CITY OF ELDRIDGE, IOWA

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

JUNE 30, 2017

TABLE OF CONTENTS

PAGE

OFFICIALS 1

INDEPENDENT AUDITOR'S REPORT 2

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position 12

Statement of Activities 13-14

Fund Financial Statements:

Governmental Funds

Balance Sheet 15

Reconciliation of the Balance Sheet to the Statement of Net Position 16

Statement of Revenues, Expenditures, and Changes in Fund Balances 17

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 18

Proprietary Funds

Statement of Net Position 19-20

Statement of Revenues, Expenses, and Changes in Fund Net Position 21-22

Statement of Cash Flows 23-26

Notes to Financial Statements 27

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual - Governmental Funds and Proprietary Funds 47

Budget to GAAP Reconciliation 48

Notes to Required Supplementary Information - Budgetary Reporting 49

Schedule of the City's Proportionate Share of the Net Pension Liability 50

Schedule of City Contributions 51

Notes to Required Supplementary Information - Pension Liability 53

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds - **Schedule 1** 54-55

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds - **Schedule 2** 56-57

Schedule of Revenues by Sources and Expenditures by Function – All Governmental Funds for the Last Eight Years - **Schedule 3** 58-59

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 60

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 62

CITY OF ELDRIDGE, IOWA
OFFICIALS
June 30, 2017

Name	Title	Term Expires
Marty O'Boyle	Mayor	January 2018
Brian Dockery	Council Member	January 2018
Frank King	Council Member	January 2018
Adrian Blackwell	Council Member	January 2020
Bernie Peeters	Council Member	January 2020
Steve Puls	Council Member	January 2020
Donald Stoltenberg	Utility Board Trustee	February 2017
Michael Anderson	Utility Board Trustee	February 2018
Lynnelle Anderson	Utility Board Trustee	February 2020
James Skadal	Utility Board Trustee	February 2021
Brock Kroeger	Utility Board Trustee	February 2022
James Roseman	Utility Board Trustee	February 2023
John R. Dowd	City Administrator	
James C. Martin	Assistant City Administrator	
Denise M. Benson	City Clerk	

MINER, GILROY AND MEADE
Certified Public Accountants, PC

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Eldridge, 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 Eldridge, Iowa, as of and for the year ended June 30, 2017, and the notes to the 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 U.S. generally accepted accounting principles. 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 misstatements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eldridge, Iowa, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with U.S. generally accepted accounting principles.

127-1/2 Main Street
Savanna, IL 61074
tel: 815-273-2315
fax: 815-273-2314

800 Spring Street
Galena, IL 61036
tel: 815-777-2675
fax: 815-777-6865

240 S. Main Sreet
Maquoketa, IA 52060
tel: 563-652-5143
fax: 563-652-5144

1050 N. 18th Street
Clinton, IA 52732
tel: 563-243-0280

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 4 through 11 and 47 through 53 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Eldridge, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2017 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2009 (which are not presented herein) were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is 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 financial statements or to the 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2017 on our consideration of City of Eldridge's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards in considering City of Eldridge, Iowa's internal control over financial reporting and compliance.

Mine, Gilg & Nuhl CPA PC

Clinton, Iowa
September 12, 2017

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The City of Eldridge, 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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental program and activity revenues increased $364,822 or 7.00 % over the prior fiscal year. Program expenses of the City's governmental activities increased $33,810 or .85% over the prior year.

- Revenues of the City's business type activities increased by $426,625 or 6.62% over the prior year; and expenses increased $466,582 or 6.65% over the prior year.

- The City's total net position increased $960,017 or 1.37% from June 30, 2016 to June 30, 2017. Of this amount, the net position after transfers of the governmental activities increased $1,627,710 and the net position after transfers of the business type activities decreased $667,693.

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 Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the City of Eldridge, Iowa as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations 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.

Required Supplemental Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplemental Information provides detailed information about the City's nonmajor governmental funds and special revenue funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

1) Government-wide Financial Statement

The Statement of Net Position and the Statement of Net Activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.

- Business-type Activities include the water and electric utilities, sanitary sewer system, the community center, and the fitness center. These activities are financed primarily by user charges.

REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)

2) Fund Financial Statements

The City has two kinds of funds:

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 the General Fund; the Special Revenue Funds, such as Road Use Tax, Sales Tax Projects, Hotel Tax, and TIF funds; Capital Project funds of Capital Improvement and Street Projects; and Debt Service. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Proprietary funds account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund, Community Center Fund and Fitness Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business type activities.

	Governmental Activities		Business Type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Current and other assets	$ 7,592,438	$ 6,213,342	$ 8,178,968	$ 8,047,281	$15,771,406	$14,260,623
Capital assets	6,097,112	6,085,149	35,553,786	36,692,016	41,650,898	42,777,165
Total assets	13,689,550	12,298,491	43,732,754	44,739,297	57,422,304	57,037,788
Deferred outflows Of resources	251,598	250,361	234,432	233,452	486,030	483,813
Other liabilities	217,950	261,503	192,698	292,301	410,648	553,804
Long-term liabilities	3,288,137	3,284,166	1,235,937	1,311,037	4,524,074	4,595,203
Total liabilities	3,506,087	3,545,669	1,428,635	1,603,338	4,934,722	5,149,007
Deferred inflows of resources	2,400,065	2,595,897	27,359	190,526	2,427,424	2,786,423
Net position:						
Invested in capital assets, net of related debt	3,597,112	3,370,149	35,068,786	35,857,016	38,665,898	39,227,165
Restricted	2,058,292	1,549,542	350,075	420,575	2,408,367	1,970,117
Unrestricted	2,379,592	1,487,595	7,092,331	6,901,294	9,471,923	8,388,889
Total net position	$ 8,034,996	$ 6,407,286	$42,511,192	$43,178,885	$50,546,188	$49,586,171

Net position of governmental activities increased $1,627,710 or 25.40% over the prior year. Net position of business type activities decreased $667,693 or 1.55% under the prior year. The largest portion of the City's net position was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Total restricted net position represents resources subject to external restrictions. Unrestricted net position, the part of the net position that can be used to finance day-to-day operations, is $9,471,923 at the end of this year, compared to $8,388,889 in the prior year.

Revenues for governmental activities increased by $364,822 over the prior year. This increase was attributable to increases in capital grants, property, road use, and sales taxes, and increases in interest and miscellaneous income. The cost of governmental activities this year increased slightly by .85% or $33,810, from the prior year. Increases in public safely, culture and recreation, and general government were responsible for the majority of this increase.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Governmental Activities		Business Type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues:						
Charges for service	$ 693,630	$ 673,212	$ 6,757,855	$ 6,319,575	$ 7,451,485	$6,992,787
Capital grants and contributions	304,058	9,480	-	-	304,058	9,480
General revenues:						
Property tax levied for:						
General purpose	2,340,903	2,018,133	-	-	2,340,903	2,018,133
Debt service	44,994	45,412	-	-	44,994	45,412
Tax increment financing	308	740,379	-	-	308	740,379
Franchise tax	43,523	44,227	-	-	43,523	44,227
Road use tax	872,577	718,220	-	-	872,577	718,220
Local option sales tax	991,567	848,049	-	-	991,567	848,049
Assessments	1,284	1,367	-	-	1,284	1,367
Interest on investments	24,547	20,414	87,071	77,657	111,618	98,071
Miscellaneous	258,333	92,009	21,991	43,060	280,324	135,069
Total	5,575,724	5,210,902	6,866,917	6,440,292	12,442,641	11,651,194
Program expense						
Public safety	1,032,613	1,015,545	-	-	1,032,613	1,015,545
Public works	1,595,578	1,622,872	-	-	1,595,578	1,622,872
Culture and recreation	564,049	424,200	-	-	564,049	424,200
Community and economic development	93,502	236,018	-	-	93,502	236,018
General government	679,707	507,281	-	-	679,707	507,281
Interest on long-term debt	37,565	163,288	12,169	16,562	49,734	179,850
Electric	-	-	4,444,194	4,234,953	4,444,194	4,234,953
Water	-	-	867,680	904,004	867,680	904,004
Sewer	-	-	1,672,235	1,325,452	1,672,235	1,325,452
Community center	-	-	277,587	286,158	277,587	286,158
Fitness center	-	-	205,745	245,899	205,745	245,899
Loss on disposition of assets	-	-	-	-	-	-
Total	4,003,014	3,969,204	7,479,610	7,013,028	11,482,624	10,982,232
Changes in net position Before transfers	1,572,710	1,241,698	(612,693)	(572,736)	960,017	668,962
Transfers	55,000	36,200	(55,000)	(36,200)	-	-
Net position, beginning of year	6,407,286	5,129,388	43,178,885	43,787,821	49,586,171	48,917,209
Net position, end of year	$ 8,034,996	$ 6,407,286	$42,511,192	$43,178,885	$50,546,188	$49,586,171

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position of business type activities decreased by $667,693 or 1.55% under the prior year. Increases in electric and sewer expenses accounted for this decrease in net position of the business type activities.

The cost of all governmental activities this year was $4,003,014 compared to $3,969,204 last year. However, as shown in the Statement of Activities on pages 13 and 14, the amount taxpayers ultimately financed for these activities was only $3,005,326 because some of the cost was paid by those directly benefited from the programs ($693,630) or by other governments and organizations which subsidized certain programs with grants and contributions ($304,058). The City paid the remaining "public benefit" portion of governmental activities with property taxes and other receipts, such as other tax, interest, and miscellaneous revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental fund Highlights

As the City of Eldridge completed the year, its governmental funds reported a combined fund balance of $4,568,365, which is 28.13% more than the $3,565,539 total fund balance at June 30, 2016. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed an increase in fund balance of $9,056 from the prior year to $1,376,514. This was due to an increase in revenues by $397,394 or 13.93% to $3,249,563. However, expenditures increased by $466,824 or 16.71% to $3,260,507 over the prior year and other financing sources decreased to $20,000; compared to $105,668 in the prior year.

The Special Revenue, Road Use Tax Fund that accounts for road construction and maintenance, had an increase in fund balance of $379,229 at June 30, 2017, attributable to an increase in state funds and a decrease in capital project expenditures in comparison to the prior year. The Road Use Tax Fund ended fiscal year 2017 with a $988,043 fund balance compared to the prior year's ending fund balance of $608,814.

The Special Revenue, Sales Tax Projects Fund accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used. This fund had an increase of $538,494 in fund balance at June 30, 2017, as compared to an increase of $104,852 in the prior year. An increase in capital projects in the prior year resulted in the larger increase in fund balance in the current year in comparison to the prior year. Net transfers out to operating funds increased by $938 to total $246,182 in the current year, as compared to $245,244 for 2016.

INDIVIDUAL MAJOR FUND ANALYSIS (CONTINUED)

Proprietary Fund Highlights

The Enterprise, Electric Fund, which accounts for the operation and maintenance of the City's electric system, had a net position of $19,409,360 at June 30, 2017 compared to a net position of $19,331,968 at June 30, 2016.

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, had a net position of $8,050,479 at June 30, 2017 compared to a net position of $8,073,628 at June 30, 2016.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had a net position of $13,910,735 at June 30, 2017 compared to a net position of $14,583,480 at June 30, 2016.

The Enterprise, Community Center Fund, which accounts for the operation of the City's Community Center, had a net position of $660,759 at June 30, 2017 compared to a net position of $689,174 at June 30, 2016.

The Enterprise, Fitness Center fund, which accounts for the operation of the City's Fitness Center, had a net position of $479,859 at June 30, 2017 compared to a restated net position of $500,635 at June 30, 2016.

BUDGETARY HIGHLIGHTS

On May 15, 2017, the City amended its budget to cover unplanned disbursements in public safety, public works, community and economic development, general government, and capital projects. The City's receipts (before other financing sources) were $580,354 less than amended budgeted receipts, an unfavorable variance of 4.50%. The most significant variance resulted from Intergovernmental receipts. The budget also included investment income, miscellaneous income, and charges for services for the proprietary funds in addition to the governmental funds.

The City's disbursements were $1,882,444 less than amended budgeted disbursements, a favorable variance of 14.19%. The largest variances were in public safety, culture & recreation, capital projects, and business type activities. The City did not exceed budgeted disbursements in any function area for the year ended June 30, 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The city's capital assets include land, infrastructure, buildings, equipment and vehicles. Capital assets of governmental activities totaled $6,507,050 net of accumulated depreciation, at June 30, 2017. Capital assets of business type activities totaled $35,553,786, net of accumulated depreciation, at June 30, 2017, See note 3 to the financial statements for more information about the City's capital assets.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2016, the City had $2,500,000 in total long-term debt outstanding for governmental activities. The City also had $485,000 in total long-term debt outstanding for business type activities. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Eldridge, Iowa remains in a good position to continue operations into the next fiscal year. Taxable values have increased along with the estimated levy rates. These increases will provide sufficient property tax dollars for future operations. The projected tax levy rates per $1,000 of taxable value for the 2017-2018 fiscal year are:

Tax Levy Purpose	Estimated Levy Rate
Regular General Levy	$6.52504
Tort Liability Levy	.09923
Debt Service Levy	.12393
Total Tax Levy	$6.74820
Agricultural Land Levy	$2.99066

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact either the City Clerk or the City Administrator at City Hall, 305 N. Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd
City Administrator

BASIC FINANCIAL STATEMENTS

CITY OF ELDRIDGE, IOWA
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	$ 4,251,611	$ 6,347,430	$ 10,599,041
Receivables:			
Grant	170,825		170,825
Property tax			
Current year	6,954	-	6,954
Succeeding year	2,396,185	-	2,396,185
Other tax	145,271	-	145,271
Customer accounts and unbilled usage	-	517,212	517,212
Other	31,683	-	31,683
Inventories	26,471	581,239	607,710
Prepaid insurance	80,645	79,286	159,931
Restricted cash and investments	-	653,801	653,801
Due from other funds	72,855	-	72,855
Capital assets, net of accumulated depreciation	6,507,050	35,553,786	42,060,836
Total assets	13,689,550	43,732,754	57,422,304
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	251,598	234,432	486,030
LIABILITIES			
Accounts payable	86,988	65,618	152,606
Accrued interest payable	3,723	546	4,269
Salaries and benefits payable	6,153	4,668	10,821
Accrued expenses	1,478	49,540	51,018
Due to other funds	72,855	-	72,855
Compensated absences	46,753	72,326	119,079
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	63,180	63,180
General obligation bonds and notes	215,000	-	215,000
Revenue bonds	-	240,000	240,000
Portion due or payable after one year:			
General obligation bonds and notes	2,285,000	-	2,285,000
Revenue bonds	-	245,000	245,000
Net pension liability	682,893	605,054	1,287,947
Compensated absences	105,244	82,703	187,947
Total liabilities	3,506,087	1,428,635	4,934,722
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Succeeding year property tax	2,396,185	-	2,396,185
Pension related deferred inflows	3,880	27,359	31,239
Total deferred inflows of resources	2,400,065	27,359	2,427,424
NET POSITION			
Invested in capital assets, net of related debt	4,007,050	35,068,786	39,075,836
Restricted for:			
Capital projects	1,943,528	-	1,943,528
Community programs and services	65,915	-	65,915
Debt service	28,473	-	28,473
Revenue bonds retirement	-	350,075	350,075
Urban renewal	20,376	-	20,376
Unrestricted	1,969,654	7,092,331	9,061,985
Total net position	$ 8,034,996	$ 42,511,192	$ 50,546,188

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		Program Revenues	
	Expenses	Charges for Services	Capital Grants and Contributions
FUNCTIONS/PROGRAMS			
Governmental activities:			
Public safety	$ 1,032,613	$ 150,570	$ 3,029
Public works	1,595,578	315,551	170,825
Culture and recreation	564,049	86,622	130,204
Community and economic development	93,502	3,328	-
General government	679,707	137,559	-
Interest on long-term debt	37,565	-	-
Total governmental activities	4,003,014	693,630	304,058
Business type activities:			
Electric	4,444,194	4,461,777	-
Water	867,680	833,513	-
Sewer	1,672,235	1,049,852	-
Community center	277,587	243,837	-
Fitness center	205,745	168,876	-
Interest on long-term debt	12,169	-	-
Total business type activities	7,479,610	6,757,855	-
TOTAL	$ 11,482,624	$ 7,451,485	$ 304,058

General revenues:
- Property tax levied for:
  - General purpose
  - Debt service
- Tax increment financing
- Franchise tax
- Road use tax
- Local option sales tax
- Assessments
- Interest on investments
- Transfers
- Miscellaneous
  - Total general revenues

CHANGES IN NET POSITION

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business Type Activities	Total
$ (879,014)	-	$ (879,014)
(1,109,202)	-	(1,109,202)
(347,223)	-	(347,223)
(90,174)	-	(90,174)
(542,148)	-	(542,148)
(37,565)	-	(37,565)
(3,005,326)	-	(3,005,326)
-	17,583	17,583
-	(34,167)	(34,167)
-	(622,383)	(622,383)
-	(33,750)	(33,750)
-	(36,869)	(36,869)
-	(12,169)	(12,169)
-	(721,755)	(721,755)
$ (3,005,326)	$ (721,755)	$ (3,727,081)
2,340,903	-	2,340,903
44,994	-	44,994
308	-	308
43,523	-	43,523
872,577	-	872,577
991,567	-	991,567
1,284	-	1,284
24,547	87,071	111,618
55,000	(55,000)	-
258,333	21,991	280,324
4,633,036	54,062	4,687,098
1,627,710	(667,693)	960,017
6,407,286	43,178,885	49,586,171
$ 8,034,996	$ 42,511,192	$ 50,546,188

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue: Road Use Tax Fund	Special Revenue: Sales Tax Projects Fund	Other Nonmajor Governmental Funds	Total All Funds
ASSETS					
Cash and investments	$ 1,347,364	$ 829,162	$ 1,815,440	$ 259,645	$ 4,251,611
Receivables:					
Grant		170,825			170,825
Property tax				-	
Current year	6,826	-	-	128	6,954
Succeeding year	2,351,185	-	-	45,000	2,396,185
Other tax	-	73,213	72,058	-	145,271
Other	31,683	-	-	-	31,683
Inventories	26,471	-	-	-	26,471
Prepaid insurance	80,645	-	-	-	80,645
Due from other funds	-	-	60,615	12,240	72,855
TOTAL ASSETS	$ 3,844,174	$ 1,073,200	$ 1,948,113	$ 317,013	$ 7,182,500
LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 54,436	$ 24,542	$ -	$ 8,010	$ 86,988
Accrued interest payable	-	-	-	3,723	3,723
Salaries and benefits payable	6,153	-	-	-	6,153
Accrued expenses	1,478	-	-	-	1,478
Due to other funds	7,655	60,615	4,585	-	72,855
Compensated absences	46,753	-	-	-	46,753
Total liabilities	116,475	85,157	4,585	11,733	217,950
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Succeeding year property tax	2,351,185	-	-	45,000	2,396,185
FUND BALANCES					
Nonspendable:					
Inventories and prepaid insurance	107,116	-	-	-	107,116
Restricted for:					
Capital projects	-	-	1,943,528	-	1,943,528
Community programs and services	-	-	-	65,915	65,915
Debt service	-	-	-	28,473	28,473
Urban renewal	-	-	-	20,376	20,376
Committed for:					
Capital projects	-	-	-	145,516	145,516
General equipment replacement	176,009	-	-	-	176,009
Unassigned	1,093,389	988,043	-	-	2,081,432
Total fund balances	1,376,514	988,043	1,943,528	260,280	4,568,365
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 3,844,174	$ 1,073,200	$ 1,948,113	$ 317,013	$ 7,182,500

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2017

Total governmental fund balance (page 15)		$ 4,568,365
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is $32,042,676 and the accumulated depreciation is $25,535,626.		6,507,050
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 251,598	
Deferred inflows of resources	(3,880)	
		247,718
Long-term liabilities, including bonds payable, capital leases, net pension liabilities, and compensated absences are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds.		(3,288,137)
Net position of governmental activities (page 12)		$ 8,034,996

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2017

		Special Revenue			
	General Fund	Road Use Tax Fund	Sales Tax Projects Fund	Other Nonmajor Governmental Funds	Total All Funds
REVENUES					
Property tax	$ 2,340,903	$ -	$ -	$ 44,994	$ 2,385,897
Tax increment financing	-	-	-	308	308
Other taxes	43,523	-	960,013	32,838	1,036,374
Licenses and permits	147,215	-	-	-	147,215
Rent	41,853	-	-	-	41,853
Intergovernmental	75,827	872,577	-	-	948,404
Federal grant	-	170,825	-	-	170,825
Charges for services	546,415	-	-	-	546,415
Interest on investments	24,547	-	-	-	24,547
Miscellaneous	29,280	-	113,734	130,872	273,886
Total revenues	3,249,563	1,043,402	1,073,747	209,012	5,575,724
EXPENDITURES					
Operating:					
Public safety	1,062,153	-	-	-	1,062,153
Public works	939,051	99,343	-	-	1,038,394
Culture and recreation	424,541	-	-	31,253	455,794
Community and economic development	82,623	-	-	11,480	94,103
General government	550,942	-	-	-	550,942
Debt service		-	-	252,565	252,565
Capital projects	201,197	539,830	289,071	143,849	1,173,947
Total expenditures	3,260,507	639,173	289,071	439,147	4,627,898
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,944)	404,229	784,676	(230,135)	947,826
OTHER FINANCING SOURCES (USES)					
Operating transfers in	20,000	-	-	306,182	326,182
Operating transfers out	-	(25,000)	(246,182)	-	(271,182)
Total other financing sources (uses)	20,000	(25,000)	(246,182)	306,182	55,000
NET CHANGE IN FUND BALANCE	9,056	379,229	538,494	76,047	1,002,826
FUND BALANCE, BEGINNING OF YEAR	1,367,458	608,814	1,405,034	184,233	3,565,539
FUND BALANCE, END OF YEAR	$ 1,376,514	$ 988,043	$ 1,943,528	$ 260,280	$ 4,568,365

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net change in fund balances - total governmental funds (page 17)		$ 1,002,826
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Depreciation expense	(352,591)	
Expenditures for capital assets	774,492	
		421,901
The current year City employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position		104,691
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayments, as follows:		
Bond principal	215,000	
Pension expense	(92,530)	
Compensated absences	(24,178)	
		98,292
Changes in net position of governmental activities (page 14)		$ 1,627,710

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENTS OF NET POSITION - PROPRIETY FUND
June 30, 2017

	Electric Fund	Water Fund
ASSETS		
Cash and investments	$ 4,235,693	$ 1,349,207
Receivables:		
Customer accounts and unbilled usage	315,868	95,196
Inventories	353,109	17,490
Prepaid insurance	32,362	10,787
Restricted assets:		
Cash and investments	634,078	19,723
Capital assets, net of accumulated depreciation	14,729,034	6,676,349
Total assets	20,300,144	8,168,752
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	74,945	40,150
LIABILITIES		
Accounts payable	23,843	37,133
Salaries and benefits payable	1,558	538
Accrued expenses	49,540	-
Payable from restricted assets:		
Customer deposits	43,457	19,723
Revenue bonds	240,000	-
Accrued interest payable	546	-
Compensated absences	72,326	-
Long-term liabilities:		
Revenue bonds	245,000	-
Net pension liability	195,248	106,468
Compensated absences	82,703	-
Total liabilities	954,221	163,862
DEFERRED INFLOWS OF RESOURCES		
Pension related deffered inflows	11,508	(5,439)
NET POSITION		
Invested in capital assets, net of related debt	14,244,034	6,676,349
Restricted for:		
Revenue bonds retirement	350,075	-
Unrestricted:		
Designated for:		
Equipment replacement	518,271	378,641
Capital projects	100,000	-
Undesignated	4,196,980	995,489
Total net position	$ 19,409,360	$ 8,050,479

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
$ 724,164	$ 42,179	$ (3,813)	$ 6,347,430
106,148	-	-	517,212
206,212	3,367	1,061	581,239
21,918	6,953	7,266	79,286
-	-	-	653,801
12,954,182	665,991	528,230	35,553,786
14,012,624	718,490	532,744	43,732,754
61,816	31,111	26,410	234,432
1,151	-	3,491	65,618
156	-	2,416	4,668
-	-		49,540
-	-	-	63,180
-	-	-	240,000
-	-	-	546
-	-	-	72,326
-	-	-	245,000
162,224	75,375	65,739	605,054
-	-	-	82,703
163,531	75,375	71,646	1,428,635
174	13,467	7,649	27,359
12,954,182	665,991	462,491	35,003,047
-	-	-	350,075
210,437	-	-	1,107,349
-	-	-	100,000
746,116	(5,232)	17,368	5,950,721
$ 13,910,735	$ 660,759	$ 479,859	$ 42,511,192

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Electric Fund	Water Fund
OPERATING REVENUES		
Charges for services	$ 4,461,777	$ 833,513
Miscellaneous	120	20,353
Total operating revenues	4,461,897	853,866
OPERATING EXPENSES		
Business type activities:		
Cost of sales and services	3,922,042	591,658
Depreciation	522,152	276,022
Total operating expenses	4,444,194	867,680
NET INCOME (LOSS) FROM OPERATIONS	17,703	(13,814)
OTHER INCOME (EXPENSE)		
Interest on investments	56,273	6,250
Interest expense	(8,584)	(3,585)
Total other revenues (expenses)	47,689	2,665
OTHER FINANCING SOURCES (USES)		
Operating transfer in	12,000	-
Operating transfer out	-	(12,000)
Total other financing sources (uses)	12,000	(12,000)
NET INCOME (LOSS)	77,392	(23,149)
NET POSITION, BEGINNING OF YEAR	19,331,968	8,073,628
NET POSITION, END OF YEAR	$ 19,409,360	$ 8,050,479

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
$ 1,049,852	$ 243,837	$ 168,876	$ 6,757,855
-	425	1,093	21,991
1,049,852	244,262	169,969	6,779,846
1,210,945	249,088	184,617	6,158,350
461,290	28,499	21,128	1,309,091
1,672,235	277,587	205,745	7,467,441
(622,383)	(33,325)	(35,776)	(687,595)
19,638	4,910	-	87,071
-	-	-	(12,169)
19,638	4,910	-	74,902
-	-	15,000	27,000
(70,000)	-	-	(82,000)
(70,000)	-	15,000	(55,000)
(672,745)	(28,415)	(20,776)	(667,693)
14,583,480	689,174	500,635	43,178,885
$ 13,910,735	$ 660,759	$ 479,859	$ 42,511,192

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 4,480,075	$ 821,492
Cash received from other revenues	120	20,353
Cash paid for personal services	(413,670)	(259,631)
Cash paid to suppliers	(3,497,467)	(302,081)
Net cash provided (used) by operating activities	569,058	280,133
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other funds, net of advance repayments	12,000	(12,000)
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Acquisition of capital assets	(130,159)	-
Principal paid on revenue bonds and capital leases	(235,000)	(115,000)
Interest paid on revenue bonds and capital leases	(8,761)	(3,910)
Net cash provided (used) by capital and related financing activities	(373,920)	(118,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	56,273	6,250
NET INCREASE (DECREASE) IN CASH	263,411	155,473
CASH AND INVESTMENTS, BEGINNING OF YEAR	4,606,360	1,213,457
CASH AND INVESTMENTS, END OF YEAR	$ 4,869,771	$ 1,368,930

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
$ 1,034,793	$ 243,837	$ 168,876	$ 6,749,073
-	425	1,093	21,991
(361,674)	(141,909)	(119,059)	(1,295,943)
(883,947)	(106,954)	(66,754)	(4,857,203)
(210,828)	(4,601)	(15,844)	617,918
(70,000)	-	15,000	(55,000)
(29,835)	(10,867)	-	(170,861)
-	-	-	(350,000)
-	-	-	(12,671)
(29,835)	(10,867)	-	(533,532)
19,638	4,910	-	87,071
(291,025)	(10,558)	(844)	116,457
1,015,189	52,737	(2,969)	6,884,774
$ 724,164	$ 42,179	$ (3,813)	$ 7,001,231

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2017

	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 17,703	$ (13,814)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	522,152	276,022
(Increase) decrease in customer accounts and unbilled usage receivable	18,298	(12,021)
(Increase) decrease in inventories	11,564	(3,566)
(Increase) decrease in prepaid insurance	4,065	1,355
(Increase) decrease in deferred outflows of resources	(29,099)	(19,400)
Increase (decrease) in accounts payable	3,228	37,132
Increase (decrease) in accrued wages	(9,278)	(5,942)
Increase (decrease) in accrued expenses	(7,353)	-
Increase (decrease) in customer deposits	4,831	3,006
Increase (decrease) in compensated absences	6,908	-
Increase (decrease) in pension liability	49,009	32,675
Increase (decrease) in deferred inflows of resources	(22,970)	(15,314)
Net cash provided (used) by operating activities	$ 569,058	$ 280,133
Reconcilation of cash and investments at year end to specific assets included in the statement of net position:		
Current assets:		
Cash and investments	4,235,693	1,349,207
Restricted assets:		
Cash and investments:		
Revenue bonds retirement	590,621	-
Customer deposits	43,457	19,723
Cash and investments, end of year	$ 4,869,771	$ 1,368,930

Sewer Fund	Community Center Fund	Fitness Center Fund	Total All Funds
$ (622,383)	$ (33,325)	$ (35,776)	$ (687,595)
461,290	28,499	21,128	1,309,091
(15,058)	-	-	(8,781)
(27,684)	3,046	221	(16,419)
3,603	1,420	(472)	9,971
(26,964)	(7,942)	(8,329)	(91,734)
1,151	-	3,491.00	45,002
(8,912)	(3,405)	(3,560)	(31,097)
-	-	-	(7,353)
-	-	-	7,837
-	-	-	6,908
45,415	13,375	14,027	154,501
(21,286)	(6,269)	(6,574)	(72,413)
$ (210,828)	$ (4,601)	$ (15,844)	$ 617,918
724,164	42,179	(3,813)	6,347,430
-	-	-	590,621
-	-	-	63,180
$ 724,164	$ 42,179	$ (3,813)	$ 7,001,231

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home rule provisions of the constitution of Iowa. The City also 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, recreation, community and economic development, and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

The financial statements of the City of Eldridge, Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity
For financial reporting purposes, the City of Eldridge, 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. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

Basis of Presentation
Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The City reports the following major governmental funds:

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

Special Revenue Funds – The Road Use Tax Fund is used to account for road construction and maintenance. The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

Enterprise:

Electric Fund – The Electric fund is used to account for the operation and maintenance of the City's electric system.

Water Fund – The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund – The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund – The Community Center Fund is used to account for the operation of the City's community center.

Fitness Center Fund – The Fitness Center Fund is used to account for the operation of the City's fitness center.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted 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 revenue.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Cash and Investments
For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

Property Tax Receivable, Including Tax Increment Financing
Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting,

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2017 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purpose set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments, are based on January 1, 2015 assessed property valuations, are for the tax accrual period July 1, 2016 through June 30, 2017 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2016.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer Accounts and Unbilled Usage
Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds
During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories
Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets
Restricted assets of cash and investments set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets
Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, building and improvements	$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40-50 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-50 years

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. These consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences
It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and compensatory time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Compensatory time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued compensatory time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities
In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Deferred Inflows of Resources
Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (cont.)
are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' plan investments.

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

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.
Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.
Assigned - Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City Administrator.
Unassigned - All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

Budgets and Budgetary Accounting
The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements did not exceed the amount budgeted in any function line item.

NOTE 2 - CASH AND INVESTMENTS

Deposit Accounts

The City's cash and investments at June 30, 2017 consist of the following:

Petty cash fund on hand	$ 830
Checking accounts	(138,215)
Money market accounts	11,390,227
Total	$11,252,842

At June 30, 2016, the carrying amount of the City's deposits was $11,252,842 and the related bank balance was $11,674,881.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 insure there will be no loss of public funds.

Investments

The City is authorized by state 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated:				
Construction in progress	$ -	$ 409,938	$ -	$ 409,938
Land	1,995,417	104,590	-	2,100,007
Total	1,995,417	514,528	-	2,509,945
Capital assets being depreciated:				
Buildings	1,607,833	-	-	1,607,833
Equipment and vehicles	1,920,284	269,508	63,460	2,126,332
Infrastructure, road network	25,798,566	-	-	25,798,566
Total	29,326,683	269,508	63,460	29,532,731
Less accumulated depreciation	25,236,951	352,591	53,916	25,535,626
Net	4,089,732	(83,083)	9,544	3,997,105
Governmental activities capital assets, net	**$ 6,085,149**	**$ 431,445**	**$ 9,544**	**$ 6,507,050**

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Business type activities				
Capital assets not being depreciated:				
Land	$ 570,994	-	-	$ 570,994
Capital assets being depreciated:				
Buildings	35,583,748	-	-	35,583,748
Equipment and vehicles	1,903,777	170,861	-	2,074,638
Infrastructure	17,493,307	-	-	17,493,307
Total	54,980,832	170,861	-	55,151,693
Less accumulated depreciation	18,859,810	1,309,091	-	20,168,901
Net	36,121,022	(1,138,230)	-	34,982,792
Business type activities capital assets, net	**$ 36,692,016**	**$ (1,138,230)**	**$ -**	**$ 35,553,786**

Depreciation expense for the year ended June 30, 2017 was charged to functions of the City as follows:

Governmental activities:	
Public safety	$ 44,337
Public works	190,430
General government	8,842
Culture and recreation	108,982
Total governmental activities	$ 352,591
Business type activities:	
Electric	$ 522,152
Water	276,022
Sewer	461,290
Community center	28,499
Fitness center	21,128
Total business type activities	$ 1,309,091

NOTE 4 - LONG-TERM LIABILITIES

A summary of transactions that occurred regarding bond and note obligations for the year ended June 30, 2017 as follows:

	Beginning of Year	Increases	Decreases	End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	$2,715,000	$ -	$ 215,000	$ 2,500,000	$ 215,000
Business type activities:					
Revenue bonds	$ 835,000	$ -	$ 350,000	$ 485,000	$ 240,000

General Obligation Bonds

The general obligation bonds outstanding at June 30, 2017 of $2,500,000 bear interest rates ranging from .70% to 2.60% and mature in varying annual amounts from $215,000 to $275,000 with the final maturities due in the year ending June 1, 2027.

Details of the general obligation bonds payable at June 30, 2017 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2017
GP Bonds, Series 2015	March 10, 2015	.07 - 2.60%	June 1, 2027	215,000 to 260,000	$2,715,000	$2,500,000

A summary of general obligation bond principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 215,000	$ 44,673	$ 259,673
2019	235,000	42,738	277,738
2020	240,000	40,153	280,153
2021	245,000	37,033	282,033
2022	250,000	33,358	283,358
2023-2027	1,315,000	92,807	1,407,807
Totals	$ 2,500,000	$ 290,762	$2,790,762

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Electric revenue refunding series 2014, totaling $485,000 were outstanding at June 30, 2017. These bonds bear interest at rates ranging from .50% to 1.50% and mature in varying annual amounts from $230,000 to $245,000, with the final maturities due in the year ending June 30, 2019. Water revenue series 2010 matured on June 1, 2017.

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

a) The bonds will only be redeemed from the future earnings of the water, sewer, and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.

b) Sufficient water, sewer, and electric rates will be imposed to maintain a net revenue balance equal to at least 125% of the annual payments of principal and interest coming due in the same year.

c) Monthly transfers shall be made to water, sewer, and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.

d) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the original principal amount of the bonds or 125% of the average annual principal and interest coming due on the bonds.

e) A water debt reserve fund will be maintained in an amount equal to the lesser of 10% of the stated principal amount of the bonds, the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, or 125% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2017, the City was in compliance with the revenue bond provisions.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Details of the revenue bonds payable at June 30, 2017 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2017
Water Revenue Bonds, Series 2010	May 27, 2010	1.50-3.40%	June 1, 2017	$ 95,000-115,000	$ 705,000	$ - 0 -
Electric Revenue Bonds, Series 2014	May 12, 2014	.50% - 1.50%	June 1, 2019	$ 230,000-245,000	$1,180,000	$ 485,000
Total						$ 485,000

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 240,000	$ 6,555	$ 246,555
2019	245,000	3,675	248,675
Totals	$ 485,000	$ 10,230	$ 495,230

NOTE 5 - INTERFUND LOANS/ADVANCES/TRANSFERS

The city's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues. At June 30, 2017, interfund advances were as follows:

Due From	Due To	Amount
Road Use Tax Fund	Sales Tax Project fund	$ 60,615
General Fund	Eldridge Unified TIF Area Fund	7,655
Sales Tax Project	Hotel Tax	4,585
		$ 72,855

Such interfund advances are not reported as operating transfers. Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. A summary of interfund transfers that occurred during the year ended June 30, 2017 is as follows:

Transfer To	Transfer From	Amount
General	Propriety Fund: Sewer	$ 20,000
Capital Projects:	Special Revenue:	
Street Projects	Road Use Tax	25,000
	Sales Tax Projects	25,000
		50,000
Capital Projects:	Special Revenue:	
Capital Improvement	Sales Tax Projects	60,000
Debit Service	Special Revenue:	
	Sales Tax Projects	146,182
	Proprietary Fund: Sewer	50,000
		196,182
Proprietary Fund: Electric	Proprietary Fund: Water	12,000
Proprietary Fund: Fitness	Special Revenue:	
	Sales Tax Projects	15,000
Total		$ 353,182

NOTE 6 - PENSION AND RETIREMENT BENEFITS

Iowa Public Employee Retirement System (IPERS)

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 age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

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

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

The City's total contributions to IPERS for the year ended June 30, 2017 were $187,728.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of $1,287,947 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's collective proportion was 0.0204653 percent which was an increase of .001466 percent from its proportion measured as of June 30, 2015.

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

For the year ended June 30, 2017, the City recognized pension expense of $165,921. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,153	$ 23,811
Changes of assumptions	19,253	114
Difference between projected and actual earnings on pension plan investments	241,048	-
Changes in proportion and differences between City contributions and proportionate share of contributions	26,848	7,314
City contributions subsequent to the measurement date	187,728	-
Total	$ 486,030	$ 31,239

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

$187,728 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2018	$ 35,156
2019	35,156
2020	125,556
2010	71,855
2022	(660)
	$ 267,063

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rate 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 20, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation

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

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

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50)%
City's proportionate share of the net pension liability:	$2,296,884	$ 1,287,947	$ 436,662

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2017, there were no reported payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 7 - COMPENSATED ABSENCES

The City's liability for compensated absences at June 30, 2017 is as follows:

Type of Benefit	Governmental Funds	Enterprise Funds	Total
Personal	$ 14,612	$ 20,124	$ 34,736
Vacation	25,113	46,699	71,812
Compensatory Time	7,029	5,502	12,531
Sick Leave	105,244	82,703	187,947
Totals	$ 151,998	$ 155,028	$ 307,026

NOTE 7 - COMPENSATED ABSENCES (CONTINUED)

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum or 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2017, the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELDRIDGE, IOWA
BUDGET COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CASH BASIS) - GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year Ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Budget to Actual Variance
RECEIPTS						
Property tax	$ 2,389,490	$ -	$ 2,389,490	$ 2,376,354	$ 2,376,354	$ 13,136
Tax increment financing	436	-	436	-	-	436
Other taxes	1,032,308	-	1,032,308	889,946	889,946	142,362
Licenses and permits	147,215	-	147,215	105,900	105,900	41,315
Use of money and property	315,739	87,071	402,810	41,800	41,800	361,010
Intergovernmental	948,404	-	948,404	1,683,618	1,683,618	(735,214)
Federal grant	170,825		170,825	-	-	170,825
Charges for services	546,415	6,749,073	7,295,488	7,638,100	7,638,100	(342,612)
Miscellaneous	24,547	21,991	46,538	189,150	284,150	(237,612)
Total receipts	5,575,379	6,858,135	12,433,514	12,924,868	13,019,868	(586,354)
DISBURSEMENTS						
Public safety	1,081,301	-	1,081,301	1,236,380	1,246,380	165,079
Public works	1,030,323	-	1,030,323	1,088,553	1,138,553	108,230
Culture and recreation	441,205	-	441,205	630,380	630,380	189,175
Community and economic development	96,035	-	96,035	98,135	108,135	12,100
General government	560,757	-	560,757	551,402	676,402	115,645
Debt service	261,678	-	261,678	262,518	262,518	840
Capital projects	1,173,947	-	1,173,947	2,134,190	2,229,190	1,055,243
Business type activities		6,741,678	6,741,678	6,977,810	6,977,810	236,132
Total disbursements	4,645,246	6,741,678	11,386,924	12,979,368	13,269,368	1,882,444
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	930,133	116,457	1,046,590	(54,500)	(249,500)	1,296,090
OTHER FINANCING SOURCES (USES) NET	55,000	(55,000)	-	-	-	-
NET CHANGE IN FUND BALANCES	985,133	61,457	1,046,590	(54,500)	(249,500)	1,296,090
FUND BALANCES, BEGINNING OF YEAR	3,423,173	5,178,330	8,601,503	10,649,091	10,649,091	(2,047,588)
FUND BALANCES, END OF YEAR	$ 4,408,306	$ 5,239,787	$ 9,648,093	$ 10,594,591	$ 10,399,591	$ (751,498)

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
BUDGET TO GAAP RECONCILIATION
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year ended June 30, 2017

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Receipts/revenues	$ 5,575,379	$ 345	$ 5,575,724	$ 6,858,135	$ 8,782	$ 6,866,917
Expenditures/expenses	4,645,246	(17,348)	4,627,898	6,741,678	737,932	7,479,610
Net	930,133	17,693	947,826	116,457	(729,150)	(612,693)
Other financing sources and transfer, net	55,000	-	55,000	(55,000)	-	(55,000)
Beginning fund balances/ Net position	3,423,173	142,366	3,565,539	5,178,330	38,000,555	43,178,885
Ending fund balances/ Net position	$ 4,408,306	$ 160,059	$ 4,568,365	$ 5,239,787	$ 37,271,405	$ 42,511,192

These financial statements should be read only in connection with the accompanying notes to financial statments.

CITY OF ELDRIDGE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ending June 30, 2017

The budgetary comparison is presented as required supplementary information in accordance with Government 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. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type. During the year, a budget amendment increased budgeted disbursements by $290,000. This budget amendment is reflected in the final budgeted amounts.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
City's proportion of net pension liability	0.0189992%	0.0181680%	.0181680%
City's proportionate share of net pension liability	$1,287,947	$ 938,653	$ 720,526
City's covered-employee payroll	$2,050,003	$1,867,067	$1,774,408
City's proportionate share of the net Pension liability as a percentage of Its covered-employee payroll	62.83%	50.27%	40.61%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	86.61%

- In accordance with GASB Statements 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.

See accompanying independent auditor's report.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014
Statutorily required contributions	$ 187,728	$ 170,694	$ 164,889	$ 164,644
Contributions in relation to the statutorily required contributions	(187,728)	(170,694)	(164,889)	(164,644)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,050,003	$ 1,867,067	$ 1,774,408	$ 1,785,266
Contributions as a percentage of covered-employee payroll	9.16%	9.14%	9.29%	9.22%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
$ 150,254	$ 134,536	$ 116,852	$ 105,751	$ 97,329	$ 88,144
(150,254)	(134,536)	(116,852)	(105,751)	(97,329)	(88,144)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,654,633	$ 1,571,530	$ 1,525,415	$ 1,469,084	$ 1,423,736	$ 1,316,553
9.08%	8.56%	7.66%	7.20%	6.84%	6.70%

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

SUPPLEMENTARY INFORMATION

CITY OF ELDRIDGE, IOWA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue	
	Hotel Tax Fund	Eldridge Unified TIF District Fund
ASSETS		
Cash and investments	$ 69,340	$ 14,940
Receivables:		
Property tax		
Current year	-	-
Succeeding year	-	-
Due from other funds	4,585	5,436
Total assets	$ 73,925	$ 20,376
LIABILITIES, DEFERRED INFLOWS OF AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ 8,010	$ -
Accrued interest payable	-	-
Due to other funds	-	-
Total liabilities	8,010	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues:		
Succeeding year property tax	-	-
FUND BALANCES		
Restricted for:		
Community programs and services	65,915	-
Debt service	-	-
Urban renewal	-	20,376
Committed for:		
Capital improvements	-	-
Total fund balances	65,915	20,376
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 73,925	$ 20,376

Schedule 1

Capital Projects			
Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
$ 64,420	$ 81,096	$ 29,849	$ 259,645
-	-	128	128
-	-	45,000	45,000
-	-	2,219	12,240
$ 64,420	$ 81,096	$ 77,196	$ 317,013
$ -	$ -	$ -	$ 8,010
-	-	3,723	3,723
-	-	-	-
-	-	3,723	11,733
-	-	45,000	45,000
-	-	-	65,915
-	-	28,473	28,473
-	-	-	20,376
64,420	81,096	-	145,516
64,420	81,096	28,473	260,280
$ 64,420	$ 81,096	$ 77,196	$ 317,013

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Special Revenue	
	Hotel Tax Fund	Eldridge Unified TIF District Fund
REVENUES		
Property tax	$ -	$ -
Tax increment financing	-	308
Other taxes	31,554	-
Miscellaneous	-	-
Total revenues	31,554	308
EXPENDITURES		
Operating:		
Public safety	-	-
Culture and recreation	31,253	-
Community and economic development	-	11,480
Debt service	-	-
Capital projects	8,152	-
Total expenditures	39,405	11,480
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,851)	(11,172)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of refunding bonds	-	-
Payment to refunded bond escrow agent	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
NET CHANGES IN FUND BALANCES	(7,851)	(11,172)
FUND BALANCES, BEGINNING OF YEAR	73,766	31,548
FUND BALANCES, END OF YEAR	$ 65,915	$ 20,376

Schedule 2

Capital Projects			
Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Total
$ -	$ -	$ 44,994	$ 44,994
-	-	-	308
-	1,284	-	32,838
130,204	-	668	130,872
130,204	1,284	45,662	209,012
-	-	-	-
-	-	-	31,253
-	-	-	11,480
-	-	252,565	252,565
98,135	37,562	-	143,849
98,135	37,562	252,565	439,147
32,069	(36,278)	(206,903)	(230,135)
-	-	-	-
-	-	-	-
60,000	50,000	196,182	306,182
-	-	-	-
60,000	50,000	196,182	306,182
92,069	13,722	(10,721)	76,047
(27,649)	67,374	39,194	184,233
$ 64,420	$ 81,096	$ 28,473	$ 260,280

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF REVENUES BY SOURCES AND EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS

	Modified Accrual Basis		
	2017	2016	2015
REVENUES			
Property tax	$ 2,385,897	$ 2,063,545	$ 2,002,223
Tax increment financing	308	740,379	621,419
Other taxes	1,036,374	893,643	906,392
Licenses and permits	147,215	124,835	116,975
Use of money and property	66,400	67,038	64,497
Intergovernmental	948,404	761,218	588,723
Charges for services	546,415	548,377	563,397
Miscellaneous	273,886	11,867	29,019
Total	$ 5,404,899	$ 5,210,902	$ 4,892,645
EXPENDITURES			
Operating:			
Public safety	$ 1,062,153	$ 1,007,579	$ 972,776
Public works	1,038,394	931,154	906,164
Culture and recreation	455,794	392,167	419,211
Community and economic development	94,103	236,136	213,817
General government	550,942	427,368	421,227
Debt service	252,565	650,866	671,007
Capital projects	1,173,947	1,049,910	1,671,021
Total	$ 4,627,898	$ 4,695,180	$ 5,275,223

Note: The City of Eldridge, Iowa implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in the year ended June 30, 2003.

Schedule 3

2014	2013	2012	2011	2010
$ 1,951,781	$ 1,869,454	$ 1,772,193	$ 1,720,593	$ 1,616,973
714,147	790,596	789,653	544,048	456,173
876,291	853,710	837,367	729,757	699,409
116,525	124,631	99,127	114,398	106,688
57,458	50,042	47,595	47,499	49,529
568,874	563,124	1,096,587	623,767	446,256
545,313	527,952	515,767	435,785	417,246
52,976	59,659	100,199	31,009	95,473
$ 4,883,365	$ 4,839,168	$ 5,258,488	$ 4,246,856	$ 3,887,747
$ 959,439	$ 961,658	$ 904,303	$ 822,089	$ 703,596
943,512	804,455	790,725	781,744	784,182
396,983	375,264	338,282	307,703	283,197
283,119	173,309	241,889	248,406	200,039
436,879	333,673	329,062	350,137	274,182
541,830	513,574	426,651	549,917	665,977
1,438,964	1,398,325	1,580,138	1,368,181	1,541,288
		-		
$ 5,000,726	$ 4,560,258	$ 4,611,050	$ 4,428,177	$ 4,452,461

These financial statements should be read only in connection with the accompanying notes to financial statements.

MINER, GILROY AND MEADE
Certified Public Accountants, PC

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*

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 City of Eldridge, Iowa, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Eldridge's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not 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 Eldridge, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge'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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the Part II of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

127-1/2 Main Street
Savanna, IL 61074
tel: 815-273-2315
fax: 815-273-2314

800 Spring Street
Galena, IL 61036
tel: 815-777-2675
fax: 815-777-6865

240 S. Main Sreet
Maquoketa, IA 52060
tel: 563-652-5143
fax: 563-652-5144

1050 N. 18th Street
Clinton, IA 52732
tel: 563-243-0280

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Eldridge, Iowa's operations for the year ended June 30, 2017, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. 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.

City of Eldridge, Iowa's Responses to Findings

The City of Eldridge, Iowa's responses to the findings indentified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Eldridge, Iowa's responses were not subject 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 result of that testing and not to provide an opinion on the effectiveness of the City of Eldridge, Iowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Eldridge, Iowa'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 Eldridge, 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.

Mum, Gity & Mach CPA PC

Clinton, Iowa
September 12, 2017

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Part I: Summary of Auditor's Results

(a) An unqualified opinion was issued on the financial statements.
(b) Material weaknesses in internal control over financial reporting were disclosed by the audit
of the financial statements.
(c) The audit did not disclose any noncompliance which is material to the financial statements
(d) The City of Eldridge, Iowa was not required to have an audit in accordance with the Office of Management and Budget Circular A-133.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICENCIES

II-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps to detect and correct misstatements due to error or fraud on a timely basis.

Condition - The City has limited number of employees responsible for posting, updating, and maintaining the general ledger and subsidiary ledgers.

Cause - The City has limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response - The City will continue to review operating procedures and rotate duties among available personnel as feasible. Additionally, cross-training will continue to take place.

Conclusion: Response accepted.

Part II: Findings Related to the Financial Statements (continued)

II-B-17 Preparation of Financial Statements

Criteria - Management is responsible for establishing and maintaining internal control, which includes the preparation and fair presentation of the financial statements and the accompanying disclosures in accordance with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in Government Auditing Standards, as issued by the Comptroller General of the United States.

Condition - The City, as part of the audit, engages Miner, Gilroy and Meade CPA PC to assist in preparing its financial statements the accompanying disclosures in accordance with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in Government Auditing Standards, as issued by the Comptroller General of the United States.

Cause - The City, due to time and cost constraints, relies on the auditor to draft the financial statements and the accompanying disclosures.

Effect - As independent auditors, Miner, Gilroy and Meade CPA, PC, cannot be considered part of the City's internal control system.

Recommendation - The City should implement a comprehensive review procedure to ensure that the financial statements, including the disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and governmental accounting standards.

Response - The City will continue to review and monitor procedures currently in place, and explore options to educate and train staff to help mitigate the risks associated with the preparation of the annual financial statements.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-17 Certified Budget

Finding: Disbursements during the year ended June 30, 2017 did not exceed budgeted amounts in any service function. Chapter 384.20 of the Code of Iowa, which states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

III-B-17 Questionable Expenditures

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

III-C-17 Travel Expenses

Finding: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-17 Business Transactions.

Finding: No business transactions between the City and City officials or employees were noted.

III-E-17 Bond Coverage

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

III-F-17 City Council Minutes

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

III-G-17 Deposits and Investments

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

III-H-17 Revenue Bonds

Finding: The City has established the sinking reserve funds as required by revenue bonds provisions. No instances of non-compliance with the revenue bonds provisions were noted.

III-I-17 Annual Urban Renewal Report

Finding: The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.