

CITY OF KEOKUK, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

CITY OF KEOKUK, IOWA

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CITY OF KEOKUK, IOWA

OFFICIALS
JUNE 30, 2016

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Marion	Mayor	December 31, 2017
Susan Dunek	Mayor Pro Tem	December 31, 2017
Dan Winn	Council Member – At Large	December 31, 2017
John Helenthal	Council Member – At Large	December 31, 2019
Michael O'Connor	Council Member – Ward 1	December 31, 2017
Michael Moore	Council Member – Ward 2	December 31, 2019
Ron Payne	Council Member – Ward 3	December 31, 2017
Larry Mortimer	Council Member – Ward 4	December 31, 2019
Sandra Pollitt	Council Member – Ward 5	December 31, 2017
Roger Bryant	Council Member – Ward 6	December 31, 2019
Susan Dunek	Council Member – Ward 7	December 31, 2017
Aaron Burnett	City Administrator	Indefinite
Jean Ludwig	City Clerk	Indefinite
Douglas Dorando	Attorney	Indefinite
David Hinton	Chief of Police	Indefinite
Gabe Rose	Fire Chief	Indefinite



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Bradley T. Barnes, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council of
the City of Keokuk, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keokuk, Iowa as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 conducted our audit in accordance with U.S. generally accepted auditing standards 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 City'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 City'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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Government Activities	Unmodified
Business Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Major Governmental Funds:	
General	Unmodified
Road Use Tax	Unmodified
Local Option Sales Tax	Unmodified
Employee Benefits	Unmodified
Urban Renewal TIF	Unmodified
Debt Service	Unmodified
Capital Projects	Unmodified
Major Enterprises Funds:	
Sewer	Unmodified
Bridge	Unmodified
Solid Waste	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units be reported with the financial data of the City's primary government unless the City also issued financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Keokuk, Iowa as of June 30, 2016, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Keokuk, Iowa, as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keokuk, Iowa's basic financial statements. The financial statements for the nine years ended June 30, 2015 (which are not presented herein) were audited by other auditors. The other auditors expressed unmodified opinions on those financial statements which were prepared in the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 10 and 31 through 41, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, on our consideration of the City of Keokuk, Iowa'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 of Keokuk, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
March 24, 2017

CITY OF KEOKUK, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The City of Keokuk, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts from the City's governmental activities increased 47.2% or \$6,267,218 from fiscal year 2015 to fiscal 2016. Proceeds from debt increased \$7,670,000.
- Disbursements of the City's governmental activities increased 32.3% or \$4,505,156 from fiscal 2015 to fiscal 2016. Capital projects disbursements decreased \$2,855,398, and debt service disbursements increased by \$7,317,678.
- The City's total cash basis net position increased 15.9% or \$1,744,610 from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased \$1,088,219 and the cash basis net position of the business type activities increased by \$656,391. This increase is due primarily to an increase in debt proceeds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services and business-type activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liabilities and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information that helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's cash basis net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- **Governmental Activities** include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** include the sewer, bridge and solid waste funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) **Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, Urban Renewal Tax Increment Financing (TIF) and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statement for governmental funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.
- 2) **Proprietary funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide separate information for the sewer, bridge, and solid waste funds, considered to be major funds of the City. The required financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$4,823,132 to \$5,911,351. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
Receipts:		
Program receipts:		
Charges for service	\$ 545,610	\$ 377,659
Operating grants, contributions and restricted interest	2,616,984	1,795,427
Capital grants, contributions and restricted interest	67,039	1,734,418
General receipts:		
Property tax	4,285,973	4,563,921
Local option sales tax	1,490,403	1,449,231
Tax increment financing	831,826	1,444,299
Utility excise tax and replacement tax	858,966	842,324
Riverboat gaming tax	447,424	440,123
Hotel/Motel tax	288,434	288,287
Unrestricted interest on investments	238,483	123,663
Issuance of refunding capital loan notes	7,670,000	-
Other general receipts	<u>200,000</u>	<u>214,572</u>
Total receipts	<u>19,541,142</u>	<u>13,273,924</u>
Disbursements:		
Public safety	4,540,975	4,554,654
Public works	1,640,975	1,747,198
Culture and recreation	1,316,719	1,356,187
Community and economic development	242,748	700,083
General government	1,245,057	585,476
Debt service	9,323,132	2,005,454
Capital projects	<u>143,317</u>	<u>2,998,715</u>
Total disbursements	<u>18,452,923</u>	<u>13,947,767</u>
Change in cash basis net position	1,088,219	(673,843)
Cash basis net position beginning of year	<u>4,823,132</u>	<u>5,496,975</u>
Cash basis net position end of year	\$ <u>5,911,351</u>	\$ <u>4,823,132</u>

The City's total receipts for governmental activities increased 47.2% or \$6,267,218. The total cost (disbursements) of all programs and services increased by \$4,505,156 or 32.3%. The increase in receipts is primarily a result of proceeds from debt. The increase in disbursements was primarily the result of less expenditures for capital projects, and higher expenditures for debt services and general government during the current year.

The cost of all governmental activities this year was \$18,452,923 compared to \$13,947,767 last year. However, as shown in the Statement of Activities and Net Assets on page 12, the amount that our taxpayers ultimately financed for these activities through City taxes was \$15,223,290 because some of the cost was paid by those directly benefited from the programs (\$545,610) or by other governments and organizations that subsidized certain programs with grants and contributions \$2,684,023.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 4,173,823	\$ 4,069,091
Bridge	269,028	238,626
Solid waste	745,650	729,893
General receipts:		
Revenue bond proceeds	4,550,359	4,754,014
Miscellaneous	<u>167,320</u>	<u>633,135</u>
Total receipts	<u>9,906,180</u>	<u>10,424,759</u>
Disbursements:		
Sewer	8,154,527	8,468,209
Bridge	392,532	405,021
Solid waste	<u>702,730</u>	<u>724,473</u>
Total disbursements	<u>9,249,789</u>	<u>9,597,703</u>
Change in cash basis net position	656,391	827,056
Cash basis net position beginning of year	<u>6,181,743</u>	<u>5,354,687</u>
Cash basis net position end of year	\$ <u>6,838,134</u>	\$ <u>6,181,743</u>

Total business type activities receipts for the fiscal year decreased \$518,579 or 5.0%. The decrease in receipts was primarily the result of less miscellaneous receipts.

Total business type activities disbursements decreased \$347,914 or 3.6% from the prior year. This resulted primarily from an decrease in disbursements by the Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance – related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. The cash balance increased \$180,368 from the prior year to \$826,169, due to an increase in miscellaneous receipts in the current year.
- The Road Use Tax Fund (RUTF) cash balance increased by \$450,674 to \$942,327, due to a decrease in public works expenditures.
- The Local Option Sales Tax cash balance increased by \$378,044 to \$1,689,788. This was due to an increase of \$41,172 in local option sales tax collections and a decrease in transfers out.
- The Employee Benefits Fund increased \$383,793 to \$661,674, due to an increase in miscellaneous receipts.
- The Urban Renewal TIF Fund decreased \$323,900 to \$14,621, due to a decrease in TIF revenue.
- The Debt Service Fund decreased \$96,537 to \$183,734, due to an increase in debt service expenditures.
- The Capital Projects Fund decreased by \$76,278 to \$912,884, due to less grant revenue and capital projects expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased \$658,429 to \$3,530,050, due to a decrease in debt service expenditures.
- The Bridge Fund cash balance decreased \$45,264 to \$3,120,072, due to a decrease in interest on investments (prior year decrease was \$71,975).
- The Solid Waste Fund cash balance increased \$43,226 to \$188,012, due to a decrease in capital project expenditures.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund-type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget. The amendment was approved on May 19, 2016, and resulted in an increase in budgeted revenues of \$1,094,550 and an increase in budgeted operating disbursements of \$10,983,644. Increases in revenues included other city taxes, use of money and property, intergovernmental, charges for services and miscellaneous receipts and increases in expenditures in all expenditure functions. The City exceeded the amounts budgeted in the general government function for the year ended June 30, 2016.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$29,865,407 in bonds and other long-term debt outstanding, compared to \$26,787,048 last year as shown below.

	<u>Outstanding Debt at Year End</u>	
	<u>2016</u>	<u>June 30, 2015</u>
General obligation bonds/notes	\$ 17,475,000	\$ 18,270,000
Revenue notes	12,390,407	8,517,048
Total	\$ <u>29,865,407</u>	\$ <u>26,787,048</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment Financing (TIF) debt of \$17,475,000 is below its constitutional debt limit of \$27,208,647. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements. It is important to note that all revenues derived from Keokuk Senior Housing TIF are directed toward internal debt service and bank debt for the industrial development project is being serviced from TIF revenues from that project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Keokuk, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The Lee County unemployment rate now stands at 6.8% versus 5.5% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 4.9%.

The continued poor economy, high unemployment regionally, the increased cost of public pensions and a rollback on commercial property taxable valuation has caused the City to continue to experience cuts in revenues resulting in decreased operating revenues for the City especially in general fund departmental operations. There is also concern regarding future property tax revenues resulting from State legislation which could overhaul the property tax system. Changes are currently in effect and will significantly impact the City in future years.

EXCLUDED COMPONENT UNITS

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk, Iowa. Waterworks and the City of Keokuk, Iowa are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual method of accounting and the City of Keokuk, Iowa operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk, Iowa. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator at 415 Blondeau Street, Keokuk, Iowa 52632 or telephone at 319-524-2050.

BASIC FINANCIAL STATEMENTS

CITY OF KEOKUK, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service and Sales	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 4,540,975	\$ 54,583	\$ 78,901	\$ -
Public works	1,640,975	109,218	1,332,184	-
Culture and recreation	1,316,719	67,515	56,999	-
Community and economic development	242,748	-	241,169	-
General government	1,245,057	314,294	907,731	-
Debt service	4,762,076	-	-	-
Capital projects	143,317	-	-	67,039
Total governmental activities	13,891,867	545,610	2,616,984	67,039
Business type activities:				
Sewer	8,154,527	4,173,823	-	87,809
Bridge	392,532	269,028	-	-
Solid waste	702,730	745,650	-	-
Total business type activities	9,249,789	5,188,501	-	87,809
Total	\$ 23,141,656	\$ 5,734,111	\$ 2,616,984	\$ 154,848

General receipts:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Utility excise tax

Riverboat gaming tax

Hotel/Motel tax

Grants and contributions not restricted to specific purposes

Unrestricted investment earnings

Refunding capital loan notes

Revenue bond proceeds

Miscellaneous

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable

Expendable

Capital projects

Debt Service

Urban renewal purposes

Other purposes

Unrestricted

Total cash basis net position

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
\$ (4,407,491)	\$ -	\$ (4,407,491)
(199,573)	-	(199,573)
(1,192,205)	-	(1,192,205)
(1,579)	-	(1,579)
(23,032)	-	(23,032)
(4,762,076)	-	(4,762,076)
(76,278)	-	(76,278)
<u>(10,662,234)</u>	<u>-</u>	<u>(10,662,234)</u>
-	(3,892,895)	(3,892,895)
-	(123,504)	(123,504)
-	42,920	42,920
-	<u>(3,973,479)</u>	<u>(3,973,479)</u>
<u>(10,662,234)</u>	<u>(3,973,479)</u>	<u>(14,635,713)</u>
3,964,650	-	3,964,650
321,323	-	321,323
831,826	-	831,826
1,490,403	-	1,490,403
858,966	-	858,966
447,424	-	447,424
288,434	-	288,434
200,000	-	200,000
238,483	78,654	317,137
7,670,000	-	7,670,000
-	4,550,359	4,550,359
-	857	857
<u>16,311,509</u>	<u>4,629,870</u>	<u>20,941,379</u>
5,649,275	656,391	6,305,666
<u>4,823,132</u>	<u>6,181,743</u>	<u>11,004,875</u>
\$ <u>10,472,407</u>	\$ <u>6,838,134</u>	\$ <u>17,310,541</u>
\$ 397,704	\$ -	\$ 397,704
1,855,211	-	1,855,211
183,734	122,100	305,834
14,621	-	14,621
2,873,185	-	2,873,185
586,896	6,716,034	7,302,930
\$ <u>5,911,351</u>	\$ <u>6,838,134</u>	\$ <u>12,749,485</u>

CITY OF KEOKUK, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

		<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
RECEIPTS:				
Property tax	\$ 2,332,222	\$ -	\$ -	\$ 1,559,266
Tax increment financing	-	-	-	-
Other city tax	1,149,439	-	1,490,403	364,290
Licenses and permits	171,002	-	-	-
Use of money and property	168,052	-	-	-
Intergovernmental	533,126	1,332,184	-	-
Charges for service	111,812	-	-	-
Miscellaneous	683,330	-	-	283,261
Total receipts	<u>5,148,983</u>	<u>1,332,184</u>	<u>1,490,403</u>	<u>2,206,817</u>
DISBURSEMENTS:				
Operating:				
Public safety	4,540,975	-	-	-
Public works	759,465	881,510	-	-
Culture and recreation	1,316,719	-	-	-
Community and economic development	127,359	-	-	-
General government	1,245,057	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>7,989,575</u>	<u>881,510</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,840,592)</u>	<u>450,674</u>	<u>1,490,403</u>	<u>2,206,817</u>
Other financing sources (uses):				
Refunding capital loan notes	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	3,020,960	-	-	-
Transfers out	-	-	(1,112,359)	(1,823,024)
Total other financing sources (uses)	<u>3,020,960</u>	<u>-</u>	<u>(1,112,359)</u>	<u>(1,823,024)</u>
Change in cash balances	180,368	450,674	378,044	383,793
CASH BALANCES - Beginning of year	<u>645,801</u>	<u>491,653</u>	<u>1,311,744</u>	<u>277,881</u>
CASH BALANCES - End of year	\$ <u>826,169</u>	\$ <u>942,327</u>	\$ <u>1,689,788</u>	\$ <u>661,674</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Debt service	-	-	-	-
Urban renewal purposes	-	-	-	-
Capital projects	-	942,327	-	-
Other purposes	239,273	-	1,689,788	661,674
Unassigned	586,896	-	-	-
Total cash basis fund balances	\$ <u>826,169</u>	\$ <u>942,327</u>	\$ <u>1,689,788</u>	\$ <u>661,674</u>

See Notes to Financial Statements

<u>Urban Renewal TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
\$ 831,826	\$ 321,323	\$ -	\$ 73,162	\$ 4,285,973
-	68,364	-	12,731	831,826
-	-	-	-	3,085,227
70,431	-	-	-	171,002
-	-	67,039	211,338	238,483
-	-	-	-	2,143,687
-	-	-	-	111,812
-	-	-	36,541	1,003,132
<u>831,826</u>	<u>460,118</u>	<u>67,039</u>	<u>333,772</u>	<u>11,871,142</u>
-	-	-	-	4,540,975
-	-	-	-	1,640,975
-	-	-	-	1,316,719
59,249	-	-	56,140	242,748
-	-	-	-	1,245,057
-	4,762,076	-	-	4,762,076
-	-	143,317	-	143,317
<u>59,249</u>	<u>4,762,076</u>	<u>143,317</u>	<u>56,140</u>	<u>13,891,867</u>
<u>772,577</u>	<u>(4,301,958)</u>	<u>(76,278)</u>	<u>277,632</u>	<u>(2,020,725)</u>
-	7,670,000	-	-	7,670,000
-	(4,561,056)	-	-	(4,561,056)
-	1,096,477	-	-	4,117,437
<u>(1,096,477)</u>	<u>-</u>	<u>-</u>	<u>(85,577)</u>	<u>(4,117,437)</u>
<u>(1,096,477)</u>	<u>4,205,421</u>	<u>-</u>	<u>(85,577)</u>	<u>3,108,944</u>
(323,900)	(96,537)	(76,278)	192,055	1,088,219
<u>338,521</u>	<u>280,271</u>	<u>989,162</u>	<u>488,099</u>	<u>4,823,132</u>
\$ <u>14,621</u>	\$ <u>183,734</u>	\$ <u>912,884</u>	\$ <u>680,154</u>	\$ <u>5,911,351</u>
\$ -	\$ -	\$ -	\$ 397,704	\$ 397,704
-	183,734	-	-	183,734
14,621	-	-	-	14,621
-	-	912,884	-	1,855,211
-	-	-	282,450	2,873,185
-	-	-	-	586,896
\$ <u>14,621</u>	\$ <u>183,734</u>	\$ <u>912,884</u>	\$ <u>680,154</u>	\$ <u>5,911,351</u>

CITY OF KEOKUK, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Sewer</u>	<u>Bridge</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Operating receipts:</u>				
Charges for service	\$ 4,171,233	\$ 269,028	\$ 745,650	\$ 5,185,911
<u>Operating disbursements:</u>				
Business type activities	<u>2,259,098</u>	<u>392,532</u>	<u>615,122</u>	<u>3,266,752</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,912,135</u>	<u>(123,504)</u>	<u>130,528</u>	<u>1,919,159</u>
<u>Non-operating receipts (disbursements):</u>				
Interest on investments	529	78,125	-	78,654
Licenses and permits	2,590	-	-	2,590
Miscellaneous	436	115	306	857
Intergovernmental	87,809	-	-	87,809
Revenue note proceeds	4,550,359	-	-	4,550,359
Capital projects	(5,056,997)	-	-	(5,056,997)
Debt service	<u>(838,432)</u>	<u>-</u>	<u>(87,608)</u>	<u>(926,040)</u>
Total non-operating receipts (disbursements)	<u>(1,253,706)</u>	<u>78,240</u>	<u>(87,302)</u>	<u>(1,262,768)</u>
Change in cash balances	658,429	(45,264)	43,226	656,391
<u>CASH BALANCES - Beginning of year</u>	<u>2,871,621</u>	<u>3,165,336</u>	<u>144,786</u>	<u>6,181,743</u>
<u>CASH BALANCES - End of year</u>	\$ <u>3,530,050</u>	\$ <u>3,120,072</u>	\$ <u>188,012</u>	\$ <u>6,838,134</u>
<u>Cash Basis Fund Balances</u>				
Restricted for debt service	\$ -	\$ -	\$ 122,100	\$ 122,100
Unrestricted	<u>3,530,050</u>	<u>3,120,072</u>	<u>65,912</u>	<u>6,716,034</u>
Total cash basis fund balances	\$ <u>3,530,050</u>	\$ <u>3,120,072</u>	\$ <u>188,012</u>	\$ <u>6,838,134</u>

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Keokuk, Iowa is a political subdivision of the State of Iowa located in Lee County. It was first incorporated in 1847 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides solid waste removal and sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Keokuk, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Keokuk, Iowa (the primary government).

Excluded Component Units

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk, Iowa. Waterworks and the City of Keokuk, Iowa are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual basis of accounting and the City of Keokuk, Iowa operates under the cash basis of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk, Iowa. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk Economic Development Corporation and Great River Regional Waste Authority. See note 14 for further information.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue –

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for property tax relief, infrastructure, parks and recreation services.

The Employee Benefits Fund is used to account for property tax and other receipts to be used for the payment of the City's governmental fund employee benefits.

The Urban Renewal TIF Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Bridge Fund accounts for the operation and maintenance of the City's bridge.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City of Keokuk, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the general government function.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, 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.

At June 30, 2016, the City held the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
United States Treasury Note	\$ 503,828	\$ 559,315	2/15/2021
United States Treasury Note	<u>1,016,875</u>	<u>1,506,290</u>	2/15/2041
Total	\$ <u>1,520,703</u>	\$ <u>2,065,605</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,000,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

At June 30, 2016, the City invested the cemetery perpetual care trust in the following investments. The carrying amount at June 30, 2016 was \$397,704.

<u>Type</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 11,859
Fixed income funds	177,119
Equity funds	<u>206,386</u>
Total	\$ <u>395,364</u>

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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: BONDS AND NOTES PAYABLE

A summary of the City's June 30, 2016 general obligation, revenue bond and urban renewal indebtedness is as follows:

<u>Year Ending</u>	<u>General Obligation and Refunding Capital Loan Notes</u>		<u>Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>				
2017	\$ 820,000	\$ 199,595	\$ 695,000	\$ 268,718
2018	825,000	207,620	709,000	253,416
2019	860,000	194,270	729,000	237,819
2020	895,000	180,130	658,000	221,713
2021	905,000	164,968	672,000	208,660
2022 - 2026	4,600,000	572,255	3,594,000	836,748
2027 - 2031	2,490,000	151,723	4,015,000	461,450
2032 - 2034	105,000	2,625	1,318,407	88,270
Total	\$ <u>11,500,000</u>	\$ <u>1,673,186</u>	\$ <u>12,390,407</u>	\$ <u>2,576,794</u>

<u>Year Ending</u>	<u>Urban Renewal TIF Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>				
2017	\$ 425,000	\$ 106,325	\$ 1,940,000	\$ 574,638
2018	450,000	102,975	1,984,000	564,011
2019	450,000	98,975	2,039,000	531,064
2020	450,000	94,600	2,003,000	496,443
2021	450,000	88,850	2,027,000	462,478
2022 - 2026	2,350,000	328,425	10,544,000	1,737,428
2027 - 2031	1,000,000	139,400	7,505,000	752,573
2032 - 2034	400,000	18,000	1,823,407	108,895
Total	\$ <u>5,975,000</u>	\$ <u>977,550</u>	\$ <u>29,865,407</u>	\$ <u>5,227,530</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Refunding Notes

During the year ended June 30, 2013, the City refunded the 2008A urban renewal tax increment financing (TIF) capital loan note for the 2013 C GO urban renewal bonds. The City used the net proceeds to purchase U.S. government securities. These securities were deposited into an account to provide for all future debt service on the refunded portion of the bonds. As a result, that portion of the bonds is considered defeased, and the City has removed the liability from its accounts.

During the year ended June 30, 2016, the City refunded the 2009A and 2009B capital loan notes tax increment financing (TIF) capital loan note for the 2016B Refunding Capital Loan Note. The City used the net proceeds to purchase U.S. government securities. These securities were deposited into an account to provide for all future debt service on the refunded portion of the bonds. As a result, that portion of the bonds is considered defeased, and the City has removed the liability from its accounts.

	<u>Refunding A</u>			<u>Refunding B</u>		
	<u>2008A Urban Renewal TIF Capital Loan Note</u>	<u>2013C GO Urban Renewal Bonds</u>	<u>Difference In Debt Service/Economic Gain</u>	<u>2009A & 2009B Capital Loan Notes</u>	<u>2016B Refunding Capital Loan Note</u>	<u>Difference In Debt Service/Economic Gain</u>
Debt service cash flow	\$ 3,676,744	\$ 3,035,668	\$ 641,076	\$ 5,768,493	\$ 5,210,750	\$ 557,743
Present value cash flow	2,164,991	2,669,578	(504,587)	3,987,673	4,206,250	(218,577)
Defeased debt	2,570,000	-	-	4,210,000	-	-

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Revenue Notes

The City has pledged future solid waste customer receipts, net of specified operating disbursements, to repay \$765,000 in solid waste revenue notes issued in April 2008. The notes are payable solely from solid waste customer net receipts and are payable through 2019. The total principal and interest remaining to be paid on the notes is \$264,504. For the current year, principal and interest paid and total customer net receipts were \$87,608 and \$130,528, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$15,793,000 in sewer revenue notes issued between January 2010 and June 2015. The notes are payable solely from sewer customer net receipts and are payable through 2032. The total principal and interest remaining to be paid on the notes is \$14,702,697. For the current year, principal and interest paid and total customer net receipts were \$838,432 and \$1,912,135, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) A Solid Waste Enterprise Revenue Debt Service Reserve Fund of \$122,100 shall be maintained and used solely for the purpose of paying principal of and interest on the Note and Parity Obligations as the same shall become due and payable.
- c) Solid Waste Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 130% of the principal and interest requirements of the fiscal year.
- d) Sewer Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 110% of the principal and interest requirements of the fiscal year.
- e) Sufficient monthly transfers shall be made to separate solid waste revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

NOTE 4: 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.

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, anytime after reaching 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 for 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.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: PENSION PLAN (Continued)

Pension Benefits (Continued)

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service 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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for the total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$245,348.

Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.4%.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$1,940,871 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.039040%, which was a decrease of 0.000395% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$161,885, \$334,970 and \$178,181, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: PENSION PLAN (Continued)

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

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

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

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability:	\$ 3,398,115	\$ 1,940,871	\$ 710,852

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: PENSION PLAN (Continued)

IPERS' 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.

NOTE 5: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

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 of Keokuk, Iowa 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.

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% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation 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% 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. When electing to participate in DROP, the member signs a contract stating 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 benefits may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% 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% 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% 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% 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% 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% 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 annually in accordance with Chapter 411.6 of the Code of Iowa, which provides 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.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% 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 City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$609,834.

If approved by the State Legislature, state appropriation may further reduce the City'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 Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2016.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$3,846,278 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 0.818680% which was an increase of 0.009272% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$234,053, \$1,076,384 and \$402,477, respectively.

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

Rate of Inflation	3.00%
Salary increases	4.50 to 15.00%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

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

Mortality rates were based weighting equal to 1/12 of the 1971 GAM table and 11/12 of the 1994 GAM table with no projection of future mortality improvement.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

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

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability:	\$ 6,696,484	\$ 3,846,278	\$ 1,478,090

MFPRSI's Fiduciary Net Position – Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for employees, retirees and their spouses. There are 133 active and 15 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental and vision benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for coverage as active employees.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$520 for single coverage, \$1,206 for employee/spouse coverage, \$1,175 for employee/child coverage and \$1,439 for family coverage. For the year ended June 30, 2016, the City contributed \$1,327,134 and plan members eligible for benefits contributed \$136,469 to the plan.

NOTE 7: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or normal retirement. Upon retirement each employee is entitled to 100% of his accumulated sick leave up to a maximum of 71 days or 568 hours. City management employees may accumulate a maximum of 90 days or 720 hours. The fire department employees are entitled to 900 hours of accumulated sick leave due to their longer average work week. Fire and police administration employees are entitled to 720 hours of accumulated sick leave.

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 414,363
Sick leave	<u>477,699</u>
Total	\$ <u>892,062</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

NOTE 8: INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$8,745,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,135,000 is outstanding at June 30, 2016. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

NOTE 9: REVOLVING LOAN FUND

The City has entered into an agreement with Southeast Iowa Regional Planning Commission (SEIRPC) to establish a revolving loan fund for commercial business growth and to assist in new business development. The City received a matching grant of \$99,000 from the United States Department of Agriculture – Rural Business Enterprise Grant. The City transferred \$100,000 in fiscal year 2007 to SEIRPC, which administers and manages the revolving loan fund. At June 30, 2016, these loans to businesses had outstanding balances totaling \$38,766. At June 30, 2016, SEIRPC held cash of \$125,674 for the City, which represents loan repayments received from participating businesses that is available to fund future commercial business growth loans.

NOTE 10: OPERATING LEASES – LESSOR

The City leases land to Crown Castle in Tolmie Park. The original lease had a term of five years, expiring December 2005, with the option to renew for four additional five-year periods. Crown Castle intends to renew the lease for the remaining additional periods. Rental income for the year ended June 30, 2016 totaled \$2,970. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 32,341
2018	18,251
2019	18,251
2020	18,251
Thereafter	<u>1,146,206</u>
	\$ <u>1,233,300</u>

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2016 totaled \$63,340.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11: RELATED PARTY TRANSACTIONS

Keokuk Municipal Waterworks pays the City on an annual basis. This amounted to \$200,000 for the year ended June 30, 2016.

NOTE 12: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$117,099.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of the risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been disclosed in the City's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 1,112,359
Special Revenue: Urban Renewal TIF	Debt Service	1,096,477
General	Special Revenue: Employee Benefits	1,823,024
General	Special Revenue: Emergency Tax Levy	85,577
		\$ <u>4,117,437</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 14: JOINTLY GOVERNED ORGANIZATION

The City is a participant in Great River Regional Waste Authority, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the five member board. The City paid \$153,760 in fees in fiscal year June 30, 2016. Great River Regional Waste Authority's audited financial statements are available at City Hall.

NOTE 15: CASH BASIS FUND BALANCES

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2016 is as follows:

	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>	<u>Urban Renewal TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Total</u>
Nonspendable for cemetery									
Perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,704	\$ 397,704
Restricted for:									
Road use purposes		942,327							942,327
Employee benefits				661,674					661,674
Urban renewal projects					14,621				14,621
Debt service						183,734			183,734
Local option sales tax			1,689,788						1,689,788
Other capital projects							912,884		912,884
Other purposes	239,273							282,450	521,723
Unassigned	586,896								586,896
Total	\$ 826,169	\$ 942,327	\$ 1,689,788	\$ 661,674	\$ 14,621	\$ 183,734	\$ 912,884	\$ 680,154	\$ 5,911,351

NOTE 16: COMMITMENTS

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2016 are as follows:

Bluff stabilization	\$ 60,000
Street reconstruction	<u>350,000</u>
Total	\$ <u>410,000</u>

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17: RECLASSIFICATIONS

Certain amounts for the year end June 30, 2015 have been reclassified to conform with June 30, 2016 presentation.

NOTE 18: SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the City began the process of liquidating 1,708 shares of Principal Financial Group stock that was obtained through the Company's demutualization in a previous year. The City was unaware that they owned this stock until 2016. Once this was discovered they immediately began the process of liquidating the shares.

NOTE 19: NEW ACCOUNTING PRONOUNCEMENT

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statements sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

OTHER INFORMATION

CITY OF KEOKUK, IOWA

BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 OTHER INFORMATION
YEAR ENDED JUNE 30, 2016

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 4,285,973	\$ -	\$ 4,285,973
Tax increment financing collections	831,826	-	831,826
Other city taxes	3,085,227	-	3,085,227
Use of money and property	171,002	78,654	249,656
License and permits	238,483	2,590	241,073
Intergovernmental	2,143,687	87,809	2,231,496
Charges for service	111,812	5,185,911	5,297,723
Miscellaneous	1,003,132	857	1,003,989
Total receipts	<u>11,871,142</u>	<u>5,355,821</u>	<u>17,226,963</u>
<u>DISBURSEMENTS:</u>			
Public safety	4,540,975	-	4,540,975
Public works	1,640,975	-	1,640,975
Culture and recreation	1,316,719	-	1,316,719
Community and economic development	242,748	-	242,748
General government	1,245,057	-	1,245,057
Debt Service	4,762,076	-	4,762,076
Capital projects	143,317	-	143,317
Business type	-	9,249,789	9,249,789
Total disbursements	<u>13,891,867</u>	<u>9,249,789</u>	<u>23,141,656</u>
Excess of receipts over disbursements	(2,020,725)	(3,893,968)	(5,914,693)
Other financing sources, net	<u>3,108,944</u>	<u>4,550,359</u>	<u>7,659,303</u>
Excess of receipts and other financing sources over disbursements and other financing uses	1,088,219	656,391	1,744,610
<u>BALANCES - Beginning of year</u>	<u>4,823,132</u>	<u>6,181,743</u>	<u>11,004,875</u>
<u>BALANCES - End of year</u>	<u>\$ 5,911,351</u>	<u>\$ 6,838,134</u>	<u>\$ 12,749,485</u>

Budgeted Amounts		Final to Total Variance
<u>Original</u>	<u>Final</u>	
\$ 4,271,966	\$ 4,271,966	\$ 14,007
835,030	835,030	(3,204)
2,618,577	2,871,778	213,449
168,790	223,929	25,727
129,040	129,040	112,033
1,869,368	2,164,096	67,400
5,259,800	5,721,845	(424,122)
114,650	144,087	859,902
<u>15,267,221</u>	<u>16,361,771</u>	<u>865,192</u>
4,652,749	4,719,654	178,679
1,690,342	1,802,772	161,797
1,374,621	1,384,621	67,902
152,219	270,651	27,903
617,573	752,990	(492,067)
1,461,411	10,595,946	5,833,870
269,689	384,130	240,813
<u>8,532,409</u>	<u>9,823,893</u>	<u>574,104</u>
<u>18,751,013</u>	<u>29,734,657</u>	<u>6,593,001</u>
(3,483,792)	(13,372,886)	7,458,193
<u>4,008,000</u>	<u>13,988,654</u>	<u>(6,329,351)</u>
524,208	615,768	1,128,842
<u>11,245,938</u>	<u>11,004,875</u>	
\$ <u>11,770,146</u>	\$ <u>11,620,643</u>	\$ <u>1,128,842</u>

CITY OF KEOKUK, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

JUNE 30, 2016

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$10,983,644. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the general government function.

CITY OF KEOKUK, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.039040 %	0.039435 %
City's proportionate share of the net pension liability	\$ 1,940,871	\$ 1,596,000
City's covered-employee payroll	\$ 2,688,000	\$ 2,632,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.21 %	60.64 %
IPERS' net position as a percentage of the total pension liability	85.19 %	87.61 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

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.

CITY OF KEOKUK, IOWA

SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST 10 YEARS

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 250,318	\$ 240,000	\$ 235,000
Contributions in relation to the statutorily required contribution	<u>(250,318)</u>	<u>(240,000)</u>	<u>(235,000)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 2,803,118	\$ 2,688,000	\$ 2,632,000
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %	8.93 %

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 220,000	\$ 205,000	\$ 185,000	\$ 183,000	\$ 165,000	\$ 147,000	\$ 144,000
<u>(220,000)</u>	<u>(205,000)</u>	<u>(185,000)</u>	<u>(183,000)</u>	<u>(165,000)</u>	<u>(147,000)</u>	<u>(144,000)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 2,537,000	\$ 2,540,000	\$ 2,662,000	\$ 2,752,000	\$ 2,598,000	\$ 2,430,000	\$ 2,504,000
8.67 %	8.07 %	6.95 %	6.65 %	6.35 %	6.05 %	5.75 %

CITY OF KEOKUK, IOWA

NOTES TO OTHER INFORMATION – IPERS PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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

CITY OF KEOKUK, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST TWO FISCAL YEARS*

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.818680 %	0.809408 %
City's proportionate share of the net pension liability	\$ 3,846,278	\$ 2,934,000
City's covered-employee payroll	\$ 2,147,000	\$ 2,058,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.15 %	142.57 %
Plan fiduciary net position as a percentage of the total pension liability	78.20 %	86.27 %

* The amounts presented for each fiscal year were determined as of June 30.

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

CITY OF KEOKUK, IOWA

SCHEDULE OF CITY'S CONTRIBUTIONS
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 10 FISCAL YEARS

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 609,834	\$ 653,000	\$ 620,000
Contributions in relation to the statutorily required contribution	<u>(609,834)</u>	<u>(653,000)</u>	<u>(620,000)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 2,196,017	\$ 2,147,000	\$ 2,058,000
Contributions as a percentage of covered-employee payroll	27.77 %	30.41 %	30.12 %

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 522,000	\$ 485,000	\$ 397,000	\$ 346,000	\$ 351,000	\$ 453,000	\$ 464,000
<u>(522,000)</u>	<u>(485,000)</u>	<u>(397,000)</u>	<u>(346,000)</u>	<u>(351,000)</u>	<u>(453,000)</u>	<u>(464,000)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 1,998,000	\$ 1,959,000	\$ 1,995,000	\$ 2,035,000	\$ 1,872,000	\$ 1,778,000	\$ 1,672,000
26.12 %	24.76 %	19.90 %	17.00 %	18.75 %	25.48 %	27.75 %

CITY OF KEOKUK, IOWA

NOTES TO OTHER INFORMATION – MFPRSI PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

SUPPLEMENTARY INFORMATION

CITY OF KEOKUK, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Economic Development</u>	<u>Emergency Tax Levy</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>RECEIPTS:</u>				
Property tax	\$ -	\$ 73,162	\$ -	\$ 73,162
Other city taxes	-	12,731	-	12,731
Intergovernmental	206,968	4,370	-	211,338
Miscellaneous	34,201	-	2,340	36,541
Total receipts	<u>241,169</u>	<u>90,263</u>	<u>2,340</u>	<u>333,772</u>
<u>DISBURSEMENTS:</u>				
Community and economic development	<u>37,842</u>	<u>-</u>	<u>18,298</u>	<u>56,140</u>
Excess (deficiency) of receipts over (under) disbursements	<u>203,327</u>	<u>90,263</u>	<u>(15,958)</u>	<u>277,632</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>(85,577)</u>	<u>-</u>	<u>(85,577)</u>
Total other financing sources (uses)	<u>-</u>	<u>(85,577)</u>	<u>-</u>	<u>(85,577)</u>
Change in cash balances	<u>203,327</u>	<u>4,686</u>	<u>(15,958)</u>	<u>192,055</u>
<u>CASH BALANCES - Beginning of year</u>	<u>74,437</u>	<u>-</u>	<u>413,662</u>	<u>488,099</u>
<u>CASH BALANCES - End of year</u>	<u>\$ 277,764</u>	<u>\$ 4,686</u>	<u>\$ 397,704</u>	<u>\$ 680,154</u>
<u>Cash Basis Fund Balances</u>				
Nonspendable	\$ -	\$ -	\$ 397,704	\$ 397,704
Restricted	<u>277,764</u>	<u>4,686</u>	<u>-</u>	<u>282,450</u>
Total cash basis fund balances	<u>\$ 277,764</u>	<u>\$ 4,686</u>	<u>\$ 397,704</u>	<u>\$ 680,154</u>

CITY OF KEOKUK, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
General obligation notes:				
Capital loan notes	May 1, 2009	4.25-5.25%	\$ 3,000,000	\$ 2,365,000
Capital loan notes	October 1, 2009	2.00-4.70%	2,565,000	1,970,000
Capital loan notes	December 10, 2010	1.20-4.40%	4,225,000	3,375,000
Capital loan notes	November 19, 2012	0.70-2.50%	2,300,000	1,435,000
Refunding capital loan notes	May 1, 2013	0.60%	600,000	305,000
Refunding capital loan notes	May 1, 2013	0.60-2.00%	2,410,000	2,410,000
Refunding capital loan notes	June 8, 2016	2.00-2.50%	3,155,000	-
Refunding capital loan notes	June 8, 2016	2.00-2.50%	4,515,000	-
Urban renewal bonds	May 1, 2013	0.60-2.00%	3,330,000	2,790,000
Urban renewal bonds	May 1, 2013	1.00-3.00%	4,050,000	3,620,000
Total			\$ <u>30,150,000</u>	\$ <u>18,270,000</u>
Revenue notes:				
Solid waste revenue capital loan notes	April 24, 2008	3.94%	\$ 765,000	\$ 320,000
Sewer revenue capital loan notes	January 20, 2010	3.00%	3,889,000	2,216,000
Sewer revenue capital loan notes	December 20, 2013	1.75%	5,333,000	4,204,066
Sewer revenue capital loan notes	June 5, 2015	1.75%	6,571,000	1,776,982
Total			<u>16,558,000</u>	<u>8,517,048</u>
Total of all debt			\$ <u>46,708,000</u>	\$ <u>26,787,048</u>

SCHEDULE 2

<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 2,365,000	\$ -	\$ 115,870	\$ -
-	1,970,000	-	86,021	-
-	3,375,000	-	119,533	-
-	70,000	1,365,000	26,003	-
-	150,000	155,000	1,680	-
-	100,000	2,310,000	34,035	-
3,155,000	-	3,155,000	-	-
4,515,000	-	4,515,000	-	-
-	215,000	2,575,000	37,300	-
-	220,000	3,400,000	72,300	-
\$ <u>7,670,000</u>	\$ <u>8,465,000</u>	\$ <u>17,475,000</u>	\$ <u>492,742</u>	\$ -
\$ -	\$ 75,000	\$ 245,000	\$ 12,608	\$ -
-	108,000	2,108,000	66,480	-
323,612	224,000	4,303,678	85,980	-
<u>4,226,747</u>	<u>270,000</u>	<u>5,733,729</u>	<u>83,972</u>	-
<u>4,550,359</u>	<u>677,000</u>	<u>12,390,407</u>	<u>249,040</u>	-
\$ <u>12,220,359</u>	\$ <u>9,142,000</u>	\$ <u>29,865,407</u>	\$ <u>741,782</u>	\$ -

CITY OF KEOKUK, IOWA

BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2016

General Obligation Bonds/Notes

Year Ending June 30,	<u>Capital Loan Notes</u>		<u>Refunding Capital Loan Notes</u>					
	<u>Issued November 19, 2012</u>		<u>Issued May 1, 2013</u>		<u>Issued May 1, 2013</u>		<u>Issued June 8, 2016</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2017	0.70%	\$ 70,000	0.60%	\$ 155,000	0.60%	\$ 100,000	2.00%	\$ 250,000
2018	0.70%	75,000		-	0.80%	200,000	2.00%	235,000
2019	1.10%	75,000		-	0.95%	220,000	2.00%	240,000
2020	1.10%	75,000		-	1.10%	250,000	2.00%	235,000
2021	1.35%	75,000		-	1.30%	265,000	2.00%	235,000
2022	1.35%	80,000		-	1.50%	250,000	2.00%	235,000
2023	1.70%	80,000		-	1.70%	275,000	2.00%	230,000
2024	1.70%	80,000		-	1.85%	250,000	2.00%	225,000
2025	1.20%	85,000		-	2.00%	250,000	2.00%	220,000
2026	1.20%	85,000		-	2.00%	250,000	2.25%	215,000
2027	2.10%	90,000		-		-	2.00%	210,000
2028	2.10%	90,000		-		-	2.10%	210,000
2029	2.30%	95,000		-		-	2.50%	205,000
2030	2.35%	100,000		-		-	2.50%	210,000
2031	2.45%	105,000		-		-		-
2032	2.50%	105,000		-		-		-
2033		-		-		-		-
Total		\$ 1,365,000		\$ 155,000		\$ 2,310,000		\$ 3,155,000

Urban Renewal Bonds						
Issued June 8, 2016		Issued May 1, 2013		Issued May 1, 2013		
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
2.00%	\$ 245,000	0.60%	\$ 225,000	1.00%	\$ 200,000	\$ 1,245,000
2.00%	315,000	0.80%	250,000	1.00%	200,000	1,275,000
2.00%	325,000	0.95%	250,000	1.00%	200,000	1,310,000
2.00%	335,000	1.10%	250,000	1.50%	200,000	1,345,000
2.00%	330,000	1.30%	250,000	1.50%	200,000	1,355,000
2.00%	340,000	1.50%	275,000	2.00%	200,000	1,380,000
2.00%	350,000	1.70%	225,000	2.00%	200,000	1,360,000
2.00%	365,000	1.85%	300,000	2.00%	200,000	1,420,000
2.00%	365,000	2.00%	275,000	2.00%	200,000	1,395,000
2.25%	370,000	2.00%	275,000	2.20%	200,000	1,395,000
2.00%	380,000		-	2.35%	200,000	880,000
2.10%	390,000		-	2.45%	200,000	890,000
2.50%	405,000		-	2.55%	200,000	905,000
	-		-	2.70%	200,000	510,000
	-		-	2.80%	200,000	305,000
	-		-	3.00%	200,000	305,000
	-		-	3.00%	200,000	200,000
	<u>\$ 4,515,000</u>		<u>\$ 2,575,000</u>		<u>\$ 3,400,000</u>	<u>\$ 17,475,000</u>

CITY OF KEOKUK, IOWA

BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2016

Year Ending June 30.	Revenue Notes						
	Solid Waste Capital Loan Note		Sewer Revenue Capital Loan Notes				
	Issued April 24, 2008		Issued January 20, 2010		Issued December 20, 2013		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2017	3.94%	\$ 80,000	3.00%	\$ 111,000	1.75%	\$ 228,000	
2018	3.94%	80,000	3.00%	115,000	1.75%	233,000	
2019	3.94%	85,000	3.00%	119,000	1.75%	238,000	
2020		-	3.00%	123,000	1.75%	242,000	
2021		-	3.00%	126,000	1.75%	247,000	
2022		-	3.00%	131,000	1.75%	252,000	
2023		-	3.00%	135,000	1.75%	257,000	
2024		-	3.00%	139,000	1.75%	262,000	
2025		-	3.00%	144,000	1.75%	268,000	
2026		-	3.00%	148,000	1.75%	273,000	
2027		-	3.00%	153,000	1.75%	278,000	
2028		-	3.00%	158,000	1.75%	284,000	
2029		-	3.00%	163,000	1.75%	290,000	
2030		-	3.00%	169,000	1.75%	295,000	
2031		-	3.00%	174,000	1.75%	301,000	
2032		-		-	1.75%	307,000	
2033		-		-	1.75%	48,678	
2034		-		-		-	
Total		\$ 245,000		\$ 2,108,000		\$ 4,303,678	

Issued June 5, 2015

Interest		
<u>Rate</u>	<u>Amount</u>	<u>Total</u>
1.75%	\$ 276,000	\$ 695,000
1.75%	281,000	709,000
1.75%	287,000	729,000
1.75%	293,000	658,000
1.75%	299,000	672,000
1.75%	304,000	687,000
1.75%	311,000	703,000
1.75%	317,000	718,000
1.75%	323,000	735,000
1.75%	330,000	751,000
1.75%	336,000	767,000
1.75%	343,000	785,000
1.75%	350,000	803,000
1.75%	357,000	821,000
1.75%	364,000	839,000
1.75%	371,000	678,000
1.75%	379,000	427,678
1.75%	<u>212,729</u>	<u>212,729</u>
	\$ <u>5,733,729</u>	\$ <u>12,390,407</u>

CITY OF KEOKUK, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>RECEIPTS:</u>				
Property tax	\$ 4,285,973	\$ 4,563,921	\$ 4,192,222	\$ 4,049,068
Tax increment financing	831,826	1,444,299	1,475,276	1,524,770
Other city tax	3,085,227	2,949,695	2,501,875	2,505,805
Use of money and property	238,483	123,663	91,338	137,508
Licenses and permits	171,002	130,274	133,055	148,821
Intergovernmental	2,143,687	3,664,508	1,812,070	5,484,072
Charges for service	111,812	209,129	251,948	230,424
Miscellaneous	1,003,132	173,863	1,136,841	342,430
Total	\$ <u>11,871,142</u>	\$ <u>13,259,352</u>	\$ <u>11,594,625</u>	\$ <u>14,422,898</u>
<u>DISBURSEMENTS:</u>				
Public safety	\$ 4,540,975	\$ 4,554,654	\$ 4,449,148	\$ 4,316,334
Public works	1,640,975	1,747,198	2,145,775	1,716,978
Culture and recreation	1,316,719	1,356,187	1,389,520	1,313,819
Community and economic development	242,748	700,083	384,175	352,134
General government	1,245,057	585,476	597,592	576,226
Debt service	4,762,076	2,005,454	1,955,098	3,937,346
Capital projects	143,317	2,998,715	3,450,778	6,777,796
Total	\$ <u>13,891,867</u>	\$ <u>13,947,767</u>	\$ <u>14,372,086</u>	\$ <u>18,990,633</u>

SCHEDULE 4

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 3,832,718	\$ 3,768,516	\$ 3,533,012	\$ 3,401,013	\$ 3,383,054	\$ 5,686,286
1,573,868	1,466,359	1,384,357	1,064,215	1,036,347	428,735
2,703,582	2,504,157	2,502,081	2,625,428	2,487,089	-
117,145	141,003	154,553	263,587	481,309	456,053
138,043	193,719	139,211	156,705	161,416	153,330
2,084,405	2,584,132	2,400,299	4,821,069	2,494,575	1,733,506
320,194	220,583	210,197	221,190	164,847	194,165
127,099	122,979	186,685	291,241	165,213	146,134
<u>\$ 10,897,054</u>	<u>\$ 11,001,448</u>	<u>\$ 10,510,395</u>	<u>\$ 12,844,448</u>	<u>\$ 10,373,850</u>	<u>\$ 8,798,209</u>
\$ 4,413,059	\$ 4,565,371	\$ 4,611,053	\$ 3,971,172	\$ 4,054,327	\$ 4,978,881
1,500,390	1,720,183	1,858,150	3,827,983	1,418,235	1,370,077
1,265,330	1,315,959	1,382,831	1,171,850	1,059,749	1,068,664
153,374	473,589	445,286	1,485,349	370,196	369,678
594,634	539,907	560,719	523,056	584,972	493,239
1,757,380	7,418,290	2,148,587	4,536,373	1,523,847	916,686
716,900	2,174,428	3,189,899	4,556,521	2,437,932	1,332,133
<u>\$ 10,401,067</u>	<u>\$ 18,207,727</u>	<u>\$ 14,196,525</u>	<u>\$ 20,072,304</u>	<u>\$ 11,449,258</u>	<u>\$ 10,529,358</u>



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
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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 the City Council of the City of Keokuk, 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 remaining fund information of the City of Keokuk, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Keokuk, Iowa's basic financial statements and have issued our report thereon dated March 24, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. We expressed adverse opinions on the aggregate discretely presented component units.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 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. We consider the deficiencies described in the accompanying schedule of findings as item II-A-16 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Keokuk, Iowa's Response to Findings

The City of Keokuk, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings. The City of Keokuk, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Keokuk, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
March 24, 2017

CITY OF KEOKUK, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Summary of the Independent Auditor's Results

- a) An unmodified opinion was issued on the primary government financial statements, except the other activities were issued adverse opinions, which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

- II-A-16 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances, utilizing currently available staff, including elected officials.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-16 Questionable Disbursements – No disbursements 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.

- III-C-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-16 Business Transactions – No business transactions between the City and City officials or employees were noted.

- III-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF KEOKUK, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Part III: Other Findings Related to Required Statutory Reporting (Continued)

III-F-16 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-16 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-16 Revenue Bonds and Notes – No instances of non-compliance with the revenue note resolutions were noted.

III-I-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on December 12, 2016.

Recommendation – The City should file the Annual Urban Renewal Report timely.

Response – This will be corrected on next year's report.

Conclusion – Response accepted.