged 55 with 5 years of service) at blended premium rates. This coverage results in the other-post-employment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy. Spouses are covered until age 65.

Retirees participating in the plan contribute 100% of the blended premium. The utility, by contributing its portion of the blended premium for active employees, in effect contributes the difference between the blended premium and a retiree age adjusted premium. For a small group of grandfathered retirees, the utility pays a \$50 healthcare supplement.

As of the measurement date, the following plan members were covered by the benefit terms.

Measurement date	12/31/2018
Fiscal year end	12/31/2019
Active plan members	259
Inactive plan members entitled to but not yet receiving benefits	-
Retired plan members or beneficiaries currently receiving benefits	<u>28</u>
Total	<u><u>287</u></u>

For fiscal years 2019, 2018, and 2017, the utility contributed \$44,748, \$44,748, and \$44,748, respectively, to the plan for claim payments plus administrative costs, net of payments received from employees and retirees for premiums.

The following schedule of changes in the total OPEB liability is based on the actuarial valuation report as of December 31, 2018.

	2019
Service cost	\$ 26,985
Interest on net OPEB obligation	37,603
Adjustment to annual required contribution	-
Differences between expected and actual experience	55,389
Changes in assumptions	(54,416)
Benefit payments	<u>(44,748)</u>
Net change in total OPEB obligations	20,813
Net OPEB Obligation - Beginning of Year	<u>907,499</u>
Net OPEB Obligation - End of Year	<u><u>\$ 928,312</u></u>

**OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:**  
 For the year ended December 31, 2019, the utility recognized OPEB expense of \$20,813. At December 31, 2019, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 136,351
Differences between actual and expected experience	93,014	-
Contributions subsequent to measurement date	44,748	-
Total	<u>\$ 137,762</u>	<u>\$ 136,351</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Fiscal Year ending 12/31</u>	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
2020	\$ 14,418	\$ 22,224	\$ (7,806)
2021	14,418	22,224	(7,806)
2022	14,418	22,224	(7,806)
2023	14,418	22,224	(7,806)
2024	14,418	22,224	(7,806)
Thereafter	20,924	25,231	(4,307)
Total	<u>\$ 93,014</u>	<u>\$ 136,351</u>	<u>\$ (43,337)</u>

The following deferred outflows and deferred inflows are recognized in OPEB expense:

- 1) Differences between expected and actual experience, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).
- 2) Changes in assumptions, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).

Sensitivity of the net OPEB liability to changes in the discount rate:

	1% Decrease 3.09%	Discount Rate 4.09%	1% Increase 5.09%
Net OPEB Liability 12/31/19	\$ 1,014,710	\$ 928,312	\$ 864,652

Sensitivity of the net OPEB liability to changes in the healthcare trend rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability 12/31/19	\$ 885,730	\$ 928,312	\$ 1,027,976

There are no plan assets under this plan.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce 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 entry age actuarial cost method was used. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost.

Actuarial assumptions: The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.97% Barclays Municipal GO Long Term (17+Y) index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
Mortality rate	RP-2006 (underlying baseline table from SOA RP-2014 study)
Mortality improvement	PFG2012-10 MI scale: this scale is based on the RPEC_2014_v2016 model reflecting historical U.S. mortality data to 2014, published by the SOA in October of 2016, Due to the 2-year step-back, last historical graduated data year in the scale is 2012.

Retirement rates	Ages 62-64 – 25%; Age 65 – 100%
Withdrawal	2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.60.
Healthcare cost increases	2019 – 2.50%; 2020 – 6.75% decreasing by 0.25% per year through 2028; 2029 + 4.50% per year
Participation rate	75% of future retirees

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

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately \$2,430,000 as of June 30, 2020.

## **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 \$120,000, and an aggregate stop loss of 125% of expected paid claims. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. The estimated liability does not include any allocated or unallocated claims adjustment expense. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

All funds of the City participate in the programs and make payments to the Health and Dental Insurance Funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$216,351 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, 2020 and 2019 are summarized as follows:

	<u>2019</u>	<u>2020</u>
Balance, beginning of year	\$ 234,201	\$ 281,131
Claim Expense	3,370,158	3,439,784
Claims Paid	<u>(3,323,228)</u>	<u>(3,504,564)</u>
Balance, end of year	<u><u>\$ 281,131</u></u>	<u><u>\$ 216,351</u></u>

## **NOTE 12. COMMITMENTS AND CONTINGENCIES**

The City Attorney has reported that as of June 30, 2020, 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, and Airport funds. The remaining commitment on these contracts as of June 30, 2020, is \$7,053,080. The Solid Waste Agency has no outstanding contract commitments as of June 30, 2020.

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 2021 is set at \$111,550.

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

The utility has committed to purchasing 650,000 tons of coal in 2019 under a contract with one supplier.

The utility has rail transportation agreements with two separate companies for the delivery of coal. The utility's first agreement is for coal shipped from the Powder River Basin (PRB), Wyoming to an interchange with the local delivery carrier. The contract expires December 31, 2022. The utility's minimum requirement is 100% of the tons shipped from the PRB up to the utility's annual tonnage nomination. In the event the utility does not meet their nominated tons, the utility has agreed to pay a per ton fee as compensation for lost traffic.

The agreement with the Canadian Pacific Railway for the shipment of coal from the interchange point to the utility's generating station expired April 30, 2020. A new agreement is in negotiation and is expected to be in place well before the scheduled start of coal shipments. It will be a one year agreement.

In April 2017, the utility contracted to sell steam to a local customer through April 2020; another extension was agreed to in October 2019 to sell steam through December 2022. The agreement includes a minimum flow rate, adjusted as necessary to accommodate operational circumstances. Another extension was agreed to in October 2019 to sell steam through December 2022.

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

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

agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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

The City has entered into various development agreements for urban renewal projects as provided for in Chapters 15A and 403 of the State Code of Iowa. The agreements require the City to rebate portions of the incremental property taxes paid by the developer in exchange for infrastructure improvements, rehabilitation, or development of industrial, commercial, or multi-residential projects. As of June 30, 2020 the City had fifteen development agreements in place. These include agreements for projects currently under construction with rebates to begin in future years. In the current year payments were made to developers for twelve projects which totaled \$1,785,946. A detailed listing of these agreements is in the following table:

<u><b>Developer</b></u>	<u><b>Type of Development/Purpose</b></u>	<u><b>Fiscal Years of Rebates</b></u>			<u><b>Taxes Rebated/Abated</b></u>
		<u><b>First Year</b></u>	<u><b>Final Year</b></u>	<u><b>Current Year</b></u>	
Musco Sports Lighting - 67% for 15 Years	Industrial/Economic Development	2005/2006	2019/2020	\$ 80,910	
Curry's Transportation - 50% for 10 Years (Suspended Beginning in 2015/2016)	Commercial/Economic Development	2010/2011	2019/2020		-
Newcomb Properties - 50% for 10 Years	Commercial/Economic Development	2010/2011	2019/2020	11,198	
A & E Convenience - 50% for 10 Years	Commercial/Economic Development	2012/2013	2021/2022	3,921	
The Villas at MCC, LLC - 50% for 10 Year	Commercial/Student Housing	2013/2014	2022/2023	14,899	
R.L. Fridley Theatres Inc. - 15 Years (Declining Percentages)	Commercial/Economic Development	2015/2016	2029/2030	66,089	
Wal-View Developments #1 - 10 Years (Declining Percentages)	Warehousing/Economic Development	2015/2016	2024/2025	633,240	
H.J. Heinz - 5 Years Declining Percentages	Industrial/Economic Development	2016/2017	2020/2021	7,262	
Wal-View Developments #2 - 10 Years (Declining Percentages)	Warehousing/Economic Development	2017/2018	2026/2027	235,151	
Riverview Hotel Development - 20 years (Declining Percentages)	Hotel/Economic Development	2019/2020	2038/2039	599,403	
Union Tank Car - 10 Years 50%	Industrial/Economic Development	2017/2018	2026/2027	16,354	
Harrison Lofts LLC - 15 years (Varying Percentages)	Commercial/Affordable Housing	2019/2020	2033/2034	40,046	
HNI Corporation - 50% for 10 Years	Industrial/Economic Development	2019/2020	2028/2029	77,473	
White Distribution & Supply, LLC - 10 Years 50%	Commercial/Economic Development	2020/2021	2029/2030		-
TIF Oak Park - 70% for 15 Years	Commercial/Affordable Housing	2021/2022	2035/2036		-
NPSW Enterprises - 75% for 10 Years for each Phase (up to 3 Phases)	New residential housing	2021/2022	2040/2041 (latest year)		-
Bush Developments LLC and Hershey Property LLC - 100% for 10 Years	Multi-Residential and Commercial	2021/2022	2030/2031		-
Musco Sports Lighting LLC - 50% for 10 Years	Industrial/Economic Development	2022/2023	2031/2032		-
Total				\$ 1,785,946	

Actual incremental tax rebates are computed based on the taxable valuations of these properties, the incremental property tax rate each year, and the provisions of the development agreements. Each agreement, however, includes a maximum total amount of rebates that may be paid over the term of the agreement. The maximum total of rebates to be paid by the City under the agreements in effect as of June 30, 2020 is in an amount not to exceed \$18,008,952. This amount includes \$1,762,445 for projects still under construction at the end of the current year.

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

Certain agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements that do not include an annual appropriation clause is subject to the constitutional debt limitation. Of the \$18,008,952 maximum total of rebates outstanding at the end of the year, \$16,544,127 is subject to annual appropriations, and only the succeeding year's payments on those agreements are subject to the debt limit.

The City has created five Urban Revitalization areas as provided for in Chapter 404 of the State Code of Iowa. The Urban Revitalization Plans for each area provide for full or partial tax abatements for qualifying improvements in each of the areas. In the current year \$93,978 of property taxes were abated for qualifying improvements in the Urban Revitalization areas. A summary of the abatements is in the following table:

<u>Tax Abatement Program</u>	<u>Number of Properties</u>	<u>Taxes Abated</u>
New Residential Homes	25	\$ 67,546
New Multi-Residential Development	1	14,364
Residential Home Improvements	4	12,068
<hr/>	<hr/>	<hr/>
Totals	30	\$ 93,978

The tax rebates and Urban Revitalization Area tax abatements total \$1,879,924 in taxes abated in the current year.

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

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, the provisions of this statement was effective immediately upon issuance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statements Nos. 83, 84, 88, 89, 90, 91, 92 and 93, and Implementation Guide Nos. 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87 and Implementation Guide No. 2019-3.

As of June 30, 2020, 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. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the identification criteria established by the Statement is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in

a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the City beginning with its fiscal year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 90, *Majority Equity Interest-An Amendment of GASB Statement No. 14 and No. 61*, issued August 2018, will be effective for the City beginning with its fiscal year ending June 30, 2021. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting of a majority equity interest. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements association with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022 except for the requirements related to the effective date of Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to

refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers, assets accumulated for postemployment benefits, applicability of Statement No. 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities, and terminology to refer to derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variably payment, clarifies the hedge accounting termination provisions when a hedge item is amended to replace the reference rate, clarifies the uncertainty related to the continued availability of IBORS, removes LIBOR as an appropriate benchmark interest rate for qualitative evaluation, identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifies the definition of reference rate, as it is used in Statement 53, as amended.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets- an intangible asset- and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022. The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other

than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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

#### **NOTE 15. SUBSEQUENT EVENT**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the City's operations and finances

**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, 2020**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total Actual</b>	<b>Budgeted Amounts</b>		<b>Final Budget to Actual Variance</b>
				<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>						
Taxes:						
Property	\$ 14,032,072	\$ -	\$ 14,032,072	\$ 14,129,521	\$ 14,129,521	\$ (97,449)
Tax increment financing	2,472,102	-	2,472,102	2,435,900	2,491,000	(18,898)
Other city taxes	4,036,376	-	4,036,376	4,264,266	4,205,866	(169,490)
Licenses and permits	303,758	19,315	323,073	455,100	431,800	(108,727)
Use of money and property	388,013	1,279,357	1,667,370	1,431,060	1,478,680	188,690
Intergovernmental	7,192,178	2,311,416	9,503,594	11,173,757	9,836,870	(333,276)
Charges for services	436,956	14,827,191	15,264,147	15,731,200	15,643,400	(379,253)
Miscellaneous	2,285,202	4,291,657	6,576,859	6,082,850	6,497,390	79,469
<b>Total revenues</b>	<b>31,146,657</b>	<b>22,728,936</b>	<b>53,875,593</b>	<b>55,703,654</b>	<b>54,714,527</b>	<b>(838,934)</b>
<b>Expenditures:</b>						
Public safety	9,886,459	-	9,886,459	10,166,100	10,148,700	(262,241)
Public works	3,006,259	-	3,006,259	3,074,900	3,128,400	(122,141)
Health and social service	50,000	-	50,000	50,000	50,000	-
Culture and recreation	3,568,254	-	3,568,254	3,724,400	3,844,971	(276,717)
Community and economic development	4,836,175	-	4,836,175	5,220,680	5,427,633	(591,458)
General government	3,108,383	-	3,108,383	3,015,200	3,284,978	(176,595)
Debt service	3,136,555	-	3,136,555	3,136,656	3,136,656	(101)
Capital projects	6,711,437	-	6,711,437	12,678,300	10,265,900	(3,554,463)
Business type activities	-	24,095,458	24,095,458	21,662,260	27,275,130	(3,179,672)
<b>Total expenditures</b>	<b>34,303,522</b>	<b>24,095,458</b>	<b>58,398,980</b>	<b>62,728,496</b>	<b>66,562,368</b>	<b>(8,163,388)</b>
<b>Revenues over (under) expenditures</b>	<b>(3,156,865)</b>	<b>(1,366,522)</b>	<b>(4,523,387)</b>	<b>(7,024,842)</b>	<b>(11,847,841)</b>	<b>7,324,454</b>
<b>Other financing sources (uses):</b>						
Proceeds of long term debt	6,310,000	-	6,310,000	6,150,000	6,310,000	-
Premium on long term debt	124,788	-	124,788	-	-	124,788
Proceeds of capital asset sales	-	24,750	24,750	-	-	24,750
Transfers in	7,782,635	8,322,033	16,104,668	16,415,438	21,412,881	(5,308,213)
Transfers out	(9,787,233)	(6,317,435)	(16,104,668)	(16,415,438)	(21,412,881)	5,308,213
<b>Total other financing sources (uses)</b>	<b>4,430,190</b>	<b>2,029,348</b>	<b>6,459,538</b>	<b>6,150,000</b>	<b>6,310,000</b>	<b>149,538</b>
<b>Net change in fund balances</b>	<b>1,273,325</b>	<b>662,826</b>	<b>1,936,151</b>	<b>(874,842)</b>	<b>(5,537,841)</b>	<b>7,473,992</b>
<b>Fund balances, June 30, 2019</b>	<b>16,666,064</b>	<b>17,663,566</b>	<b>34,329,630</b>	<b>28,260,257</b>	<b>34,329,381</b>	<b>249</b>
<b>Fund balances, June 30, 2020</b>	<b>\$ 17,939,389</b>	<b>\$ 18,326,392</b>	<b>\$ 36,265,781</b>	<b>\$ 27,385,415</b>	<b>\$ 28,791,540</b>	<b>\$ 7,474,241</b>

See notes to Required Supplementary Information.

**City of Muscatine, Iowa**

**Budget to GAAP Reconciliation**

**Required Supplementary Information**

**For the Year Ended June 30, 2020**

	<b>Governmental Funds</b>			<b>Proprietary Funds</b>		
			<b>GAAP Basis</b>	<b>Enterprise and Budgeted Internal Service Funds</b>		<b>GAAP Basis</b>
	<b>Budget Basis</b>	<b>Adjustments</b>		<b>Budget Basis</b>	<b>Adjustments</b>	
Revenues	\$ 31,146,657	\$ -	\$ 31,146,657	\$ 22,728,936	\$ (277,735)	\$ 22,451,201
Expenditures/expenses	<u>34,303,522</u>	<u>87,640</u>	<u>34,391,162</u>	<u>24,095,458</u>	<u>(3,598,301)</u>	<u>20,497,157</u>
Net	(3,156,865)	(87,640)	(3,244,505)	(1,366,522)	3,320,566	1,954,044
Other financing sources (uses), net	4,430,190	(92,500)	4,337,690	2,029,348	92,500	2,121,848
Beginning fund balances/net position	<u>16,666,064</u>	<u>286,015</u>	<u>16,952,079</u>	<u>17,663,566</u>	<u>68,867,695</u>	<u>86,531,261</u>
Ending fund balances/net position	<u><u>\$ 17,939,389</u></u>	<u><u>\$ 105,875</u></u>	<u><u>\$ 18,045,264</u></u>	<u><u>\$ 18,326,392</u></u>	<u><u>\$ 72,280,761</u></u>	<u><u>\$ 90,607,153</u></u>

See notes to Required Supplementary Information.

**City of Muscatine, Iowa****Required Supplementary Information****Schedule of Changes in the City's Total OPEB****Liability and Related Ratios****Last Three Fiscal Years \***

	2020	2019	2018
Total OPEB liability			
Changes for the year:			
Service cost	\$ 53,542	\$ 51,983	\$ 48,797
Interest	44,206	43,914	35,933
Changes of benefit terms	-	-	-
Differences between expected and actual experience	268,036	143,297	-
Changes in assumptions or other inputs	131,331	(22,862)	88,070
Benefit payments	(363,568)	(84,332)	(70,320)
Net changes in total OPEB liability	133,547	132,000	102,480
Total OPEB liability - beginning	1,136,492	1,004,492	902,012
Total OPEB liability - ending	<u><u>\$ 1,270,039</u></u>	<u><u>\$ 1,136,492</u></u>	<u><u>\$ 1,004,492</u></u>
Covered employee payroll	\$ 12,412,039	\$ 11,947,438	\$ 11,574,574
Total OPEB liability as a percentage of covered employee payroll	10.23%	9.51% #	8.68%

**Notes to Schedule:**Changes of benefit terms:

There were no changes as a result of changes in benefit terms

Changes of assumption:

Changes of assumptions or other inputs reflect a change in the discount rate from 3.87% per annum in 2019 to 2.21% in 2020.

The following are the discount rates used in each period:

2020	2.21%
2019	3.58%
2018	3.87%

The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2018 generational projection of future mortality improvement.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75

\* The schedule is intended to present information for ten years. Information prior to 2018 is not available.

**Muscatine Power & Water (MP&W)**

**Required Supplementary Information**

**Schedule of Changes in MP&W's Net OPEB**

**Liability and Related Ratios**

**Last Three Fiscal Years**

	Measurement Date Fiscal Year	12/31/2018 12/31/2019	12/31/2017 12/31/2018	12/31/2016 12/31/2017
<b>Total OPEB Liability</b>				
Service cost	\$ 26,985	\$ 35,606	\$ 35,606	
Interest	37,603	36,710	36,710	
Benefit payments	(44,748)	(44,748)	(44,748)	
Differences between expected and actual experience	55,389	14,157	67,861	
Changes in assumptions	(54,416)	-	(135,819)	
Net change in total OPEB liability	20,813	41,725	(40,390)	
Total OPEB liability - beginning of period	907,499	865,774	906,164	
Total OPEB liability - end of period	<b>\$ 928,312</b>	<b>\$ 907,499</b>	<b>\$ 865,774</b>	
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 44,748	\$ 44,748	\$ 44,748	
Net investment income	-	-	-	
Benefit payments	(44,748)	(44,748)	(44,748)	
Administration expenses	-	-	-	
Net change in plan fiduciary net position	-	-	-	
Plan fiduciary net position - beginning of year	-	-	-	
Plan fiduciary net position - end of year	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Net OPEB liability	<b>\$ 928,312</b>	<b>\$ 907,499</b>	<b>\$ 865,774</b>	
Fiduciary net position as a percentage of the total OPEB liability		0.0%	0.0%	0.0%
Covered valuation payroll	\$ 20,860,718	\$ 20,468,578	\$ 20,283,973	
Net OPEB liability as a percentage of covered valuation payroll		4.5%	4.4%	4.3%

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 utility will present information for those years for which information is available.

(Continued)

**Muscatine Power & Water (MP&W)**

**Required Supplementary Information**

**Schedule of Changes in MP&W's Net OPEB**

**Liability and Related Ratios**

**Last Three Fiscal Years (Continued)**

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	Measurement Date	12/31/2018	12/31/2017	12/31/2016
	Fiscal Year	12/31/2019	12/31/2018	12/31/2017
<u>Schedule of Employer Contributions</u>				
<u>Contributions</u>				
Employer contributions		\$ 44,748	\$ 44,748	\$ 44,748
Employer contributions received by the plan		44,748	44,748	44,748
Contribution deficiency (excess)		-	-	-
<u>Ratios</u>				
Covered employee payroll		\$ 20,860,718	\$ 20,468,578	\$ 20,283,973
Employer contributions received as a percentage of covered employee payroll		0.21%	0.22%	0.22%
<u>ADC Assumptions</u>				
Long-term rate of return on assets		N/A	N/A	N/A
Interest rate		3.97%	4.09%	4.09%
Salary increase assumption		N/A	N/A	N/A
COLA increase assumption		N/A	N/A	N/A
Retirement age assumption		Rates	Rates	Rates
Plan changes		None	None	None

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available.

Methods and Assumptions Used to Determine OPEB Liability

Actuarial cost method	Entry age normal method
Discount rate	3.97%
Mortality rate	RP-2006 (underlying baseline table from SOA RP-2014 study)
Retirement rates	Ages 62-64 - 25%; Age 65 - 100%
Healthcare cost increases	2019 - 2.5%; 2020 - 6.75% decreasing by 0.25% per year through 2028; 2029+ 4.5%/year
Participation rate	75% of future retirees

No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

**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 Six Fiscal Years**

---

	2020*	2019*	2018*	2017*
City's proportion of the net pension liability	0.1101200%	0.1069804%	0.1083022%	0.1082369%
City's proportionate share of the net pension liability	\$ 6,376,670	\$ 6,769,982	\$ 7,214,294	\$ 6,811,690
City's covered payroll	\$ 8,425,706	\$ 8,092,365	\$ 8,136,539	\$ 7,817,478
City's proportionate share of the net pension liability as a percentage of its covered payroll	75.68%	83.66%	88.67%	87.13%
Plan fiduciary net pension as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

\* 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

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$\frac{2016^*}{0.11044860\%}$	$\frac{2015^*}{0.11542338\%}$
-------------------------------	-------------------------------

\$ 5,456,694	\$ 4,577,583
--------------	--------------

\$ 7,667,711	\$ 7,653,736
--------------	--------------

71.16%	59.81%
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85.19%	87.61%
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**City of Muscatine, Iowa**

**Required Supplementary Information**

**Schedule of City Contributions**

**Iowa Public Employees' Retirement System**

**Last Ten Fiscal Years**

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	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 786,739	\$ 795,670	\$ 723,120	\$ 727,098	\$ 698,589
Contributions in relation to the statutorily required contribution	(786,739)	(795,670)	(723,120)	(727,098)	(698,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 8,332,918	\$ 8,425,706	\$ 8,092,365	\$ 8,136,539	\$ 7,817,478
Contributions as a percentage of covered payroll	9.44%	9.44%	8.94%	8.94%	8.94%

See Notes to Required Supplementary Information

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2015	2014	2013	2012	2011
\$ 685,356	\$ 683,964	\$ 649,682	\$ 596,712	\$ 507,528
<u>(685,356)</u>	<u>(683,964)</u>	<u>(649,682)</u>	<u>(596,712)</u>	<u>(507,528)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u> </u>				
\$ 7,667,711	\$ 7,653,736	\$ 7,481,151	\$ 7,369,945	\$ 7,256,425
8.94%	8.94%	8.68%	8.10%	6.99%

**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 Six Fiscal Years**

---

	2020*	2019*	2018*	2017*
City's proportion of the net pension liability	1.768136%	1.788944%	1.844853%	1.721407%
City's proportionate share of the net pension liability	\$ 11,597,674	\$ 10,651,435	\$ 10,819,603	\$ 10,763,285
City's covered payroll	\$ 5,368,372	\$ 5,210,779	\$ 5,028,590	\$ 4,703,400
City's proportionate share of the net pension liability as a percentage of its covered payroll	216.04%	204.41%	215.16%	228.84%
Plan fiduciary net pension as a percentage of the total pension liability	79.94%	81.07%	80.60%	78.20%

\* 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

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2016*	2015*
1.759589%	1.755039%

\$ 8,266,801	\$ 6,361,984
--------------	--------------

\$ 4,623,077	\$ 4,500,650
--------------	--------------

178.82%	141.36%
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83.04%	86.27%
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**Schedule of City Contributions**  
**Municipal Fire and Police Retirement System**  
**Last Ten Fiscal Years**

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	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 1,338,183	\$ 1,392,690	\$ 1,335,297	\$ 1,354,626	\$ 1,295,439
Contributions in relation to the statutorily required contribution	(1,338,183)	(1,392,690)	(1,335,297)	(1,354,626)	(1,295,439)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,482,109	\$ 5,368,372	\$ 5,210,779	\$ 5,028,590	\$ 4,703,400
Contributions as a percentage of covered payroll	24.41%	25.94%	25.63%	26.94%	27.54%

See Notes to Required Supplementary Information

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2015	2014	2013	2012	2011
\$ 1,400,892	\$ 1,356,118	\$ 1,138,474	\$ 1,029,442	\$ 778,181
<u>(1,400,892)</u>	<u>(1,356,118)</u>	<u>(1,138,474)</u>	<u>(1,029,442)</u>	<u>(778,181)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 4,623,077	\$ 4,500,650	\$ 4,333,916	\$ 4,149,554	\$ 3,881,771
30.30%	30.13%	26.27%	24.81%	20.05%

**Muscatine Power & Water**

**Required Supplementary Information - Single Employer Defined Benefit Pension Plan**

**Schedule of Changes in Net Pension Liability**

**Last Five Fiscal Years (Unaudited)**

---

**Total Pension Liability**

	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Measurement Date	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Fiscal Year	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Service cost	\$ 1,470,422	\$ 1,513,685	\$ 1,389,645	\$ 1,293,507	\$ 1,397,201
Interest	5,246,094	5,196,759	5,128,482	4,857,025	4,743,318
Benefit payments	(3,443,179)	(3,166,243)	(2,793,981)	(2,672,730)	(2,370,911)
Difference between expected and actual experience	942,640	450,770	(1,006,283)	652,758	(943,990)
Change in assumptions	(201,125)	(347,807)	4,507,826	(123,402)	3,959,905
Net change in total pension liability	4,014,852	3,647,164	7,225,689	4,007,158	6,785,523
Total pension liability, beginning of period	86,939,732	83,292,568	76,066,879	72,059,721	65,274,198
<b>Total pension liability, end of period</b>	<b>90,954,584</b>	<b>86,939,732</b>	<b>83,292,568</b>	<b>76,066,879</b>	<b>72,059,721</b>

**Plan Fiduciary Net Position**

Employer contributions	\$ 3,504,169	\$ 3,233,148	\$ 2,781,411	\$ 2,683,000	\$ 2,619,320
Net investment income	(3,545,522)	9,741,653	3,529,390	(266,965)	3,183,800
Benefit payments	(3,443,179)	(3,166,243)	(2,793,981)	(2,672,730)	(2,370,911)
Administration expenses	-	-	(4,500)	-	(1,950)
Net change in plan fiduciary net position	(3,484,532)	9,808,558	3,512,320	(256,695)	3,430,259
Plan fiduciary net position, beginning of period	73,340,055	63,531,497	60,019,177	60,275,872	56,845,613
<b>Plan fiduciary net position, end of period</b>	<b>69,855,523</b>	<b>73,340,055</b>	<b>63,531,497</b>	<b>60,019,177</b>	<b>60,275,872</b>
<b>Net pension liability</b>	<b>\$ 21,099,061</b>	<b>\$ 13,599,677</b>	<b>\$ 19,761,071</b>	<b>\$ 16,047,702</b>	<b>\$ 11,783,849</b>
Plan fiduciary net position as a percentage of the total pension liability	76.8%	84.4%	76.3%	78.9%	83.6%
Covered valuation payroll	\$ 20,802,753	\$ 19,722,272	\$ 19,812,794	\$ 20,849,573	\$ 19,530,308
Net pension liability as a percentage of covered valuation payroll	101.4%	69.0%	99.7%	77.0%	60.3%

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

**Muscatine Power & Water**

**Required Supplementary Information - Single Employer Defined Benefit Pension Plan  
For the Year Ended December 31, 2019 (Unaudited)**

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

Actuarial cost method	Entry Age Normal Method
Asset valuation method	Market Value
Investment rate of return	6.25%
Inflation	2.25%
Salary increases (age-based)	Age 25 - 6.18%; Age 40 - 4.72%; Age 55 - 3.88%
Wage base	3.25%
Marriage rate	75%
Mortality	SOA RP-2014 and RPEC-2014 v2018 model

**Muscatine Power & Water (MP&W)****Required Supplementary Information - Single Employer Defined Benefit Pension Plan****Schedule of Employer Contributions****Last Five Fiscal Years**

---

	2019	2018	2017	2016	2015
Annual required contributions	\$ 3,504,169	\$ 3,233,148	\$ 2,781,411	\$ 2,683,000	\$ 2,619,320
Contributions in relation to the annual required contribution	<u>(3,504,169)</u>	<u>(3,233,148)</u>	<u>(2,781,411)</u>	<u>(2,683,000)</u>	<u>(2,619,320)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
MP&W's covered valuation payroll	\$ 20,802,753	\$ 19,722,272	\$ 19,812,794	\$ 20,849,573	\$ 19,530,308
Contributions as a percentage of covered valuation payroll	16.84%	16.39%	14.04%	12.87%	13.41%

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 utility will present information for those years for which information is available.

**Muscatine Power & Water****Required Supplementary Information****Schedule of the Muscatine Power & Water's Proportionate Share of the Net Pension Liability****Iowa Public Employees' Retirement System****Last Five Years**

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	2019*	2018*	2017*	2016*	2015*
MP&W's proportion of the net pension liability	0.008276%	0.009012%	0.007749%	0.006906%	0.009160%
MP&W's proportionate share of the net pension liability	\$ 482,470	\$ 570,121	\$ 483,234	\$ 343,338	\$ 363,277
MP&W's covered payroll	\$ 705,123	\$ 579,595	\$ 551,040	\$ 476,102	\$ 595,572
MP&W's proportionate share of the net pension liability as a percentage of its covered payroll	68.4%	98.4%	87.7%	72.1%	61.0%
Plan fiduciary net pension as a percentage of the total pension liability	84.4%	83.6%	81.8%	85.2%	87.6%

\* The amounts presented for each 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, MP&W will present information for those years for which information is available.

See Notes to Required Supplementary Information

**Muscatine Power & Water****Required Supplementary Information****Schedule of Muscatine Power & Water's Contributions****Iowa Public Employees' Retirement System****Last Five Years**

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	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 66,922	\$ 59,468	\$ 56,861	\$ 49,963	\$ 46,930
Contributions in relation to the statutorily required contribution	(66,922)	(59,468)	(56,861)	(49,963)	(46,930)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
MP&W's covered payroll	\$ 708,921	\$ 648,271	\$ 636,745	\$ 559,496	\$ 525,531
Contributions as a percentage of covered payroll	9.44%	9.17%	8.93%	8.93%	8.93%

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

See Notes to Required Supplementary Information

## **CITY OF MUSCATINE, IOWA**

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

**JUNE 30, 2020**

#### **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 31 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 two public hearings prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 31st day of March preceding the beginning of the fiscal year. This budget becomes the appropriation for the operations of the City.

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

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

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

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

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

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

function level, not by fund. During the year, two budget amendments increased budgeted disbursements in total by \$3,833,872, which includes a \$1,778,998 decrease in governmental funds and a \$5,612,870 increase in proprietary funds. The overall governmental funds decrease is due to a decrease in capital projects budgeted expenditures primarily due to changes in capital project construction schedules. The proprietary funds budget increase is also primarily due to changes in proprietary fund capital project construction schedules. The budget amendments are reflected in the final budgeted amounts

During the year ended June 30, 2020, expenditures did not exceed the budgeted amounts in any of the nine functions.

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

##### **IPERS**

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

There were no significant changes of benefit terms.

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

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed the mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption. .

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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.

## **MFPSI**

### *Changes of benefit terms:*

There were no significant changes of benefit terms.

### *Changes of assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	7.50%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	4.50%
Year ended June 30, 2017	4.25%

## **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.

**RIVERVIEW HOTEL TAX INCREMENT** - Accounts for incremental taxes from the district that includes the new Merrill Hotel and Conference Center.

**NORTH UNIVERSITY TAX INCREMENT** - Accounts for incremental taxes from the district that includes the HNI Corporation facility on North University Avenue.

**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 areas of the community.

**RIVERVIEW REINVESTMENT DISTRICT** - Accounts for Reinvestment District revenues from the State of Iowa and economic development payments of those funds to the Riverview Hotel Development for the Merrill Hotel and Conference Center located in downtown Muscatine overlooking the Mississippi River. The Merrill Hotel opened in March of 2018.

**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, 2020**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals</b>
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,292,034	\$ 3,753,360	\$ 44,599	\$ 5,089,993
Investments	381,388	-	1,011,280	1,392,668
Receivables (net of allowance for uncollectibles):				
Interest	5,489	4,570	2,890	12,949
Taxes	2,679,349	-	-	2,679,349
Intergovernmental	89,724	33,826	-	123,550
Accounts	13,906	8,088	451	22,445
Advances to other funds	28,065	-	-	28,065
 Total assets	 4,489,955	 3,799,844	 1,059,220	 9,349,019
<b>LIABILITIES</b>				
Accounts payable and accruals	107,239	495,253	-	602,492
Retainages payable	-	67,992	-	67,992
Escrow liability	33,315	-	-	33,315
Unearned revenue	41,965	5,325	-	47,290
Advances from other funds	28,065	-	9,593	37,658
 Total liabilities	 210,584	 568,570	 9,593	 788,747
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	2,573,000	-	-	2,573,000
Unavailable revenue - intergovernmental	40,000	33,826	-	73,826
 Total deferred inflows of resources	 2,613,000	 33,826	 -	 2,646,826
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Permanent fund principal	-	-	1,023,890	1,023,890
<b>Restricted for:</b>				
Grant purposes	115,089	-	-	115,089
Housing assistance payments	96,313	-	-	96,313
Tax levy purposes	791,034	-	-	791,034
Housing and community development	223,313	14,993	-	238,306
Law enforcement	10,929	60,896	-	71,825
Art center	373,699	-	4,955	378,654
Library	55,994	-	-	55,994
Cemetery	-	-	20,782	20,782
Street and sidewalk projects	-	2,173,320	-	2,173,320
Levee improvement projects	-	59,511	-	59,511
Building improvement projects	-	503,957	-	503,957
Parks and recreation projects	-	384,771	-	384,771
 Total fund balances	 1,666,371	 3,197,448	 1,049,627	 5,913,446
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 4,489,955	 \$ 3,799,844	 \$ 1,059,220	 \$ 9,349,019

**City of Muscatine, Iowa**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,472,102	\$ -	\$ -	\$ 2,472,102
Intergovernmental	2,112,970	642,980	-	2,755,950
Use of money and property	39,701	23,635	22,727	86,063
Other	48,818	142,788	4,580	196,186
Total revenues	<u>4,673,591</u>	<u>809,403</u>	<u>27,307</u>	<u>5,510,301</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	300	-	-	300
Culture and recreation	45,716	-	1,154	46,870
Community and economic development	4,073,619	-	-	4,073,619
Debt service:				
Principal	145,000	-	-	145,000
Interest	16,965	-	-	16,965
Capital outlay:				
Public safety	3,508	-	-	3,508
Public works	-	2,113,059	-	2,113,059
Culture and recreation	-	1,668,519	-	1,668,519
Community and economic development	-	160,356	-	160,356
General government	-	314,295	-	314,295
Total expenditures	<u>4,285,108</u>	<u>4,256,229</u>	<u>1,154</u>	<u>8,542,491</u>
Revenues over (under) expenditures	<u>388,483</u>	<u>(3,446,826)</u>	<u>26,153</u>	<u>(3,032,190)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
General obligation bonds issued	-	5,877,400	-	5,877,400
Transfers in	381,257	1,217,366	-	1,598,623
Transfers out	<u>(964,707)</u>	<u>(484,500)</u>	<u>(19,326)</u>	<u>(1,468,533)</u>
Total other financing sources (uses)	<u>(583,450)</u>	<u>6,610,266</u>	<u>(19,326)</u>	<u>6,007,490</u>
Net change in fund balances	<u>(194,967)</u>	<u>3,163,440</u>	<u>6,827</u>	<u>2,975,300</u>
Fund balances, June 30, 2019	<u>1,861,338</u>	<u>34,008</u>	<u>1,042,800</u>	<u>2,938,146</u>
Fund balances, June 30, 2020	<u>\$ 1,666,371</u>	<u>\$ 3,197,448</u>	<u>\$ 1,049,627</u>	<u>\$ 5,913,446</u>

**City of Muscatine, Iowa**

**Non-Major Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	<b>Community Development Block Grant</b>	<b>1st Time Home Owners Program</b>	<b>Section 8 Housing Program</b>	<b>Sunset Park Education Program</b>	<b>Police Forfeitures</b>	<b>Downtown Tax Increment</b>	<b>Southend Tax Increment</b>	<b>Cedar Development Tax Increment</b>	<b>Highway 38 Northeast Tax Increment</b>
<b>ASSETS</b>									
Cash and pooled investments	\$ 31,121	\$ 13,641	\$ 112,275	\$ 5,527	\$ 10,929	\$ -	\$ 600,536	\$ 65,943	\$ 13,337
Investments	-	-	199,895	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):									
Interest	-	-	2	-	-	450	3,832	203	-
Taxes	-	-	-	-	-	285,897	1,451,823	-	42,060
Accounts	-	13,294	612	-	-	-	-	-	-
Intergovernmental	-	14,181	5,967	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	28,065	-	-
Total assets	<b>31,121</b>	<b>41,116</b>	<b>318,751</b>	<b>5,527</b>	<b>10,929</b>	<b>286,347</b>	<b>2,084,256</b>	<b>66,146</b>	<b>55,397</b>
<b>LIABILITIES</b>									
Accounts payable and accruals	-	3,042	32,069	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	28,065	-	-	-
Escrow liability	-	-	33,315	-	-	-	-	-	-
Unearned revenue	-	-	41,965	-	-	-	-	-	-
Total liabilities	<b>-</b>	<b>3,042</b>	<b>107,349</b>	<b>-</b>	<b>-</b>	<b>28,065</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue - property taxes	-	-	-	-	-	245,000	1,430,000	-	42,000
Unavailable revenue - intergovernmental	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245,000</b>	<b>1,430,000</b>	<b>-</b>	<b>42,000</b>
<b>FUND BALANCES</b>									
Restricted for:									
Grant purposes	-	-	115,089	-	-	-	-	-	-
Housing assistance payments	-	-	96,313	-	-	-	-	-	-
Tax levy purposes	-	-	-	-	-	13,282	654,256	66,146	13,397
Housing and community development	31,121	38,074	-	5,527	-	-	-	-	-
Law enforcement	-	-	-	-	10,929	-	-	-	-
Art center	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total fund balances	<b>31,121</b>	<b>38,074</b>	<b>211,402</b>	<b>5,527</b>	<b>10,929</b>	<b>13,282</b>	<b>654,256</b>	<b>66,146</b>	<b>13,397</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 31,121</b>	<b>\$ 41,116</b>	<b>\$ 318,751</b>	<b>\$ 5,527</b>	<b>\$ 10,929</b>	<b>\$ 286,347</b>	<b>\$ 2,084,256</b>	<b>\$ 66,146</b>	<b>\$ 55,397</b>

Heinz Tax Increment	Fridley Theater Tax Increment	Riverview Hotel Tax Increment	N. University Tax Increment	White Dist. Tax Increment	Small Business Forgivable Loan Program	Small Business Forgivable Loan Code Comp.	Riverview Reinvestment District	Art Center Special Funds	Library Special Funds	Total
\$ 8,384	\$ 30,782	\$ 1,018	\$ 2,152	\$ -	\$ 118,591	\$ 30,000	\$ -	\$ 191,988 181,493	\$ 55,810	\$ 1,292,034 381,388
-	-	-	-	-	-	-	-	818	184	5,489
-	70,000	663,216	112,353	54,000	-	-	-	-	-	2,679,349
-	-	-	-	-	-	-	-	-	-	13,906
-	-	-	-	-	-	-	69,576	-	-	89,724
-	-	-	-	-	-	-	-	-	-	28,065
<b>8,384</b>	<b>100,782</b>	<b>664,234</b>	<b>114,505</b>	<b>54,000</b>	<b>118,591</b>	<b>30,000</b>	<b>69,576</b>	<b>374,299</b>	<b>55,994</b>	<b>4,489,955</b>
-	-	3,216	38,736	-	-	-	29,576	600	-	107,239
-	-	-	-	-	-	-	-	-	-	28,065
-	-	-	-	-	-	-	-	-	-	33,315
-	-	-	-	-	-	-	-	-	-	41,965
<b>-</b>	<b>-</b>	<b>3,216</b>	<b>38,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,576</b>	<b>600</b>	<b>-</b>	<b>210,584</b>
-	70,000	660,000	72,000	54,000	-	-	-	-	-	2,573,000
-	-	-	-	-	-	-	40,000	-	-	40,000
-	70,000	660,000	72,000	54,000	-	-	40,000	-	-	2,613,000
-	-	-	-	-	-	-	-	-	-	115,089
-	-	-	-	-	-	-	-	-	-	96,313
8,384	30,782	1,018	3,769	-	118,591	30,000	-	-	-	791,034
-	-	-	-	-	-	-	-	-	-	223,313
-	-	-	-	-	-	-	-	-	-	10,929
-	-	-	-	-	-	-	-	373,699	-	373,699
-	-	-	-	-	-	-	-	-	55,994	55,994
<b>8,384</b>	<b>30,782</b>	<b>1,018</b>	<b>3,769</b>	<b>-</b>	<b>118,591</b>	<b>30,000</b>	<b>-</b>	<b>373,699</b>	<b>55,994</b>	<b>1,666,371</b>
<b>\$ 8,384</b>	<b>\$ 100,782</b>	<b>\$ 664,234</b>	<b>\$ 114,505</b>	<b>\$ 54,000</b>	<b>\$ 118,591</b>	<b>\$ 30,000</b>	<b>\$ 69,576</b>	<b>\$ 374,299</b>	<b>\$ 55,994</b>	<b>\$ 4,489,955</b>

**City of Muscatine, Iowa**

**Non-Major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	<b>Community Development Block Grant</b>	<b>1st Time Home Owners Program</b>	<b>Section 8 Housing Program</b>	<b>Sunset Park Education Program</b>	<b>Police Forfeitures</b>	<b>Downtown Tax Increment</b>	<b>Southend Tax Increment</b>	<b>Cedar Development Tax Increment</b>	<b>Highway 38 Northeast Tax Increment</b>
<b>REVENUES</b>									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,867	\$ 1,451,247	\$ -	\$ 56,522
Intergovernmental:									
HUD grants	-	14,181	1,837,978	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Local grants	-	13,294	-	-	-	-	-	-	-
Commercial and industrial state reimbursement		-	-	-	-	-	57,414	-	-
Interest	578	437	1,712	108	6	2,343	22,806	1,226	325
Other:									
Donations	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	25,895	-	-	-	-	-	-
Total revenues	578	27,912	1,865,585	108	6	205,210	1,531,467	1,226	56,847
<b>EXPENDITURES</b>									
Current:									
Public safety	-	-	-	-	300	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Community and economic development	100	34,458	1,759,633	4,754	-	-	980,773	-	54,945
Capital outlay:									
Public safety	-	-	-	-	3,508	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	145,000	-	-
Interest	-	-	-	-	-	-	16,965	-	-
Total expenditures	100	34,458	1,759,633	4,754	3,808	-	1,142,738	-	54,945
Revenues over (under) expenditures	478	(6,546)	105,952	(4,646)	(3,802)	205,210	388,729	1,226	1,902
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(246,250)	(718,457)	-	-
Total other financing sources (uses)	-	-	-	-	-	(246,250)	(718,457)	-	-
Net change in fund balances	478	(6,546)	105,952	(4,646)	(3,802)	(41,040)	(329,728)	1,226	1,902
Fund balances, June 30, 2019	30,643	44,620	105,450	10,173	14,731	54,322	983,984	64,920	11,495
Fund balances, June 30, 2020	<u>\$ 31,121</u>	<u>\$ 38,074</u>	<u>\$ 211,402</u>	<u>\$ 5,527</u>	<u>\$ 10,929</u>	<u>\$ 13,282</u>	<u>\$ 654,256</u>	<u>\$ 66,146</u>	<u>\$ 13,397</u>

Heinz Tax Increment	Fridley Tax Increment	Riverview Hotel Tax Increment	North University Tax Increment	Small Business Forgivable Loan Program	Small Business Forgivable Loan Code Comp.	Riverview Reinvestment District	Art Center Special Funds	Library Special Funds	Total
\$ 7,685	\$ 73,231	\$ 599,403	\$ 81,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,472,102
-	-	-	-	-	-	-	-	-	1,852,159
-	-	-	-	-	-	162,673	4,500	22,930	190,103
-	-	-	-	-	-	-	-	-	13,294
-	-	-	-	-	-	-	-	-	57,414
162	487	1,018	95	857	-	-	6,297	1,244	39,701
-	-	-	-	-	-	-	7,675	7,429	15,104
-	-	-	-	5,000	-	-	-	2,819	33,714
<u>7,847</u>	<u>73,718</u>	<u>600,421</u>	<u>81,242</u>	<u>5,857</u>	<u>-</u>	<u>162,673</u>	<u>18,472</u>	<u>34,422</u>	<u>4,673,591</u>
-	-	-	-	-	-	-	-	-	300
-	-	-	-	-	-	-	4,247	41,469	45,716
7,262	66,089	599,403	77,473	306,056	20,000	162,673	-	-	4,073,619
-	-	-	-	-	-	-	-	-	3,508
-	-	-	-	-	-	-	-	-	145,000
-	-	-	-	-	-	-	-	-	16,965
<u>7,262</u>	<u>66,089</u>	<u>599,403</u>	<u>77,473</u>	<u>306,056</u>	<u>20,000</u>	<u>162,673</u>	<u>4,247</u>	<u>41,469</u>	<u>4,285,108</u>
<u>585</u>	<u>7,629</u>	<u>1,018</u>	<u>3,769</u>	<u>(300,199)</u>	<u>(20,000)</u>	<u>-</u>	<u>14,225</u>	<u>(7,047)</u>	<u>388,483</u>
-	-	-	-	331,257	50,000	-	-	-	381,257
-	-	-	-	-	-	-	-	-	(964,707)
-	-	-	-	331,257	50,000	-	-	-	(583,450)
585	7,629	1,018	3,769	31,058	30,000	-	14,225	(7,047)	(194,967)
7,799	23,153	-	-	87,533	-	-	359,474	63,041	1,861,338
<u>\$ 8,384</u>	<u>\$ 30,782</u>	<u>\$ 1,018</u>	<u>\$ 3,769</u>	<u>\$ 118,591</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 373,699</u>	<u>\$ 55,994</u>	<u>\$ 1,666,371</u>

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	<b>Community Development Improvements</b>	<b>Street and Sidewalk Improvements</b>	<b>Riverfront Improvement Projects</b>	<b>Other Public Improvements</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 14,878	\$ 2,452,119	\$ 60,390	\$ 1,225,973	\$ 3,753,360
Receivables:					
Interest	160	1,907	182	2,321	4,570
Intergovernmental	-	-	-	33,826	33,826
Accounts	6,500	-	-	1,588	8,088
Total assets	<u>21,538</u>	<u>2,454,026</u>	<u>60,572</u>	<u>1,263,708</u>	<u>3,799,844</u>
<b>LIABILITIES</b>					
Accounts payable	6,545	242,714	-	245,994	495,253
Retainages payable	-	37,992	-	30,000	67,992
Unearned revenue	-	-	-	5,325	5,325
Total liabilities	<u>6,545</u>	<u>280,706</u>	<u>-</u>	<u>281,319</u>	<u>568,570</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,826</u>	<u>33,826</u>
<b>FUND BALANCES</b>					
<b>Restricted for:</b>					
Community development projects	14,993	-	-	-	14,993
Public safety projects	-	-	-	60,896	60,896
Street and sidewalk projects	-	2,173,320	-	-	2,173,320
Building improvement projects	-	-	-	503,957	503,957
Levee improvement projects	-	-	59,511	-	59,511
Parks and recreation projects	-	-	1,061	383,710	384,771
Total fund balances	<u>14,993</u>	<u>2,173,320</u>	<u>60,572</u>	<u>948,563</u>	<u>3,197,448</u>
Total liabilities and fund balances	<u><u>\$ 21,538</u></u>	<u><u>\$ 2,454,026</u></u>	<u><u>\$ 60,572</u></u>	<u><u>\$ 1,263,708</u></u>	<u><u>\$ 3,799,844</u></u>

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	<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	\$ -	\$ -	\$ -	\$ 627,980	\$ 627,980
State grants	-	-	-	15,000	15,000
Interest	971	4,979	1,128	16,557	23,635
Other:					
Contributions	-	-	-	22,370	22,370
Reimbursement of costs	82,854	-	-	37,564	120,418
Total revenues	<u>83,825</u>	<u>4,979</u>	<u>1,128</u>	<u>719,471</u>	<u>809,403</u>
<b>EXPENDITURES</b>					
Capital outlay:					
Public works	-	2,077,452	-	35,607	2,113,059
Culture and recreation	-	-	475	1,668,044	1,668,519
Community and economic development	160,356	-	-	-	160,356
General government	-	-	-	314,295	314,295
Total expenditures	<u>160,356</u>	<u>2,077,452</u>	<u>475</u>	<u>2,017,946</u>	<u>4,256,229</u>
Revenues over (under) expenditures	<u>(76,531)</u>	<u>(2,072,473)</u>	<u>653</u>	<u>(1,298,475)</u>	<u>(3,446,826)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
General obligation bonds issued	-	3,256,800	-	2,620,600	5,877,400
Transfers in	135,000	1,082,366	-	-	1,217,366
Transfers out	-	-	-	(484,500)	(484,500)
Total other financing sources (uses)	<u>135,000</u>	<u>4,339,166</u>	<u>-</u>	<u>2,136,100</u>	<u>6,610,266</u>
Net change in fund balances	58,469	2,266,693	653	837,625	3,163,440
Fund balances (deficits), June 30, 2019	<u>(43,476)</u>	<u>(93,373)</u>	<u>59,919</u>	<u>110,938</u>	<u>34,008</u>
Fund balances, June 30, 2020	<u>\$ 14,993</u>	<u>\$ 2,173,320</u>	<u>\$ 60,572</u>	<u>\$ 948,563</u>	<u>\$ 3,197,448</u>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	<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	\$ 44,219	\$ 380	\$ -	\$ -	\$ 44,599
Investments	60,498	891,059	-	59,723	1,011,280
Receivables:					
Interest	238	-	2,579	73	2,890
Accounts	-	451	-	-	451
Total assets	<b>104,955</b>	<b>891,890</b>	<b>2,579</b>	<b>59,796</b>	<b>1,059,220</b>
<b>LIABILITIES</b>					
Advances from other funds	-	-	2,579	7,014	9,593
Total liabilities	<b>-</b>	<b>-</b>	<b>2,579</b>	<b>7,014</b>	<b>9,593</b>
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
Permanent fund principal	100,000	891,890	-	32,000	1,023,890
<b>Restricted for:</b>					
Cemetery	-	-	-	20,782	20,782
Art center	4,955	-	-	-	4,955
Total fund balances	<b>104,955</b>	<b>891,890</b>	<b>-</b>	<b>52,782</b>	<b>1,049,627</b>
Total liabilities and fund balances	<b>\$ 104,955</b>	<b>\$ 891,890</b>	<b>\$ 2,579</b>	<b>\$ 59,796</b>	<b>\$ 1,059,220</b>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>REVENUES</b>					
Cemetery perpetual care Interest	\$ - <u>1,769</u>	\$ 4,580 -	\$ - <u>19,326</u>	\$ - <u>1,632</u>	\$ 4,580 <u>22,727</u>
Total revenues	1,769	4,580	19,326	1,632	27,307
<b>EXPENDITURES</b>					
Current: Culture and recreation	-	-	-	1,154	1,154
Total expenditures	-	-	-	1,154	1,154
Revenues over (under) expenditures	1,769	4,580	19,326	478	26,153
<b>OTHER FINANCING (USES)</b>					
Transfers out	-	-	(19,326)	-	(19,326)
Net change in fund balances	1,769	4,580	-	478	6,827
Fund balances, June 30, 2019	<u>103,186</u>	<u>887,310</u>	-	<u>52,304</u>	<u>1,042,800</u>
Fund balances, June 30, 2020	<u><u>\$ 104,955</u></u>	<u><u>\$ 891,890</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,782</u></u>	<u><u>\$ 1,049,627</u></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.

**SOCER EVENTS** - Accounts for revenues and expenses for the Soccer College Search Kickoff Event. In prior years this event was hosted by a private non-profit entity and held at the Muscatine Soccer Complex. This event will be hosted by the City Parks & Recreation department beginning in 2018.

**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, 2020**

	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>	<b>Boat Harbor</b>	<b>Marina Operations</b>
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 102,466	\$ 330,096	\$ 28,555	\$ 1,806	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Interest	326	973	-	-	-
Accounts	1,580	3,738	673	-	-
Intergovernmental:					
Federal	-	88,277	-	-	-
Due from other funds	-	-	-	2,571	-
Inventories	-	-	31,235	-	4,651
Prepaid items	-	-	4,400	-	-
Total current assets	<u>104,372</u>	<u>423,084</u>	<u>64,863</u>	<u>4,377</u>	<u>4,651</u>
Noncurrent assets:					
Capital assets:					
Land	579,686	-	80,000	-	-
Land improvements	1,288,350	-	1,348,305	294,380	-
Buildings and building improvements	-	20,426	790,988	-	-
Equipment	42,370	6,054	483,811	-	-
Vehicles	-	987,612	-	-	-
Less accumulated depreciation	(942,676)	(524,424)	(1,938,618)	(163,423)	-
Total capital assets net of accumulated depreciation	<u>967,730</u>	<u>489,668</u>	<u>764,486</u>	<u>130,957</u>	<u>-</u>
Total noncurrent assets	<u>967,730</u>	<u>489,668</u>	<u>764,486</u>	<u>130,957</u>	<u>-</u>
Total assets	<u>1,072,102</u>	<u>912,752</u>	<u>829,349</u>	<u>135,334</u>	<u>4,651</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	23,128	114,850	39,394	-	-
OPEB related deferred outflows	2,025	1,736	4,339	-	-
Total deferred outflows of resources	<u>25,153</u>	<u>116,586</u>	<u>43,733</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	6,031	24,844	43,562	1,131	2,080
Compensated absences payable	10,213	10,695	18,642	1,366	-
Due to other funds	-	-	-	-	2,571
Deposits	-	-	-	-	-
Escrow liability	-	-	-	-	-
Unearned revenue	27,360	128	5,352	-	-
Total current liabilities	<u>43,604</u>	<u>35,667</u>	<u>67,556</u>	<u>2,497</u>	<u>4,651</u>
Noncurrent liabilities:					
Compensated absences	15,239	8,982	10,166	1,880	-
Other post-employment benefits	8,631	7,398	18,496	-	-
Net pension obligation	96,917	467,644	127,779	-	-
Total noncurrent liabilities	<u>120,787</u>	<u>484,024</u>	<u>156,441</u>	<u>1,880</u>	<u>-</u>
Total liabilities	<u>164,391</u>	<u>519,691</u>	<u>223,997</u>	<u>4,377</u>	<u>4,651</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	14,364	74,249	14,163	-	-
OPEB related deferred outflows	126	108	270	-	-
Total deferred inflows of resources	<u>14,490</u>	<u>74,357</u>	<u>14,433</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	967,730	489,668	764,486	130,957	-
Unrestricted	(49,356)	(54,378)	(129,834)	-	-
Total net position	<u>\$ 918,374</u>	<u>\$ 435,290</u>	<u>\$ 634,652</u>	<u>\$ 130,957</u>	<u>\$ -</u>

<b>Convention and Visitors Bureau</b>	<b>Ambulance Operations</b>	<b>Soccer Events</b>	<b>Public Housing</b>	<b>Total</b>
\$ 178,069	\$ 328,825	\$ 53,951	\$ 30,467	\$ 1,054,235
-	-	-	546,752	546,752
559	775	163	1	2,797
-	455,800	975	8,952	471,718
-	-	-	8,114	96,391
-	-	-	-	2,571
-	-	-	-	35,886
-	-	-	-	4,400
<b>178,628</b>	<b>785,400</b>	<b>55,089</b>	<b>594,286</b>	<b>2,214,750</b>
-	-	-	105,000	764,686
-	-	-	206,873	3,137,908
-	-	-	8,317,986	9,129,400
11,412	507,966	-	112,801	1,164,414
-	709,817	-	49,636	1,747,065
(11,412)	(742,505)	-	(7,856,176)	(12,179,234)
<b>-</b>	<b>475,278</b>	<b>-</b>	<b>936,120</b>	<b>3,764,239</b>
<b>-</b>	<b>475,278</b>	<b>-</b>	<b>936,120</b>	<b>3,764,239</b>
<b>178,628</b>	<b>1,260,678</b>	<b>55,089</b>	<b>1,530,406</b>	<b>5,978,989</b>
-	59,665	-	44,257	281,294
-	1,446	-	6,581	16,127
-	61,111	-	50,838	297,421
9,650	123,754	16,133	82,216	309,401
-	8,885	-	15,214	65,015
-	-	-	-	2,571
-	-	-	49,267	49,267
-	-	-	2,192	2,192
-	-	-	17,490	50,330
<b>9,650</b>	<b>132,639</b>	<b>16,133</b>	<b>166,379</b>	<b>478,776</b>
-	15,889	-	5,822	57,978
-	6,165	-	28,052	68,742
-	113,723	-	214,780	1,020,843
-	135,777	-	248,654	1,147,563
<b>9,650</b>	<b>268,416</b>	<b>16,133</b>	<b>415,033</b>	<b>1,626,339</b>
-	19,958	-	22,101	144,835
-	90	-	409	1,003
-	20,048	-	22,510	145,838
-	475,278	-	936,120	3,764,239
168,978	558,047	38,956	207,581	739,994
<b>\$ 168,978</b>	<b>\$ 1,033,325</b>	<b>\$ 38,956</b>	<b>\$ 1,143,701</b>	<b>\$ 4,504,233</b>

**City of Muscatine, Iowa**

**Non-Major Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2020**

	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>	<b>Boat Harbor</b>
Operating revenues:				
Charges for sales and services:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Parking fees	167,081	-	-	-
Transit fees	-	127,830	-	-
Golf course fees	-	-	741,224	-
Boat harbor fees	-	-	-	19,396
Rents	-	-	-	-
Other	-	138	23,585	-
Total operating revenues	<u>167,081</u>	<u>127,968</u>	<u>764,809</u>	<u>19,396</u>
Operating expenses:				
Cost of sales and services:				
Personal services	162,602	718,197	388,045	15,960
Commodities	3,711	76,082	168,100	380
Contractual services	12,237	186,827	131,660	2,194
Administration	25,600	20,700	60,200	1,500
Depreciation	40,390	82,034	52,017	10,148
Total operating expenses	<u>244,540</u>	<u>1,083,840</u>	<u>800,022</u>	<u>30,182</u>
Operating income (loss)	<u>(77,459)</u>	<u>(955,872)</u>	<u>(35,213)</u>	<u>(10,786)</u>
Non-operating revenues (expenses):				
Federal, state and local grants	-	685,024	-	-
Interest revenue	2,235	6,597	966	-
Insurance recoveries	-	5,000	-	-
Gain (loss) on sale of capital assets	-	-	-	-
Non-operating revenues (expenses), net	<u>2,235</u>	<u>696,621</u>	<u>966</u>	<u>-</u>
Income (loss) before capital contributions and transfers	<u>(75,224)</u>	<u>(259,251)</u>	<u>(34,247)</u>	<u>(10,786)</u>
Capital contributions - grants	-	221,913	-	-
Transfers in	-	51,982	-	638
Transfers out	-	-	-	-
Change in net position	<u>(75,224)</u>	<u>14,644</u>	<u>(34,247)</u>	<u>(10,148)</u>
Net position, June 30, 2019	<u>993,598</u>	<u>420,646</u>	<u>668,899</u>	<u>141,105</u>
Net position, June 30, 2020	<u><u>\$ 918,374</u></u>	<u><u>\$ 435,290</u></u>	<u><u>\$ 634,652</u></u>	<u><u>\$ 130,957</u></u>

Marina Operations	Convention and Visitors Bureau	Ambulance Operations	Soccer Events	Public Housing	Total
\$ -	\$ -	\$ 2,072,887	\$ -	\$ -	\$ 2,072,887
-	-	-	-	-	167,081
-	-	-	-	-	127,830
-	-	-	-	-	741,224
-	-	-	-	-	19,396
-	-	-	-	438,301	438,301
<u>4,242</u>	<u>425</u>	<u>56,454</u>	<u>13,446</u>	<u>52,502</u>	<u>150,792</u>
<u>4,242</u>	<u>425</u>	<u>2,129,341</u>	<u>13,446</u>	<u>490,803</u>	<u>3,717,511</u>
1,800	-	176,642	2,257	329,672	1,795,175
3,928	311	122,804	14,554	41,188	431,058
744	102,582	201,863	35,094	479,973	1,153,174
-	3,700	43,300	-	-	155,000
-	-	119,644	-	156,658	460,891
<u>6,472</u>	<u>106,593</u>	<u>664,253</u>	<u>51,905</u>	<u>1,007,491</u>	<u>3,995,298</u>
<u>(2,230)</u>	<u>(106,168)</u>	<u>1,465,088</u>	<u>(38,459)</u>	<u>(516,688)</u>	<u>(277,787)</u>
-	-	41,928	-	610,173	1,337,125
-	3,262	3,938	1,009	4,009	22,016
-	-	-	-	-	5,000
-	-	-	-	-	-
-	3,262	45,866	1,009	614,182	1,364,141
<u>(2,230)</u>	<u>(102,906)</u>	<u>1,510,954</u>	<u>(37,450)</u>	<u>97,494</u>	<u>1,086,354</u>
-	-	-	-	-	221,913
2,230	123,738	-	-	-	178,588
-	-	(1,195,700)	-	-	(1,195,700)
-	20,832	315,254	(37,450)	97,494	291,155
-	148,146	718,071	76,406	1,046,207	4,213,078
<u>\$ -</u>	<u>\$ 168,978</u>	<u>\$ 1,033,325</u>	<u>\$ 38,956</u>	<u>\$ 1,143,701</u>	<u>\$ 4,504,233</u>

**City of Muscatine, Iowa**

**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2020**

	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>	<b>Boat Harbor</b>	<b>Marina Operations</b>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 172,088	\$ 127,427	\$ 765,969	\$ 19,396	\$ 4,242
Payments to suppliers	(16,603)	(267,072)	(297,848)	(2,507)	(5,548)
Payments to employees	(112,583)	(561,280)	(281,609)	(13,405)	(1,633)
Payments for employee benefits	(42,316)	(132,850)	(88,712)	(2,562)	(167)
Payments for interfund services used	(25,600)	(20,700)	(60,696)	(1,500)	-
Net cash provided (used) by operating activities	<u>(25,014)</u>	<u>(854,475)</u>	<u>37,104</u>	<u>(578)</u>	<u>(3,106)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	-	51,982	-	638	2,230
Advances from other funds	-	-	-	-	2,571
Advances to other funds	-	-	-	(2,571)	-
Repayment of advances from other funds	1,695	-	-	-	-
Repayment of advances to other funds	-	-	-	-	(1,695)
Subsidies from federal, state and local grants	-	706,964	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,695</u>	<u>758,946</u>	<u>-</u>	<u>(1,933)</u>	<u>3,106</u>
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	221,913	-	-	-
Purchase of capital assets	-	(268,523)	(47,850)	-	-
Insurance recoveries for loss on capital assets	-	5,000	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(41,610)</u>	<u>(47,850)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	2,346	7,374	1,167	-	-
Net cash provided (used) by investing activities	<u>2,346</u>	<u>7,374</u>	<u>1,167</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and pooled investments	(20,973)	(129,765)	(9,579)	(2,511)	-
Cash and pooled investments, June 30, 2019	<u>123,439</u>	<u>459,861</u>	<u>38,134</u>	<u>4,317</u>	<u>-</u>
Cash and pooled investments, June 30, 2020	<u>\$ 102,466</u>	<u>\$ 330,096</u>	<u>\$ 28,555</u>	<u>\$ 1,806</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)	\$ (77,459)	\$ (955,872)	\$ (35,213)	\$ (10,786)	\$ (2,230)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	40,390	82,034	52,017	10,148	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	1,325	371	(30)	-	-
Inventories	-	-	2,505	-	(2,825)
Pension related deferred outflows	9,688	48,117	17,107	-	-
OPEB related deferred outflows	(624)	(536)	(1,338)	-	-
Increase (decrease) in:					
Accounts payable and accruals	349	(3,967)	2,523	195	1,949
Escrow liability payable	-	-	-	-	-
Compensated absences payable	1,376	(1,091)	5,385	(135)	-
Other post-employment benefits	715	613	1,534	-	-
Deferred revenue	3,682	(912)	1,190	-	-
Deposits	-	-	-	-	-
Net pension liability	(5,078)	(26,562)	(9,766)	-	-
Pension related deferred inflows	640	3,345	1,229	-	-
OPEB related deferred inflows	(18)	(15)	(39)	-	-
Total adjustments	<u>52,445</u>	<u>101,397</u>	<u>72,317</u>	<u>10,208</u>	<u>(876)</u>
Net cash provided (used) by operating activities	<u>\$ (25,014)</u>	<u>\$ (854,475)</u>	<u>\$ 37,104</u>	<u>\$ (578)</u>	<u>\$ (3,106)</u>



## **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, 2020**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 78,511	\$ -	\$ 2,255,445	\$ 104,943	\$ 2,438,899
Receivables:					
Interest	-	-	6,630	330	6,960
Accounts	8,703	-	-	-	8,703
Due from fiduciary funds	-	-	29,646	-	29,646
Due from other funds	-	-	1,506	-	1,506
Inventories	89,738	2,272	-	-	92,010
Total current assets	176,952	2,272	2,293,227	105,273	2,577,724
Capital assets:					
Equipment	130,407	-	-	-	130,407
Vehicles	67,145	-	-	-	67,145
Less accumulated depreciation	(183,295)	-	-	-	(183,295)
Total capital assets net of accumulated depreciation	14,257	-	-	-	14,257
Total assets	191,209	2,272	2,293,227	105,273	2,591,981
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	45,661				45,661
OPEB related deferred outflows	5,786	-	-	-	5,786
Total deferred outflow of resources	51,447	-	-	-	51,447
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	24,348	19	195,277	21,074	240,718
Compensated absences payable	18,312	-	-	-	18,312
Due to other funds	-	1,506	-	-	1,506
Total current liabilities	42,660	1,525	195,277	21,074	260,536
Noncurrent liabilities:					
Compensated absences payable	25,042	-	-	-	25,042
Other post employment benefits	24,661	-	-	-	24,661
Net pension liability	177,714	-	-	-	177,714
Total noncurrent liabilities	227,417	-	-	-	227,417
Total liabilities	270,077	1,525	195,277	21,074	487,953
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	31,619	-	-	-	31,619
OPEB related deferred inflows	359	-	-	-	359
Total deferred inflow of resources	31,978	-	-	-	31,978
<b>NET POSITION (DEFICIT)</b>					
Investment in capital assets	14,257	-	-	-	14,257
Unrestricted	(73,656)	747	2,097,950	84,199	2,109,240
Total net position (deficit)	\$ (59,399)	\$ 747	\$ 2,097,950	\$ 84,199	\$ 2,123,497

**City of Muscatine, Iowa**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Position (Deficit)**  
**Year Ended June 30, 2020**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
Operating revenues:					
Charges for sales and services:					
Services	\$ 748,612	\$ -	\$ -	\$ -	\$ 748,612
Fuel	287,720	-	-	-	287,720
Supply charges	-	1,597	-	-	1,597
Employer contributions	-	-	2,964,723	74,377	3,039,100
Employee contributions	-	-	272,700	82,726	355,426
Other contributions	-	-	177,451	4,615	182,066
Other operating revenue	629	-	-	-	629
Total operating revenues	<u>1,036,961</u>	<u>1,597</u>	<u>3,414,874</u>	<u>161,718</u>	<u>4,615,150</u>
Operating expenses:					
Cost of sales and services:					
Personal services	363,109	-	-	-	363,109
Commodities	460,530	1,306	-	-	461,836
Contractual services	210,474	-	3,365,528	145,023	3,721,025
Administration	18,800	-	3,000	-	21,800
Depreciation	3,738	-	-	-	3,738
Total operating expenses	<u>1,056,651</u>	<u>1,306</u>	<u>3,368,528</u>	<u>145,023</u>	<u>4,571,508</u>
Operating income (loss)	(19,690)	291	46,346	16,695	43,642
Non-operating revenues:					
Interest revenue	-	-	41,531	1,792	43,323
Income (loss) before capital contributions and transfers	(19,690)	291	87,877	18,487	86,965
Transfers out	-	-	(54,842)	-	(54,842)
Change in net position	(19,690)	291	33,035	18,487	32,123
Net position (deficit), June 30, 2019	<u>(39,709)</u>	<u>456</u>	<u>2,064,915</u>	<u>65,712</u>	<u>2,091,374</u>
Net position (deficit), June 30, 2020	<u>\$ (59,399)</u>	<u>\$ 747</u>	<u>\$ 2,097,950</u>	<u>\$ 84,199</u>	<u>\$ 2,123,497</u>

**City of Muscatine, Iowa**

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2020**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ 1,036,958	\$ 1,597	\$ 3,436,354	\$ 161,718	\$ 4,636,627
Payments to suppliers	(680,157)	(1,316)	(3,434,207)	(141,124)	(4,256,804)
Payments to employees	(231,338)	-	-	-	(231,338)
Payments for employee benefits	(116,696)	-	-	-	(116,696)
Payments for interfund services used	(18,800)	-	(3,000)	-	(21,800)
Net cash provided (used) by operating activities	<u>(10,033)</u>	<u>281</u>	<u>(853)</u>	<u>20,594</u>	<u>9,989</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	(54,842)	-	(54,842)
Advances from other funds	-	1,506	-	-	1,506
Advances to other funds	-	-	(1,506)	-	(1,506)
Advances to fiduciary funds	-	-	(29,646)	-	(29,646)
Repayment of advances from other funds	-	(1,787)	-	-	(1,787)
Repayment of advances to other funds	-	-	18,642	-	18,642
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(281)</u>	<u>(67,352)</u>	<u>-</u>	<u>(67,633)</u>
<b>Cash flows from investing activities</b>					
Interest received	<u>-</u>	<u>-</u>	<u>43,030</u>	<u>1,841</u>	<u>44,871</u>
Net increase (decrease) in cash and pooled investments	<u>(10,033)</u>	<u>-</u>	<u>(25,175)</u>	<u>22,435</u>	<u>(12,773)</u>
Cash and pooled investments, June 30, 2019	<u>88,544</u>	<u>-</u>	<u>2,280,620</u>	<u>82,508</u>	<u>2,451,672</u>
Cash and pooled investments, June 30, 2020	<u>\$ 78,511</u>	<u>\$ -</u>	<u>\$ 2,255,445</u>	<u>\$ 104,943</u>	<u>\$ 2,438,899</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (19,690)	\$ 291	\$ 46,346	\$ 16,695	\$ 43,642
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	3,738	-	-	-	3,738
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(3)	-	21,480	-	21,477
Inventories	15,159	(29)	-	-	15,130
Pension related deferred outflows	19,951	-	-	-	19,951
OPEB related deferred outflows	(1,784)	-	-	-	(1,784)
Increase (decrease) in:					
Accounts payable and accruals	(22,132)	19	(68,679)	3,899	(86,893)
Compensated absences payable	2,297	-	-	-	2,297
Other post employment benefits payable	2,044	-	-	-	2,044
Net pension liability	(10,937)	-	-	-	(10,937)
Pension related deferred inflows	1,377	-	-	-	1,377
OPEB related deferred inflows	(53)	-	-	-	(53)
Total adjustments	<u>9,657</u>	<u>(10)</u>	<u>(47,199)</u>	<u>3,899</u>	<u>(33,653)</u>
Net cash provided (used) by operating activities	<u>\$ (10,033)</u>	<u>\$ 281</u>	<u>\$ (853)</u>	<u>\$ 20,594</u>	<u>\$ 9,989</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, 2020**

	<b>Payroll Clearing</b>	<b>Housing Revolving</b>	<b>Totals</b>
Assets:			
Accounts receivable	<u>\$ 3,570</u>	<u>\$ 47,376</u>	<u>\$ 50,946</u>
Liabilities:			
Accounts payable and accruals	-	21,300	21,300
Due to primary government	<u>3,570</u>	<u>26,076</u>	<u>29,646</u>
Total liabilities	<u>\$ 3,570</u>	<u>\$ 47,376</u>	<u>\$ 50,946</u>

**City of Muscatine, Iowa**

**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year Ended June 30, 2020**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2020</b>
<b><u>Payroll Clearing Fund</u></b>				
Assets:				
Accounts receivable	\$ 1,876	\$ 1,694	\$ -	\$ 3,570
Total assets	<u>\$ 1,876</u>	<u>\$ 1,694</u>	<u>\$ -</u>	<u>\$ 3,570</u>
Liabilities:				
Due to primary government	\$ 1,876	\$ 1,694	\$ -	\$ 3,570
Total liabilities	<u>\$ 1,876</u>	<u>\$ 1,694</u>	<u>\$ -</u>	<u>\$ 3,570</u>
<b><u>Housing Revolving Fund</u></b>				
Assets:				
Accounts receivable	35,122	12,254	-	47,376
Total Assets	<u>\$ 35,122</u>	<u>\$ 12,254</u>	<u>\$ -</u>	<u>\$ 47,376</u>
Liabilities:				
Accounts payable and accruals	\$ 20,143	\$ 1,157	\$ -	\$ 21,300
Due to primary government	14,979	11,097	-	26,076
Total liabilities	<u>\$ 35,122</u>	<u>\$ 12,254</u>	<u>\$ -</u>	<u>\$ 47,376</u>
<b><u>Total</u></b>				
Assets:				
Accounts receivable	\$ 36,998	\$ 13,948	\$ -	\$ 50,946
Total assets	<u>\$ 36,998</u>	<u>\$ 13,948</u>	<u>\$ -</u>	<u>\$ 50,946</u>
Liabilities:				
Accounts payable and accruals	\$ 20,143	\$ 1,157	\$ -	\$ 21,300
Due to primary government	16,855	12,791	-	29,646
Total liabilities	<u>\$ 36,998</u>	<u>\$ 13,948</u>	<u>\$ -</u>	<u>\$ 50,946</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, 2020**

**ASSETS**

Current:

Cash and pooled investments	\$ 1,642,862
Interest receivable	<u>12,336</u>
 Total current assets	 <u>1,655,198</u>
 Restricted assets:	
Cash and pooled investments	 <u>2,406,656</u>
 Capital assets:	
Land	1,080,608
Land improvements	3,389,799
Buildings	76,098
Equipment	81,566
Less accumulated depreciation	<u>(2,624,545)</u>
 Total capital assets (net of accumulated depreciation)	 <u>2,003,526</u>
 Total assets	 <u>6,065,380</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accruals	95,299
Compensated absences payable	<u>2,149</u>
 Total current liabilities	 <u>97,448</u>

Noncurrent liabilities:

Closure/post-closure obligation	3,942,881
Compensated absences payable	<u>1,480</u>
 Total noncurrent liabilities	 <u>3,944,361</u>

Total liabilities

4,041,809

**NET POSITION**

Net investment in capital assets	2,003,526
Unrestricted	<u>20,045</u>
 Total net position	 <u>\$ 2,023,571</u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020**

Operating revenues:	
Charges for services	<u>\$ 1,152,647</u>
Total operating revenues	<u>1,152,647</u>
Operating expenses:	
Cost of services:	
Personal services	66,307
Commodities	58,844
Contractual services	776,667
Administration	59,500
Depreciation	<u>145,831</u>
Total operating expenses	<u>1,107,149</u>
Operating income	<u>45,498</u>
Non-operating revenue:	
Intergovernmental revenue	117,177
Interest revenue	<u>72,512</u>
Total non-operating revenues	<u>189,689</u>
Change in net position	235,187
Net position, June 30, 2019	<u>1,788,384</u>
Net position, June 30, 2020	<u>\$ 2,023,571</u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Cash Flows  
Year Ended June 30, 2020**

**Cash flows from operating activities**

Receipts from customers and users	\$ 1,152,647
Payments to suppliers	(669,551)
Payments to employees	(43,731)
Payments for employee benefits	(18,917)
Payments for interfund services used	(59,500)
Net cash provided by operating activities	<u><u>360,948</u></u>

**Cash flows from noncapital financing activities**

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

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

Purchase of capital assets	<u><u>(67,330)</u></u>
Net cash provided (used) by capital and related financing activities	<u><u>(67,330)</u></u>

**Cash flows from investing activities**

Interest received	<u><u>72,311</u></u>
Net cash provided by investing activities	<u><u>72,311</u></u>

Net increase in cash and pooled investments

483,106

Cash and pooled investments, June 30, 2019

3,566,412

Cash and pooled investments, June 30, 2020

\$ 4,049,518

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

Cash flows from operating activities:

Operating income	<u><u>\$ 45,498</u></u>
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	145,831
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Changes in assets and liabilities:

    Increase (decrease) in:

Accounts payable and accruals	23,533
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Compensated absences payable	143
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Closure/post-closure liability	145,943
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    Total adjustments

	315,450
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Net cash provided by operating activities

\$ 360,948

# STATISTICAL SECTION

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

Contents	Page
<b><u>Financial Trends (Schedules 1 – 5)</u></b>	144-150
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
<b><u>Revenue Capacity (Schedules 6 – 9)</u></b>	151-154
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
<b><u>Debt Capacity (Schedules 10 – 13)</u></b>	155-158
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
<b><u>Demographic and Economic Information (Schedules 14 – 15)</u></b>	159-160
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
<b><u>Operating Information (Schedules 16 – 18)</u></b>	161-163
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

	<b>Fiscal Year</b>									
	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 50,534,706	\$ 49,843,849	\$ 51,062,032	\$ 52,468,351	\$ 55,396,862	\$ 55,770,714	\$ 60,958,092	\$ 68,645,257	\$ 71,749,786	\$ 73,561,365
Restricted	4,914,742	8,626,783	6,614,924	6,449,451	4,360,077	5,254,231	5,110,781	4,893,198	5,278,510	4,802,845
Unrestricted	2,910,113	2,485,584	2,852,152	1,650,177	6,461,002	6,851,290	8,250,964	2,004,424	(14,820)	(2,612,322)
Total governmental activities net position	<u>\$ 58,359,561</u>	<u>\$ 60,956,216</u>	<u>\$ 60,529,108</u>	<u>\$ 60,567,979</u>	<u>\$ 66,217,941</u>	<u>\$ 67,876,235</u>	<u>\$ 74,319,837</u>	<u>\$ 75,542,879</u>	<u>\$ 77,013,476</u>	<u>\$ 75,751,888</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 63,959,885	\$ 64,583,715	\$ 67,867,972	\$ 71,207,184	\$ 69,764,910	\$ 73,202,711	\$ 74,209,077	\$ 75,432,548	\$ 75,043,292	\$ 79,043,719
Restricted	135,331	178,360	136,888	107,422	108,024	108,677	110,475	116,009	117,227	126,916
Unrestricted	8,340,770	7,798,823	6,931,260	5,580,730	4,303,188	5,022,028	6,560,437	7,595,714	9,731,343	9,866,780
Total business-type activities net position	<u>\$ 72,435,986</u>	<u>\$ 72,560,898</u>	<u>\$ 74,936,120</u>	<u>\$ 76,895,336</u>	<u>\$ 74,176,122</u>	<u>\$ 78,333,416</u>	<u>\$ 80,879,989</u>	<u>\$ 83,144,271</u>	<u>\$ 84,891,862</u>	<u>\$ 89,037,415</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 114,494,591	\$ 114,427,564	\$ 118,930,004	\$ 123,675,535	\$ 125,161,772	\$ 128,973,425	\$ 135,167,169	\$ 144,077,805	\$ 146,793,078	\$ 152,605,084
Restricted	5,050,073	8,805,143	6,751,812	6,556,873	4,468,101	5,362,908	5,221,256	5,009,207	5,395,737	4,929,761
Unrestricted	11,250,883	10,284,407	9,783,412	7,230,907	10,764,190	11,873,318	14,811,401	9,600,138	9,716,523	7,254,458
Total primary government net position	<u>\$ 130,795,547</u>	<u>\$ 133,517,114</u>	<u>\$ 135,465,228</u>	<u>\$ 137,463,315</u>	<u>\$ 140,394,063</u>	<u>\$ 146,209,651</u>	<u>\$ 155,199,826</u>	<u>\$ 158,687,150</u>	<u>\$ 161,905,338</u>	<u>\$ 164,789,303</u>

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

	Fiscal Year									
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 7,231,247	\$ 7,933,672	\$ 8,106,891	\$ 8,701,457	\$ 8,122,038	\$ 8,797,894	\$ 9,349,247	\$ 9,848,480	\$ 10,159,973	\$ 11,249,523
Public works	6,104,574	4,603,469	4,111,389	4,576,539	4,665,507	5,021,386	5,631,914	7,315,563	5,545,863	5,871,272
Health and social services	17,800	17,800	20,000	20,000	20,000	45,000	45,000	55,000	50,000	50,000
Culture and recreation	3,991,705	4,072,299	4,018,788	4,030,522	3,955,373	3,963,354	4,420,009	3,918,817	4,332,644	4,556,522
Community and economic development	3,232,025	3,063,468	3,099,380	3,269,232	3,324,446	3,835,492	4,520,932	4,387,887	4,402,409	5,016,984
General government	2,088,819	2,129,477	2,352,743	2,385,047	2,564,538	2,667,443	3,101,457	3,605,887	3,661,530	3,648,966
Interest and fees on long-term debt	570,313	504,515	496,578	423,211	426,846	379,115	328,466	289,578	305,361	263,120
Total governmental activities expense	<u>23,236,483</u>	<u>22,324,700</u>	<u>22,205,769</u>	<u>23,406,008</u>	<u>23,078,748</u>	<u>24,709,684</u>	<u>27,397,025</u>	<u>29,421,212</u>	<u>28,457,780</u>	<u>30,656,387</u>
Business-type activities:										
Water pollution control	5,083,681	5,757,128	6,088,562	6,898,082	7,189,980	6,628,762	6,289,874	6,334,906	6,914,396	6,943,121
Transfer station	2,174,384	2,302,385	2,140,480	2,292,207	2,466,385	2,400,592	2,218,056	2,658,974	2,456,161	2,245,386
Refuse collection	1,827,138	2,015,577	2,068,419	2,156,260	2,235,480	2,333,812	2,203,986	2,183,165	2,226,253	2,196,991
Airport	566,129	462,094	551,499	501,897	494,037	421,115	531,974	507,434	510,418	469,323
Parking	247,292	244,115	237,933	236,762	228,917	240,745	245,558	259,797	247,032	241,560
Transit	1,016,663	1,077,339	1,121,524	1,091,925	1,023,229	999,884	1,048,924	1,067,392	1,128,327	1,083,419
Golf course	818,018	871,848	864,167	827,963	774,271	790,351	777,639	784,792	742,773	794,259
Boat harbor	29,041	31,036	27,878	29,463	28,210	28,205	31,738	100,373	30,948	30,182
Marina	12,802	19,507	13,873	8,589	12,623	12,061	7,490	9,305	7,302	6,472
Convention and visitors bureau	-	-	-	-	-	83,397	92,062	106,177	90,793	106,593
Ambulance	426,829	473,350	500,046	558,157	539,780	624,785	636,805	664,364	667,276	661,470
Soccer Events	-	-	-	-	-	-	-	5,935	47,409	51,905
Public housing	<u>1,120,421</u>	<u>1,164,215</u>	<u>1,089,036</u>	<u>1,173,841</u>	<u>1,078,474</u>	<u>1,058,502</u>	<u>1,040,688</u>	<u>912,553</u>	<u>918,038</u>	<u>993,184</u>
Total business-type activities expense	<u>13,322,398</u>	<u>14,418,594</u>	<u>14,703,417</u>	<u>15,775,146</u>	<u>16,071,386</u>	<u>15,622,211</u>	<u>15,124,794</u>	<u>15,595,167</u>	<u>15,987,126</u>	<u>15,823,865</u>
Total primary government expense	<u>\$ 36,558,881</u>	<u>\$ 36,743,294</u>	<u>\$ 36,909,186</u>	<u>\$ 39,181,154</u>	<u>\$ 39,150,134</u>	<u>\$ 40,331,895</u>	<u>\$ 42,521,819</u>	<u>\$ 45,016,379</u>	<u>\$ 44,444,906</u>	<u>\$ 46,480,252</u>

(Continued)

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**Program Revenues**

Governmental activities:

Charges for services:

	Fiscal Year									
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Public safety	\$ 530,879	\$ 1,230,430	\$ 1,137,537	\$ 1,024,538	\$ 1,136,430	\$ 1,152,410	\$ 1,031,206	\$ 958,184	\$ 664,986	\$ 807,220
Public works	262,393	634,870	224,263	290,158	486,680	156,247	125,198	162,033	203,112	214,523
Culture and recreation	478,394	545,297	488,456	485,838	541,931	565,515	535,939	526,920	476,309	390,270
Community and economic development	430,574	426,917	456,674	418,418	492,972	458,379	519,157	772,325	528,938	486,714
General government	545,322	529,471	747,062	721,830	725,488	722,068	813,198	793,173	823,217	885,678
Operating grants and contributions	4,861,170	4,915,000	4,922,364	5,028,968	5,177,955	5,744,949	6,267,606	5,629,280	6,187,745	5,971,139
Capital grants and contributions	3,398,652	1,398,288	767,392	2,014,424	2,250,427	561,749	6,583,878	3,454,124	1,278,580	1,135,003
Total governmental activities program revenues	<u>10,507,384</u>	<u>9,680,273</u>	<u>8,743,748</u>	<u>9,984,174</u>	<u>10,811,883</u>	<u>9,361,317</u>	<u>15,876,182</u>	<u>12,296,039</u>	<u>10,162,887</u>	<u>9,890,547</u>

Business-type activities:

Charges for services:

Water pollution control	4,748,558	4,947,231	5,399,757	5,445,722	5,606,425	5,738,763	6,037,872	6,214,446	6,721,780	6,961,278
Transfer station	1,806,445	1,958,817	1,850,428	1,992,637	2,190,403	2,125,064	2,247,965	2,404,592	2,387,815	2,246,507
Refuse collection	1,961,389	2,110,442	2,137,772	2,164,865	2,172,876	2,192,597	2,204,645	2,240,701	2,297,675	2,372,780
Airport	37,833	42,124	69,136	69,495	69,189	74,379	77,015	78,178	76,495	83,328
Parking	175,691	182,220	177,415	190,844	204,458	218,424	217,742	220,535	196,225	167,081
Transit	169,004	177,055	179,622	184,755	189,163	240,930	373,610	251,968	174,961	132,968
Golf course	773,938	874,501	740,694	761,256	763,269	770,450	747,973	762,327	681,182	764,809
Boat harbor	27,338	39,814	28,665	22,633	20,081	21,293	15,243	96,930	3,890	19,396
Marina	13,473	18,757	13,079	8,080	12,223	11,441	6,266	8,087	5,241	4,242
Convention and visitors bureau	-	-	-	-	-	4,360	4,727	325	-	425
Ambulance	1,360,650	1,167,042	1,351,714	1,305,347	1,367,422	1,511,905	1,538,062	1,649,717	1,636,682	2,129,341
Soccer Events	-	-	-	-	-	-	-	67,748	61,027	13,446
Public housing	444,151	542,721	475,486	473,576	465,212	488,197	425,454	455,053	491,398	490,803
Operating grants and contributions	924,856	659,185	820,150	920,279	963,100	1,045,579	1,207,303	1,133,238	1,113,863	1,484,888
Capital grants and contributions	349,116	661,419	561,426	532,157	497,661	3,463,587	1,018,914	406,036	113,706	704,054
Total business-type activities program revenues	<u>12,792,442</u>	<u>13,381,328</u>	<u>13,805,344</u>	<u>14,071,646</u>	<u>14,521,482</u>	<u>17,906,969</u>	<u>16,122,791</u>	<u>15,989,881</u>	<u>15,961,940</u>	<u>17,575,346</u>

Total primary government program revenues

	<u>\$ 23,299,826</u>	<u>\$ 23,061,601</u>	<u>\$ 22,549,092</u>	<u>\$ 24,055,820</u>	<u>\$ 25,333,365</u>	<u>\$ 27,268,286</u>	<u>\$ 31,998,973</u>	<u>\$ 28,285,920</u>	<u>\$ 26,124,827</u>	<u>\$ 27,465,893</u>
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**Net (Expense)/Revenue**

Governmental activities	\$ (12,729,099)	\$ (12,644,427)	\$ (13,462,021)	\$ (13,421,834)	\$ (12,266,865)	\$ (15,348,367)	\$ (11,520,843)	\$ (17,125,173)	\$ (18,294,893)	\$ (20,765,840)
Business-type activities	(529,956)	(1,037,266)	(898,073)	(1,703,500)	(1,549,904)	2,284,758	997,997	394,714	(25,186)	1,751,481
Total primary government net expense	<u>\$ (13,259,055)</u>	<u>\$ (13,681,693)</u>	<u>\$ (14,360,094)</u>	<u>\$ (15,125,334)</u>	<u>\$ (13,816,769)</u>	<u>\$ (13,063,609)</u>	<u>\$ (10,522,846)</u>	<u>\$ (16,730,459)</u>	<u>\$ (18,320,079)</u>	<u>\$ (19,014,359)</u>

(Continued)

(Continued)

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

Governmental activities:

	Fiscal Year									
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Taxes										
Property taxes	\$ 12,478,438	\$ 12,861,006	\$ 13,117,510	\$ 13,427,094	\$ 13,675,667	\$ 14,432,728	\$ 14,997,905	\$ 15,572,193	\$ 15,941,284	\$ 16,638,396
Utility taxes	52,274	58,048	57,576	56,387	52,923	58,665	47,357	58,394	49,050	53,623
Local option sales tax	2,533,919	2,543,654	2,567,849	2,750,000	2,810,233	2,789,212	2,921,698	3,015,029	3,206,407	2,940,519
Hotel/motel taxes	363,664	347,771	335,701	415,041	353,869	361,803	441,079	521,993	494,951	398,588
Cable franchise taxes	236,253	225,902	222,288	212,286	191,331	189,044	176,095	165,004	158,717	143,166
Utility franchise taxes	227,680	170,225	103,931	113,660	96,810	81,308	81,399	102,859	220,448	440,654
Intergovernmental, unrestricted	154,551	156,229	150,031	115,185	13,418,365	808,792	663,441	643,339	705,064	710,704
Unrestricted investment income	22,297	16,177	13,582	14,256	130,276	136,940	143,193	290,858	445,013	325,962
Gain on sale of capital assets	-	-	-	-	-	-	-	-	75,000	-
Contributions to endowments	7,850	6,373	6,958	5,726	4,178	11,654	4,021	3,941	7,516	4,580
Transfers	(4,528,370)	(1,144,303)	(3,392,510)	(3,648,930)	(1,258,250)	(1,863,485)	(1,511,743)	(1,825,292)	(1,537,960)	(2,151,940)
Total governmental activities	<u>\$ 11,548,556</u>	<u>\$ 15,241,082</u>	<u>\$ 13,182,916</u>	<u>\$ 13,460,705</u>	<u>\$ 29,475,402</u>	<u>\$ 17,006,661</u>	<u>\$ 17,964,445</u>	<u>\$ 18,548,318</u>	<u>\$ 19,765,490</u>	<u>\$ 19,504,252</u>
Business-type activities:										
Unrestricted investment income	24,232	17,875	9,379	10,222	10,057	9,051	36,833	107,515	234,817	217,382
Gain (loss) on sale of capital assets	11,216	-	19,874	3,564	-	-	-	-	-	24,750
Transfers	4,528,370	1,144,303	3,392,510	3,648,930	1,258,250	1,863,485	1,511,743	1,825,292	1,537,960	2,151,940
Dissolution of component unit	-	-	-	-	56,616	-	-	-	-	-
Total business-type activities	<u>\$ 4,563,818</u>	<u>\$ 1,162,178</u>	<u>\$ 3,421,763</u>	<u>\$ 3,662,716</u>	<u>\$ 1,324,923</u>	<u>\$ 1,872,536</u>	<u>\$ 1,548,576</u>	<u>\$ 1,932,807</u>	<u>\$ 1,772,777</u>	<u>\$ 2,394,072</u>
Total primary government	<u>\$ 16,112,374</u>	<u>\$ 16,403,260</u>	<u>\$ 16,604,679</u>	<u>\$ 17,123,421</u>	<u>\$ 30,800,325</u>	<u>\$ 18,879,197</u>	<u>\$ 19,513,021</u>	<u>\$ 20,481,125</u>	<u>\$ 21,538,267</u>	<u>\$ 21,898,324</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ (1,180,543)	\$ 2,596,655	\$ (279,105)	\$ 38,871	\$ 17,208,537	\$ 1,658,294	\$ 6,443,602	\$ 1,423,145	\$ 1,470,597	\$ (1,261,588)
Business-type activities	4,033,862	124,912	2,523,690	1,959,216	(224,981)	4,157,294	2,546,573	2,327,521	1,747,591	4,145,553
Total primary government	<u>\$ 2,853,319</u>	<u>\$ 2,721,567</u>	<u>\$ 2,244,585</u>	<u>\$ 1,998,087</u>	<u>\$ 16,983,556</u>	<u>\$ 5,815,588</u>	<u>\$ 8,990,175</u>	<u>\$ 3,750,666</u>	<u>\$ 3,218,188</u>	<u>\$ 2,883,965</u>

**Schedule 3**

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

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
General Fund										
Nonspendable	\$ 15,637	\$ 5,221	\$ 88,328	\$ 40,843	\$ 2,974	\$ 117,190	\$ 64,944	\$ 2,984	\$ 150,602	\$ 80,245
Assigned	382,877	256,263	506,407	430,858	396,519	445,593	343,057	349,905	402,121	253,575
Unassigned	2,141,534	3,319,319	3,073,412	3,388,877	3,984,638	4,035,533	4,328,414	4,821,465	4,732,497	4,772,168
Total General Fund	<b>\$ 2,540,048</b>	<b>\$ 3,580,803</b>	<b>\$ 3,668,147</b>	<b>\$ 3,860,578</b>	<b>\$ 4,384,131</b>	<b>\$ 4,598,316</b>	<b>\$ 4,736,415</b>	<b>\$ 5,174,354</b>	<b>\$ 5,285,220</b>	<b>\$ 5,105,988</b>
All other governmental funds										
Nonspendable	\$ 2,437,508	\$ 1,314,714	\$ 1,226,852	\$ 988,000	\$ 992,178	\$ 1,003,832	\$ 1,007,853	\$ 1,011,794	\$ 1,019,310	\$ 1,023,890
Assigned	-	-	-	-	13,160,939	12,715,352	12,963,012	7,722,138	6,537,750	5,097,320
Restricted	4,062,133	7,651,467	5,632,650	5,608,054	3,438,043	5,713,190	5,034,619	5,564,980	4,246,648	6,818,066
Unassigned	(1,538,918)	(232,181)	(208,308)	(190,622)	(473,188)	(22,842)	(57,818)	(53,567)	(136,849)	-
Total all other governmental funds	<b>\$ 4,960,723</b>	<b>\$ 8,734,000</b>	<b>\$ 6,651,194</b>	<b>\$ 6,405,432</b>	<b>\$ 17,117,972</b>	<b>\$ 19,409,532</b>	<b>\$ 18,947,666</b>	<b>\$ 14,245,345</b>	<b>\$ 11,666,859</b>	<b>\$ 12,939,276</b>

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

	<b>2010/11</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
<b>Revenues</b>										
Taxes	\$ 15,792,228	\$ 16,318,451	\$ 16,361,663	\$ 16,901,816	\$ 17,166,787	\$ 17,910,556	\$ 18,677,783	\$ 19,408,472	\$ 20,175,857	\$ 20,540,552
Licenses and permits	271,372	308,385	390,491	354,747	349,228	389,596	426,847	562,284	440,277	303,758
Fines and forfeitures	393,340	1,029,833	895,789	815,217	1,011,189	997,069	862,417	723,406	492,157	639,514
Intergovernmental	6,031,516	6,449,297	4,967,887	6,743,559	19,630,123	6,498,820	8,073,335	6,924,799	6,553,355	7,192,177
Charges for services	444,456	556,802	527,813	560,435	560,286	573,758	579,213	560,780	523,863	436,956
Use of money and property	205,724	226,243	207,593	179,505	250,866	265,333	274,773	353,800	508,096	388,013
Other	1,249,691	1,526,397	1,308,325	1,015,792	1,305,093	1,301,347	5,056,998	3,947,364	2,632,100	1,645,687
Total revenues	<b>24,388,327</b>	<b>26,415,408</b>	<b>24,659,561</b>	<b>26,571,071</b>	<b>40,273,572</b>	<b>27,936,479</b>	<b>33,951,366</b>	<b>32,480,905</b>	<b>31,325,705</b>	<b>31,146,657</b>
<b>Expenditures</b>										
Public safety	6,818,872	7,414,924	7,703,992	8,074,534	8,197,707	8,313,401	8,867,219	9,137,545	9,554,157	9,507,769
Public works	2,092,212	1,998,400	1,829,551	2,226,055	2,146,395	2,037,427	2,262,483	2,112,243	2,660,909	2,537,951
Health and social services	17,800	17,800	20,000	20,000	45,000	45,000	55,000	50,000	50,000	50,000
Culture and recreation	2,815,312	2,834,621	2,784,267	2,803,820	2,876,002	2,940,980	3,086,488	3,104,798	3,179,793	3,203,989
Community and economic development	3,003,602	3,109,089	3,120,334	3,086,391	3,266,613	3,811,936	3,921,777	4,361,461	4,396,896	4,836,175
General government	1,936,768	1,981,756	2,049,017	2,211,147	2,100,678	2,295,600	2,574,045	2,660,370	2,613,798	2,980,206
Capital outlay	5,162,510	5,648,873	3,655,151	5,095,332	6,319,416	4,731,052	9,243,901	14,201,919	6,905,402	8,231,017
Debt service:										
Principal	1,977,932	1,675,000	2,735,000	1,695,000	2,455,000	3,840,000	2,415,000	2,635,000	2,545,000	2,710,000
Interest	579,145	508,615	508,706	430,422	445,161	389,568	398,755	333,660	401,483	331,155
Paying agent	2,250	2,700	2,800	2,250	2,000	2,500	2,000	2,300	2,600	2,900
Bond issuance costs	-	28,329	15,021	-	-	17,355	-	-	-	-
Total expenditures	<b>24,406,403</b>	<b>25,220,107</b>	<b>24,423,839</b>	<b>25,644,951</b>	<b>27,828,972</b>	<b>28,424,819</b>	<b>32,816,668</b>	<b>38,604,296</b>	<b>32,310,038</b>	<b>34,391,162</b>
Excess of revenues over (under) expenditures	<b>(18,076)</b>	<b>1,195,301</b>	<b>235,722</b>	<b>926,120</b>	<b>12,444,600</b>	<b>(488,340)</b>	<b>1,134,698</b>	<b>(6,123,391)</b>	<b>(984,333)</b>	<b>(3,244,505)</b>
Other financing sources (uses)										
General obligation bonds issued	-	4,496,400	-	2,575,000	-	3,250,879	-	3,334,242	-	6,310,000
General obligation bond premium (discount)	-	-	-	48,595	-	211,712	-	296,701	-	124,788
Refunding bonds issued	-	218,600	1,115,000	-	-	1,299,121	-	-	-	-
Refunding bond premium	-	-	-	-	-	44,328	-	-	-	-
Transfers in	6,585,087	7,139,163	7,029,778	7,285,804	8,775,997	8,784,455	9,486,825	9,185,446	9,692,035	10,119,210
Transfers out	(11,062,941)	(8,235,432)	(10,375,962)	(10,888,850)	(9,984,504)	(10,596,410)	(10,945,290)	(10,957,380)	(11,175,322)	(12,216,308)
Total other financing sources (uses)	<b>(4,477,854)</b>	<b>3,618,731</b>	<b>(2,231,184)</b>	<b>(979,451)</b>	<b>(1,208,507)</b>	<b>2,994,085</b>	<b>(1,458,465)</b>	<b>1,859,009</b>	<b>(1,483,287)</b>	<b>4,337,690</b>
Net change in fund balances	<b>\$ (4,495,930)</b>	<b>\$ 4,814,032</b>	<b>\$ (1,995,462)</b>	<b>\$ (53,331)</b>	<b>\$ 11,236,093</b>	<b>\$ 2,505,745</b>	<b>\$ (323,767)</b>	<b>\$ (4,264,382)</b>	<b>\$ (2,467,620)</b>	<b>\$ 1,093,185</b>
Debt service as a percentage of non-capital expenditures	11.6%	10.7%	15.2%	10.0%	12.9%	17.0%	11.0%	10.8%	11.2%	11.2%

**Schedule 5**

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

<b>Fiscal Year</b>	<b>General Property Tax</b>	<b>Incremental Property Tax (TIF Districts)</b>	<b>Utility Excise Tax</b>	<b>Mobile Home Tax</b>	<b>Hotel/Motel Tax</b>	<b>Cable Franchise Tax</b>	<b>Utility Franchise Tax (1)</b>	<b>Local Option Sales Tax</b>	<b>Total</b>
2010/2011	\$ 11,689,172	\$ 771,639	\$ 52,274	\$ 17,627	\$ 363,664	\$ 236,253	\$ 227,680	\$ 2,433,919	\$ 15,792,228
2011/2012	12,031,835	810,293	58,049	18,878	347,771	225,902	170,225	2,655,498	16,318,451
2012/2013	12,260,308	837,307	57,576	19,895	335,701	222,288	103,931	2,524,657	16,361,663
2013/2014	12,528,822	874,512	56,387	23,760	415,041	212,286	113,660	2,677,348	16,901,816
2014/2015	12,564,572	1,075,970	52,923	35,125	353,869	191,331	96,810	2,796,187	17,166,787
2015/2016	12,434,982	1,961,342	58,665	36,404	361,803	189,044	81,308	2,787,008	17,910,556
2016/2017	13,086,357	1,875,600	47,357	35,948	441,079	176,095	81,399	2,933,948	18,677,783
2017/2018	13,460,719	2,074,119	58,394	37,355	521,993	165,004	102,859	2,988,029	19,408,472
2018/2019	13,848,455	2,051,795	49,050	41,034	494,951	158,716	220,448	3,311,407	20,175,856
2019/2020	14,032,072	2,472,102	53,623	34,828	398,588	143,166	440,654	2,965,519	20,540,552
Change 2010/2011 to 2019/2020	20.0%	220.4%	2.6%	97.6%	9.6%	-39.4%	93.5%	21.8%	30.1%

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 2012/2013 through 2017/2018. This rate was increased to 2% for 2018/2019 and to 5% for 2019/2020.

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

Tax Collection Year	Residential Property	Commercial Property	Industrial Property	Multi-Residential (1)	Railroads and Utilities	Less: Military Exemption	Total Taxable Value	Total Direct Tax Rate (per \$1,000 of Valuation)	Estimated Actual Value	Taxable Value as a Percentage of Estimated Actual Value
2010/2011	\$372,746,348	\$239,793,310	\$119,283,095	N/A	\$ 7,233,428	\$ 2,126,455	\$736,929,726	\$ 15.77146	\$ 1,163,419,885	63.3%
2011/2012	397,168,357	235,275,621	118,497,883	N/A	7,339,282	2,070,643	756,210,500	15.77146	1,182,251,155	64.0%
2012/2013	418,570,988	236,549,608	117,483,923	N/A	7,085,446	2,001,533	777,688,432	15.67209	1,187,559,428	65.5%
2013/2014	439,988,430	233,677,171	116,856,275	N/A	6,629,974	1,946,036	795,205,814	15.67209	1,191,824,137	66.7%
2014/2015	450,842,402	232,698,429	106,765,755	N/A	5,786,469	1,871,992	794,221,063	15.67209	1,195,115,199	66.5%
2015/2016	461,629,813	218,659,686	97,565,025	N/A	5,032,917	1,812,242	781,075,199	15.67209	1,193,627,101	65.4%
2016/2017	476,813,707	201,892,371	108,073,772	\$ 33,837,709	4,669,990	1,721,595	823,565,954	15.67209	1,253,806,921	65.7%
2017/2018	491,066,816	209,041,414	111,796,825	32,996,982	4,613,164	1,680,836	847,834,365	15.67209	1,272,831,442	66.6%
2018/2019	489,430,931	221,925,876	124,695,505	33,261,173	4,886,272	1,617,336	872,582,421	15.67209	1,321,975,383	66.0%
2019/2020	504,858,389	223,837,935	125,927,119	30,151,651	5,394,181	1,542,716	888,626,559	15.67209	1,332,788,748	66.7%

1. Multi-residential properties were included with commercial properties until January 1, 2015. These properties include mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, and properties with three or more separate living quarters. These properties were rolled back from 90% to 86.25% for January 1, 2015, to 82.50% for January 1, 2016, to 78.75% for January 1, 2017, and to 75.00% for January 1, 2018. These properties will continue to be rolled back over the next four years until the rollback is equal to the rollback for residential properties

Source: Muscatine County Auditor's Office

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

<b>Fiscal Year</b>	<b>City Direct Rates</b>								<b>Overlapping Rates</b>				<b>Totals by School District</b>	
	<b>General Fund</b>	<b>Employee Benefit</b>	<b>Debt Service</b>	<b>Transit</b>	<b>Tort Liability</b>	<b>Levee</b>	<b>Emergency</b>	<b>Total Direct Rate</b>	<b>County Consolidated</b>	<b>School Districts</b>	<b>Muscatine Community</b>	<b>Louisa-Muscatine Community</b>	<b>Muscatine Community</b>	<b>Louisa-Muscatine Community</b>
2010/2011	\$8.10000	\$3.79446	\$3.14336	\$0.24310	\$0.34304	\$0.06750	\$0.08000	\$15.77146	\$ 9.60976	\$ 14.90920	\$ 14.08973	\$ 40.29042	\$ 39.47095	
2011/2012	8.10000	4.06191	2.85051	0.39489	0.29665	0.06750	-	15.77146	9.51343	15.36192	13.78625	40.64681	39.07114	
2012/2013	8.10000	3.87206	2.90388	0.40950	0.31915	0.06750	-	15.67209	9.12600	15.35345	11.97595	40.15154	36.77404	
2013/2014	8.10000	3.80682	2.89226	0.47582	0.32969	0.06750	-	15.67209	9.09395	15.27597	10.58609	40.04201	35.35213	
2014/2015	8.10000	3.85118	2.89056	0.36764	0.39521	0.06750	-	15.67209	9.09808	15.42605	11.20916	40.19622	35.97933	
2015/2016	8.10000	4.11611	2.79677	0.30282	0.28889	0.06750	-	15.67209	9.36435	15.80950	12.39496	40.84594	37.43140	
2016/2017	8.10000	4.25714	2.78470	0.23071	0.28031	0.01923	-	15.67209	9.44359	15.53914	12.84927	40.65482	37.96495	
2017/2018	8.10000	4.43100	2.69458	0.11240	0.26661	0.06750	-	15.67209	9.07348	14.91989	12.29400	39.66546	37.03957	
2018/2019	8.10000	4.70408	2.53669	0.05710	0.27422	-	-	15.67209	8.67942	14.82884	11.34850	39.18035	35.70001	
2019/2020	8.10000	4.59481	2.60018	0.05607	0.32103	-	-	15.67209	9.30678	13.83172	11.15953	38.81059	36.13840	

Notes - Per State statutes maximum tax rates apply to the General Fund, Transit, Levee and Emergency levies. The City has been at the maximum rate of \$8.10 for the General Fund, and \$.0675 for the Levee in prior years as shown above. A maximum rate of \$.95 applies to the Transit tax and a maximum rate of \$.27 applies to the Emergency tax; the City's Transit and Emergency levies are less than the maximum allowed.

Source: Muscatine County Auditor's Office

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

<b>Taxpayer</b>	<b>January 1, 2018 Valuation (for 2019/2020 Tax Levy)</b>			<b>January 1, 2009 Valuation (for 2010/2011 Tax Levy)</b>		
	<b>Taxable Valuation (1)</b>	<b>Rank</b>	<b>Percent of Total Taxable Value</b>	<b>Taxable Valuation (1)</b>	<b>Rank</b>	<b>Percent of Total Taxable Value</b>
Grain Processing/Kent Feeds	\$ 43,120,358	1	4.9%	\$ 40,908,610	1	5.6%
HNI Corporation (HON Industries/HON Financial)	42,542,674	2	4.8%	34,700,060	2	4.7%
Wal-View Developments	29,192,409	3	3.3%			
MLC Land Company	17,183,925	4	1.9%			
Menard Inc.	10,218,015	5	1.1%	9,692,520	5	1.3%
Heinz, U.S.A.	9,798,579	6	1.1%	11,123,480	4	1.5%
Wal-Mart Stores, Inc.	9,386,208	7	1.1%	9,562,700	7	1.3%
Sodarak Properties, LLC (Property formerly owned by Riverbend Leasing, LLC)	9,121,948	8	1.0%	9,099,100	8	1.2%
Bridgestone Bandag LLC / Bandag, Inc.	8,478,504	9	1.0%	11,477,880	3	1.6%
Muscatine Downtown Investors	8,056,047	10	0.9%			
GRIDCO, LLC	6,799,937	11	0.8%	7,852,940	9	1.1%
LHV Muscatine LLC/Hy-Vee Inc	6,465,933	12	0.7%	5,648,890	16	0.8%
First National Bank of Muscatine	5,477,951	13	0.6%	6,315,010	12	0.9%
W I D, Inc.	5,408,136	14	0.6%	5,669,480	15	0.8%
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	5,007,573	15	0.6%	7,796,120	10	1.1%
BT Prime Mover	4,894,308	16	0.6%	5,913,870	13	0.8%
Muscatine Plaza Properties	4,705,241	17	0.5%			
SECO Investment Co. (Stanley Engineering Co.)	4,695,219	18	0.5%	5,328,690	18	0.7%
Central State Bank (CBI Bank & Trust)	4,608,538	19	0.5%	5,734,730	14	0.8%
Muscatine Mall Associates LLP	4,244,607	20	0.5%			
Cottonwood Apartments				5,451,680	17	0.7%
Warehouse Distributing LLC				9,574,100	6	1.3%
Cobblestone Apartments				7,507,680	11	1.0%
	<u>\$ 239,406,110</u>		<u>27.0%</u>	<u>\$ 199,357,540</u>		<u>27.2%</u>

1. Commercial and industrial taxable valuations were rolled back to 90% of assessed values beginning with the January 1, 2016 valuations used for the 2017/2018 tax levy. In 2010/2011 these properties were taxed at 100% of assessed valuations.  
 Multi-residential properties were included with commercial properties until January 1, 2015. These properties were rolled back from 78.75% to 75.00% for January 1, 2018. In 2010/2011 these properties were taxed at 100% of assessed value.

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Tax Collections (2)</b>	<b>Total Tax Collections (2)</b>	<b>Ratio of Total Tax Collections to Total Tax Levy (3)</b>
		<b>Amount (1)</b>	<b>Percent of Levy Collected (3)</b>			
2010/2011	\$ 11,692,917	\$ 11,681,035	99.90%	\$ 8,138	\$ 11,689,173	99.97%
2011/2012	11,993,253	12,001,729	100.07%	30,106	12,031,835	100.32%
2012/2013	12,258,743	12,258,496	100.00%	1,812	12,260,308	100.01%
2013/2014	12,539,510	12,532,857	99.95%	(4,035) (4)	12,528,822	99.91%
2014/2015	12,541,759	12,551,289	100.08%	13,283	12,564,572	100.18%
2015/2016	12,404,951	12,432,618	100.22%	2,364	12,434,982	100.24%
2016/2017	13,063,348	13,084,633	100.16%	1,724	13,086,357	100.18%
2017/2018	13,459,207	13,457,920	99.99%	2,799	13,460,719	100.01%
2018/2019	13,837,957	13,837,774	100.00%	10,682	13,848,456	100.08%
2019/2020	14,129,521	14,030,126	99.30% (5)	1,946	14,032,072	99.31%

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.
5. The percent of levy collected in 2019/2020 was lower since there was not a "tax sale" in June. Due to the COVID-19 pandemic, the State allowed payments of the taxes due by March 31, 2020 to be paid no later than June 27, 2020 with no interest or penalty. This did not allow time for the "tax sale" to be held in June.

**Schedule 10**

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Bonds</b>	<b>Capital Lease</b>	<b>General Obligation Bonds</b>	<b>State Revolving Fund Loan</b>			
2010/2011	\$ 13,953,147	\$ 1,330,000	-	\$ 2,197,656	\$15,609,360	\$ 33,090,163	3.9%	\$ 1,446
2011/2012	17,177,089	1,140,000	-	1,490,103	15,479,565	35,286,757	3.9%	1,542
2012/2013	15,658,732	1,035,000	-	800,955	14,873,000	32,367,687	3.1%	1,359
2013/2014	16,687,974	925,000	-	-	14,295,000	31,907,974	3.4%	1,340
2014/2015	14,332,162	810,000	-	-	13,698,000	28,840,162	2.9%	1,211
2015/2016	15,402,985	690,000	-	-	13,082,000	29,174,985	2.8%	1,225
2016/2017	13,047,619	565,000	-	-	12,446,000	26,058,619	2.5%	1,094
2017/2018	14,119,524	435,000	-	813,714	11,789,000	27,157,238	2.5%	1,140
2018/2019	11,624,424	295,000	-	738,432	11,111,000	23,768,856	2.1%	998
2019/2020	15,410,456	150,000	-	664,039	10,411,000	26,635,495	N/A	1,118

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

1. See the Schedule of Demographic and Economic Statistics (Table 14) for personal income and population data

**Schedule 11**

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Total Primary Government</b>	<b>Estimated Actual Value of Property (1)</b>	<b>Percentage of Actual Valuation</b>	<b>Population (2)</b>	<b>Per Capita</b>
2010/2011	\$ 16,150,803	\$ 16,150,803	\$ 1,163,419,885	1.4%	22,886	\$ 706
2011/2012	18,667,192	18,667,192	1,182,251,155	1.6%	22,886	816
2012/2013	16,459,687	16,459,687	1,187,559,428	1.4%	23,819	691
2013/2014	16,687,974	16,687,974	1,191,824,137	1.4%	23,819	701
2014/2015	14,332,162	14,332,162	1,195,115,199	1.2%	23,819	602
2015/2016	15,402,985	15,402,985	1,193,627,101	1.3%	23,819	647
2016/2017	13,047,619	13,047,619	1,253,806,921	1.0%	23,819	548
2017/2018	14,119,524	14,119,524	1,272,831,442	1.1%	23,819	593
2018/2019	11,624,424	11,624,424	1,321,975,383	0.9%	23,819	488
2019/2020	15,410,456	15,410,456	1,332,788,748	1.2%	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.

**Schedule 12**

**City of Muscatine, Iowa**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2020**  
**(Unaudited)**

<b><u>Governmental Unit</u></b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percent Applicable to City (1)</u></b>	<b><u>Estimated Share of Direct and Overlapping Debt</u></b>
<b>Debt repaid with property taxes</b>			
Muscatine County	\$ 10,695,000	44.63%	\$ 4,773,179
Eastern Iowa Community College (EICC)	3,430,000	6.03%	206,829
<b>Other debt</b>			
Eastern Iowa Community College (EICC)	28,040,000	6.03%	<u>1,690,812</u>
Subtotal, overlapping debt			\$ 6,670,820
<b>City direct debt (2)</b>		100.00%	<u>15,560,456</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 22,231,276</u></u>

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

**Sources:**

Muscatine County Auditor's Office  
 Eastern Iowa Community College

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

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

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
Debt limit (1)	\$58,170,994	\$60,567,395	\$ 60,902,264	\$ 61,240,458	\$ 61,883,416	\$ 63,163,995	\$ 66,030,776	\$ 67,450,183	\$ 69,973,770	\$ 71,250,964
Total debt applicable to limit	<u>17,555,000</u>	<u>19,845,000</u>	<u>17,450,000</u>	<u>17,530,000</u>	<u>15,075,000</u>	<u>15,785,000</u>	<u>13,370,000</u>	<u>14,825,000</u>	<u>12,215,000</u>	<u>15,750,000</u>
Legal debt margin	<u>\$40,615,994</u>	<u>\$40,722,395</u>	<u>\$ 43,452,264</u>	<u>\$ 43,710,458</u>	<u>\$ 46,808,416</u>	<u>\$ 47,378,995</u>	<u>\$ 52,660,776</u>	<u>\$ 52,625,183</u>	<u>\$ 57,758,770</u>	<u>\$ 55,500,964</u>
Total debt applicable to the limit as a percentage of debt limit	30.18%	32.77%	28.65%	28.62%	24.36%	24.99%	20.25%	21.98%	17.46%	22.10%

**Legal Debt Margin Calculation for Fiscal Year 2018/2019**

Total assessed valuation as of January 1, 2018	\$ 1,425,019,292
Debt limit - 5% of assessed valuation	<u>\$ 71,250,964</u>
Amount of debt applicable to debt limit:	
General obligation bonds	\$ 15,600,000
Tax increment revenue bonds	<u>150,000</u>
Total debt applicable to debt limit	<u>15,750,000</u>
Legal debt margin	<u>\$ 55,500,964</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>
2010/2011	22,886	\$ 839,092,304	\$ 36,664	38.2	85.2%	5,293	7.6%
2011/2012	22,886	915,897,720	40,020	38.2	85.2%	5,305	6.4%
2012/2013	23,819	1,042,295,621	43,759	38.2	85.2%	5,300	5.5%
2013/2014	23,819	949,925,539	39,881	38.2	85.2%	5,341	5.2%
2014/2015	23,819	1,005,233,257	42,203	38.2	85.2%	5,171	4.5%
2015/2016	23,819	1,029,528,637	43,223	38.2	85.2%	5,170	3.9%
2016/2017	23,819	1,050,012,977	44,083	38.2	85.2%	5,084	3.8%
2017/2018	23,819	1,074,498,909	45,111	38.2	85.2%	4,936	3.3%
2018/2019	23,819	1,132,664,907	47,553	38.2	85.2%	4,894	2.6%
2018/2019	23,819	N/A	N/A	38.2	85.2%	4,811	2.9%

**Sources:**

1. United States Census Bureau. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013.
2. Bureau of Economic Analysis. Per capita income for the City of Muscatine is not available. The amounts shown are for Muscatine County and reflect average per capita income for the calendar years which end midway through the fiscal years shown. Personal income for the City has been estimated using the per capita income for Muscatine County multiplied by the City's population. Personal income information is not yet available for 2019.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

Schedule 15

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

<b>Employer</b>	<b>2020</b>			<b>2011</b>		
	<b>Approximate Number of Employees (1)</b>	<b>Rank</b>	<b>Percentage of Estimated Total County Employment (2)</b>	<b>Approximate Number of Employees (1)</b>	<b>Rank</b>	<b>Percentage of Estimated Total County Employment (2)</b>
HNI Corporation//The HON Company, Allsteel	3,800	1	16.5%	3,200	1	14.4%
Grain Processing/Kent Feeds	934	2	4.0%	1,011	2	4.6%
Muscatine Community School District	790	3	3.4%	823	3	3.7%
Trinity Muscatine (Formerly Unity Health Care)	492	4	2.1%	483	4	2.2%
Bayer U.S. - Crop Science (Formerly Monsanto)	437	5	1.9%	381	6	1.7%
Hy-Vee Food Store	427	6	1.9%	265	11	1.2%
Raymond-Muscatine, Inc. (Formerly BT Prime Mover)	390	7	1.7%	220	13	1.0%
Musco Sports Lighting	381	8	1.7%	400	5	1.8%
Wal-Mart Superstore	348	9	1.5%	338	7	1.5%
Kraft-Heinz, U.S.A (Formerly Heinz, U.S.A.)	328	10	1.4%	305	8	1.4%
Muscatine Power & Water	270	11	1.2%	300	9	1.4%
Muscatine County	231	12	1.0%	198	14	0.9%
SECO Investment Co. (Stanley Engineering Co.)	229	13	1.0%	279	10	1.3%
City of Muscatine	227	14	1.0%	222	12	1.0%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	153	15	0.7%	180	15	0.8%
	<hr/> <hr/> <hr/> <hr/>			<hr/> <hr/> <hr/> <hr/>		
	<hr/> <hr/> <hr/> <hr/>			<hr/> <hr/> <hr/> <hr/>		
	<b>9,437</b>		<b>41.0%</b>	<b>8,605</b>		<b>38.9%</b>

**Sources:**

1. Muscatine Chamber of Commerce & Industry provided the 2020 employment figures. The 2011 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 23,062 in 2020 and 22,164 in 2011.

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

<b>Function</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
General government	16.00	16.00	16.00	16.05	16.05	17.05	17.05	18.93	19.43	19.43
Public Safety:										
Police										
Officers	39.00	41.00	42.00	42.00	41.00	41.00	41.00	41.00	41.00	41.00
Civilians	3.88	3.88	3.88	3.88	3.73	3.73	3.73	3.73	3.73	3.73
Fire										
Firefighters and officers (1)	36.00	36.00	37.00	37.00	37.00	37.00	41.00	41.00	41.00	42.50
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library (2)	15.91	15.74	15.51	14.95	14.71	14.33	13.76	14.19	13.62	13.22
Art center (3)	4.57	4.54	4.25	4.25	4.52	4.70	4.70	4.70	4.70	4.97
Parks and recreation										
Parks and recreation	11.83	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75
Community and economic development (4)	6.67	6.72	6.92	6.92	6.93	7.44	7.42	7.42	7.42	7.58
Public works (5)	16.51	16.51	16.51	16.66	16.66	16.66	16.66	16.66	17.79	17.85
Business-type:										
Parking	3.10	3.10	3.10	2.90	2.90	2.90	2.90	2.90	2.90	2.90
Golf course	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Boat harbor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Transit	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Refuse collection (6)	10.45	10.66	10.66	9.56	9.56	9.56	8.98	8.98	9.84	10.02
Landfill	0.30	0.25	0.25	0.25	0.25	0.25	0.60	0.60	0.60	0.60
Transfer station (7)	3.58	3.42	3.42	3.42	3.42	3.42	3.15	3.15	3.11	3.08
Water pollution control (8)	29.61	29.61	29.61	28.61	27.61	26.61	26.61	26.34	26.09	26.84
Ambulance	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Housing (9)	12.50	12.13	12.25	11.50	12.25	11.77	10.71	10.28	10.28	9.10
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>221.94</b>	<b>223.34</b>	<b>225.14</b>	<b>221.73</b>	<b>220.37</b>	<b>220.20</b>	<b>222.05</b>	<b>223.66</b>	<b>225.29</b>	<b>226.60</b>

1. The 2019/2020 Fire department budget included three new Firefighter positions starting January 1, 2020. Funding from Ground Emergency Medical Transport (GEMT) reimbursements for Medicaid patients is expected to offset the cost of these positions.
2. Library staff reorganizations resulted in a .40 FTE decrease in 2019/2020.
3. The Art Center Aide position was increased from a 29 hours/week position to a fulltime position effective July 1, 2019
4. Community Development staff reorganizations resulted in a .16 FTE increase in 2019/2020.
5. The 2019/2020 Engineering budget included a part time ROW Inspector position that was not filled. The Right-of-Way Inspector position was increased to a full time position beginning in March of 2020, with 75% allocated to Engineering and 25% to Collection and Drainage. This resulted in an overall .06 FTE increase.
6. The 2019/2020 Refuse Collection FTE's include a new 3/4 time Refuse Truck Driver effective 3/2/20 for the new year-round call-in service for residential bulky waste pickup which replaced the annual Spring Cleanup Week.
7. The Solid Waste division reorganization resulted in a .03 FTE decrease in 2019/2020.
8. The Water Pollution Control operations added a High Strength Waste Receiving Station in 2019/2020. This resulted in a .75 FTE increase for 2019/2020.
9. The 2019/2020 Housing decrease is due to combining the Housing Director position with the Community Development Director position and reallocating one Housing Specialist between Community Development and Refuse Collection for code enforcement.

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>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Public Safety:										
Police										
Calls for service	18,667	20,312	22,795	21,954	22,535	22,626	21,798	20,830	20,806	19,472
Traffic enforcement	3,406	3,247	3,840	3,484	3,645	3,094	3,715	3,246	4,039	3,121
Arrests	1,827	1,885	1,916	1,506	1,611	1,400	1,324	1,451	1,390	1,242
Parking tickets issued	1,280	1,329	1,607	1,595	2,060	2,030	1,886	1,945	2,343	1,598
Fire (includes ambulance)										
Calls for service	3,711	3,916	3,864	4,022	4,433	4,526	4,706	5,100	5,027	5,238
Culture and recreation:										
Parks and recreation										
Aquatic Center attendance (1)	39,813	41,620	43,810	36,664	31,827	37,355	41,382	38,592	36,907	30,204
Adult program participants	532	634	817	1,510	1,688	1,550	1,558	1,803	1,686	1,632
Children's program participants	2,006	2,066	2,274	2,827	2,779	1,712	2,294	2,660	1,962	2,256
Community and economic development:										
Building-related permits (2)	925	1,021	1,016	929	980	993	1,034	1,415	1,386	1,119
Business-type:										
Golf course										
Rounds played	33,374	31,491	34,036	28,557	28,024	28,796	28,216	27,794	24,396	23,756

**Fiscal Year Indicators**

<b>Function/Department</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
Culture and recreation:										
Library										
Registered borrowers	17,512	18,639	19,877	20,204	20,620	19,861	20,581	21,288	21,860	21,387
Circulation (3)	311,425	355,993	381,942	399,874	359,032	484,583	465,965	443,065	500,142	472,148
Art center										
Attendance (4)	27,522	29,552	23,070	13,868	13,194	14,186	9,346	13,653	15,654	12,451
Cemetery burials	121	112	77	91	95	95	91	88	98	84
Public works:										
Miles of streets maintained	140	140	140	140	144	144	144	144	144	144
Business-type activities:										
Transit										
Total passengers (5)	172,580	188,277	175,548	179,919	180,390	168,712	167,689	156,209	149,140	115,727
Parking										
Tickets issued (6)	8,684	11,212	11,499	12,270	12,162	12,210	10,759	10,867	9,278	8,807
Refuse collection										
Tons of refuse collected	8,180	7,765	7,957	8,215	8,280	8,400	8,235	8,164	8,436	8,559
Tons recycled (curbside) (7)	294	1,284	1,327	1,309	1,251	1,225	1,419	1,329	1,331	1,255
Transfer station										
Tons of waste processed (8)	31,492	32,004	32,896	35,366	38,939	40,652	41,419	49,448	44,447	39,637
Water pollution control										
Cubic feet of wastewater treated (in millions) (9)	314.76	201.15	224.80	218.50	279.00	261.40	234.90	171.40	318.70	185.12

1. The Weed Park Aquatic Center attendance varies with summer temperatures and rain days.
2. The building-related permit increase in 2017 was in part due to roof and related building repairs due to the 2017 hail storm.
3. The significant increase in Library circulation in 2015/2016 was due to increased use of Library databases and increased E-music downloading and streaming. The decrease in 2019/2020 was due to the temporary closure of the library due to the COVID-19 pandemic.
4. Art Center attendance was down in 2016 due to construction of HVAC and building envelope improvements. The decrease in 2019/2020 was due to the temporary closure of the Art Center beginning in mid-March, 2020 due to the COVID-19 pandemic.
5. The transit passenger decrease in 2019/2020 was due to temporarily suspending fixed route services due to the COVID-19 pandemic. The regular transit routes did not operate from mid-March through June 2020. Limited call in service was available.
6. The decrease in the number of parking tickets issued for 2019/2020 was due to the COVID-19 pandemic which closed most downtown businesses from mid-March through May, 2020.
7. The Curbside recycling collection program began April 1, 2011.
8. The transfer station was closed to the public in April and May, 2020 due to COVID-19 pandemic. Only waste from customers with charge accounts was accepted which contributed to the decreased tonnage in 2019/2020.
9. Wastewater treated in 2017/2018 was lower due to a sewer line repair which resulted in a bypass of wastewater to the plant. Wastewater treated in 2018/2019 was higher due to two record months of flow for February and June of 2019 due to river flooding.

Schedule 18

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

<b>Function/Department</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/2019</b>	<b>2019/2020</b>
Public Safety:											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	9	9	12	12	13	13	13	13	13	13	13
Fire											
Fire stations	2	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1	1
Fire pumpers	4	4	4	4	4	4	4	4	4	4	4
Water Tender	0	0	0	1	1	1	1	1	1	1	1
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1	1
Ambulances	4	4	5	5	5	5	5	5	5	5	6
Culture and recreation:											
Library	1	1	1	1	1	1	1	1	1	1	1
Art center and museum	1	1	1	1	1	1	1	1	1	1	1
Parks and recreation:											
Parks	14	14	14	14	14	15	15	15	15	15	15
Park acreage (1)	254	254	254	254	254	254	254	254	254	272	272
Swimming pools	2	2	2	1	1	1	1	1	1	1	1
Softball and baseball diamonds	20	20	20	20	20	20	20	20	20	20	20
Soccer fields	8	8	8	8	8	8	8	8	8	8	12
Tennis courts	10	10	10	8	8	8	8	8	8	8	8
Cemeteries	1	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	80	80	80	80	80	80	80	80	80	80	80
Public works:											
Miles of streets	140	140	140	140	140	144	144	144	144	144	144
Business-type activities											
Transit:											
Buses	11	11	11	11	11	11	11	11	11	11	11
Van	0	0	0	0	0	0	0	0	0	1	1
Golf course	1	1	1	1	1	1	1	1	1	1	1
Airport:											
Airport	1	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	5,500
Solid waste:											
Transfer station/recycling center	1	1	1	1	1	1	1	1	1	1	1
Refuse collection vehicles	5	5	5	5	5	5	5	5	5	5	5
Water pollution control:											
Plants	1	1	1	1	1	1	1	1	1	1	1
Daily capacity (in gallons)	15 million	15 million	16.4 million	16.4 million	16.9 million	16.9 million					

(1) In 2018/2019 the Parks and Recreation department aquired land for the Soccer Complex Expansion project. In 2019/2020, this project was completed, adding four new soccer fields.

Source: City of Muscatine records



**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, 2020, 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 12, 2020.

Our report includes a reference to other auditors who audited the financial statements of Muscatine Power & Water, a discretely presented component unit, as described in our report on City of Muscatine, Iowa's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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 12, 2020



**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, 2020. 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, 2020. 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, 2020.

### **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 12, 2020

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
Housing Voucher Program Cluster:				
Section 8 Housing Choice Vouchers	14.871	IA049VO	\$ -	\$ 1,572,281
Section 8 Housing Choice Vouchers	14.871	IA049AF	-	210,615
Subtotal Housing Voucher Program Cluster			-	1,782,896
Family Self Sufficiency Program	14.896	FSS18IA2542	-	24,993
Family Self Sufficiency Program	14.896	FSS20IA3374	-	30,089
			-	55,082
Public and Indian Housing Operating Subsidy	14.850	IA04900000118D-120D	-	348,041
Public and Indian Housing Operating Subsidy	14.850	IA04900000120DC	-	8,114
			-	356,155
Public Housing Capital Funds Program	14.872	IA01P049501-18	-	254,018
Housing Counseling Grant	14.169	HC 190821012	-	14,181
<b>Total U.S. Department of Housing and Urban Development</b>			-	<u>2,462,332</u>
<b>U.S. Department of Transportation</b>				
Indirect:				
Pass-through Iowa Department of Transportation				
Transit Grants:				
Formula Grants for Rural Areas	20.509	2019-024-00-533-SFY20	-	419,164
Formula Grants for Rural Areas	20.509	2019-002-00-533-FY18	-	143,701
Formula Grants for Rural Areas	20.509	TFR 20041	-	673
			-	<u>563,538</u>
Federal Transit Cluster,				
Bus and Bus Facilities Project	20.526	2019-007-00-533-FY18	-	78,212
Highway Planning and Construction Cluster,				
Highway Planning and Construction	20.205	TAP-U-5330(630)-8I-70	-	650,926
			-	<u>1,292,676</u>
Pass-through Iowa Department of Public Safety				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PAP 19-402-M0OP, Task 09-00-00	-	4,437
State and Community Highway Safety	20.600	PAP 20-402-M0PT, Task 25-00-00	-	12,289
Subtotal Highway Safety Cluster			-	<u>16,726</u>
<b>Total U.S. Department of Transportation</b>			-	<u>1,309,402</u>
<b>Federal Aviation Administration</b>				
Direct,				
Airport Improvement Program	20.106	3-19-0063-022-2020	-	179,588
Airport Improvement Program CARES Act COVID 19	20.106	3-19-0063-023-2020	-	19,375
			-	<u>198,963</u>
<b>U.S. Department of Justice</b>				
Direct:				
Edward Byrne Memorial Justice Assistance	16.738	2019-DJ-BX-0136	9,440	18,879 (1)
Coronavirus Emergency Supplemental Funding COVID 19	16.034	2020-VD-BX-0301	-	30,195
Direct Programs			9,440	<u>49,074</u>

(Continued)

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2020**

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 (continued)</b>				
Indirect:				
Pass-through Iowa Governor's Office of Drug Control Policy and Muscatine County:				
Public Safety Partnership and				
Community Policing Grants	16.710	18-CAMP-10	-	5,952
Edward Byrne Memorial Justice Assistance	16.738	17-JAG-304475	-	<u>17,626</u> (1)
Pass-through Iowa Department of Justice				
Violence Against Women Formula Grants	16.588	VW-19-09-CJ	-	900
Violence Against Women Formula Grants	16.588	VW-19-48-LE	-	<u>2,669</u>
Subtotal U.S. Department of Justice				
Indirect Programs			-	27,147
<b>Total U.S. Department of Justice</b>			<u>9,440</u>	<u>76,221</u>
<b>Office of National Drug Control Policy</b>				
Indirect:				
Pass-through Iowa Department of Public Safety				
High Intensity Drug Trafficking Area Grant	07.G18MW0002A	G19MW0002A	-	8,080
High Intensity Drug Trafficking Area Grant	07.G19MW0002A	G18MW0002A	-	33,154
High Intensity Drug Trafficking Area Grant	07.G20MW0002A	G17MW0002A	-	<u>47,955</u>
<b>Total Office of National Drug Control Policy</b>			-	<u>89,189</u>
<b>U.S. Department of Health and Human Services</b>				
Direct, CARES Act Provider Relief Fund COVID 19	93.498	DS 15811092141	-	<u>41,928</u>
<b>U.S. Department of Homeland Security</b>				
Passed-through Iowa Department of Homeland Security and Emergency Management				
Disaster Grants- Public Assistance	97.036	139-55110-00	-	<u>138,482</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 9,440</u>	<u>\$ 4,316,517</u>

(1) CFDA No. 16.738 total \$36,505.

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, 2020**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. 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 award.

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 awards is recognized when the revenue is both measurable and available. In proprietary funds, revenue from federal awards 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, 2020**

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Findings	Status	Corrective Action Plan or Other Explanation
<b>None</b>		

**City of Muscatine, Iowa**

**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  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
14.871	Housing Voucher Cluster: Section 8 Housing Choice Vouchers

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, 2020**

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

**A. Internal Control**

No matters reported.

**B. Instances of Noncompliance**

No matters reported.

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

**A. Internal Control for Federal Awards**

No matters reported.

**B. Instances of Noncompliance**

No matters reported.

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

**IV-A-20**

Certified Budget – Expenditures for the year ended June 30, 2020 did not exceed the amounts budgeted.

**IV-B-20**

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-20**

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-20**

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

Name and Business Connection	Transaction	Amount
Media Tree, LLC	Media	
Chad Yocom	services	\$ 6,200

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest.

**IV-E-20**

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-20**

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, 2020**

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**IV-G-20**

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-20**

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

**IV-I-20**

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

**IV-J-20**

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

**City of Muscatine, Iowa**

**Corrective Action Plan**  
**Year Ended June 30, 2020**

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Findings	Corrective Action Plan	Anticipated Date of Completion
<b>None Reported.</b>		