

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

JUNE 30, 2018

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**CITY OF ELDRIDGE, IOWA
OFFICIALS
June 30, 2018**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marty O'Boyle	Mayor	January 2022
Adrian Blackwell	Council Member	January 2020
Bernie Peeters	Council Member	January 2020
Steve Puls	Council Member	January 2020
Brian Dockery	Council Member	January 2022
Frank King	Council Member	January 2022
Barb O'Brien	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
Michael Anderson	Utility Board Trustee	February 2024
John R. Dowd	City Administrator	
James C. Martin	Assistant City Administrator	
Denise M. Benson	City Clerk	

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, 2018, and the related 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, 2018, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of the City's Proportionate Share of the Net Pension Liability on pages 4 through 11 and 50 through 56 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 required supplementary information in accordance with U.S. generally accepted auditing 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 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) 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 December 13, 2018 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 solely 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 effectiveness of the City of Eldridge, Iowa's 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.

Murray, Kelly ; Mike CST PC

Clinton, Iowa
December 13, 2018

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements.

2018 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, 2017 to June 30, 2018. 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, the City's proportionate share of the net pension liability and related contributions.

Supplemental Information provides detailed information about the City's nonmajor governmental funds and special revenue funds. In addition, the Schedule of Expenditures of Federal Awards provides details of the federal program benefiting the City.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 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.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)

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 balances. 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.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

**CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current and other assets	\$ 7,116,491	\$ 7,592,438	\$ 9,068,317	\$ 8,178,967	\$16,184,808	\$15,771,405
Capital assets	<u>8,447,910</u>	<u>6,097,112</u>	<u>35,491,115</u>	<u>35,553,787</u>	<u>43,939,025</u>	<u>41,650,899</u>
Total assets	<u>15,564,401</u>	<u>13,689,550</u>	<u>44,559,432</u>	<u>43,732,754</u>	<u>60,123,833</u>	<u>57,422,304</u>
Deferred outflows Of resources	<u>287,798</u>	<u>251,598</u>	<u>261,894</u>	<u>234,432</u>	<u>549,692</u>	<u>486,030</u>
Other liabilities	356,908	217,950	609,766	192,698	966,674	410,648
Long-term liabilities	<u>3,146,105</u>	<u>3,288,137</u>	<u>1,047,866</u>	<u>1,235,937</u>	<u>4,193,971</u>	<u>4,524,074</u>
Total liabilities	<u>3,503,013</u>	<u>3,506,087</u>	<u>1,657,632</u>	<u>1,428,635</u>	<u>5,160,645</u>	<u>4,934,722</u>
Deferred inflows of resources	<u>2,594,324</u>	<u>2,400,065</u>	<u>33,799</u>	<u>27,359</u>	<u>2,628,123</u>	<u>2,427,424</u>
Net position:						
Invested in capital assets, net of related debt	6,162,910	3,597,112	35,246,115	35,068,786	41,409,025	38,665,898
Restricted	2,281,937	2,058,292	350,075	350,075	2,632,012	2,408,367
Unrestricted	<u>1,310,015</u>	<u>2,379,592</u>	<u>7,533,705</u>	<u>7,092,331</u>	<u>8,843,720</u>	<u>9,471,923</u>
Total net position	<u>\$ 9,754,862</u>	<u>\$ 8,034,996</u>	<u>\$43,129,895</u>	<u>\$42,511,192</u>	<u>\$52,884,757</u>	<u>\$50,546,188</u>

Net position of governmental activities increased \$1,719,866 or 21.40% over the prior year. Net position of business type activities increased \$618,703 or 1.45% over 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 \$8,843,720 at the end of this year, compared to \$9,471,923 in the prior year.

Revenues for governmental activities increased by \$463,473 over the prior year. This 8.31% increase over last year was attributable to increases in capital grants, property tax, and tax increment financing revenues. The cost of governmental activities this year decreased slightly by \$755 from the prior year. Despite increases in public safety and public works activities, decreases in other activities resulted in this overall decrease.

**CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues:						
Charges for service	\$ 642,792	\$ 693,630	\$ 7,172,534	\$ 6,757,855	\$ 7,815,326	\$7,451,485
Capital grants and contributions	808,228	304,058	-	-	808,228	304,058
General revenues:						
Property tax levied for:						
General purpose	2,352,039	2,340,903	-	-	2,352,039	2,340,903
Debt service	45,016	44,994	-	-	45,016	44,994
Tax increment financing	255,812	308	-	-	255,812	308
Franchise tax	42,374	43,523	-	-	42,374	43,523
Road use tax	863,157	872,577	-	-	863,157	872,577
Local option sales tax	852,775	991,567	-	-	852,775	991,567
Assessments	1,198	1,284	-	-	1,198	1,284
Interest on investments	22,365	24,547	88,273	87,071	110,638	111,618
Miscellaneous	153,441	258,333	31,118	21,991	184,559	280,324
Total	<u>6,039,197</u>	<u>5,575,724</u>	<u>7,291,925</u>	<u>6,866,917</u>	<u>13,331,122</u>	<u>12,442,641</u>
Program expense						
Public safety	1,150,527	1,032,613	-	-	1,150,527	1,032,613
Public works	1,728,392	1,595,578	-	-	1,728,392	1,595,578
Culture and recreation	350,896	564,049	-	-	350,896	564,049
Community and economic development	87,553	93,502	-	-	87,553	93,502
General government	639,880	679,707	-	-	639,880	679,707
Interest on long-term debt	45,011	37,565	6,315	12,169	51,326	49,734
Electric	-	-	4,193,767	4,444,194	4,193,767	4,444,194
Water	-	-	793,430	867,680	793,430	867,680
Sewer	-	-	1,519,993	1,672,235	1,519,993	1,672,235
Community center	-	-	296,507	277,587	296,507	277,587
Fitness center	-	-	180,282	205,745	180,282	205,745
Loss on disposition of assets	-	-	-	-	-	-
Total	<u>4,002,259</u>	<u>4,003,014</u>	<u>6,990,294</u>	<u>7,479,610</u>	<u>10,992,553</u>	<u>11,482,624</u>
Changes in net position						
Before transfers	2,036,938	1,572,710	301,631	(612,693)	2,338,569	960,017
Transfers	(317,072)	55,000	317,072	(55,000)	-	-
Net position, beginning of year	<u>8,034,996</u>	<u>6,407,286</u>	<u>42,511,192</u>	<u>43,178,885</u>	<u>50,546,188</u>	<u>49,586,171</u>
Net position, end of year	<u>\$ 9,754,862</u>	<u>\$ 8,034,996</u>	<u>\$43,129,895</u>	<u>\$42,511,192</u>	<u>\$52,884,757</u>	<u>\$50,546,188</u>

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position of business type activities increased by \$618,703 or 1.45% over the prior year. Decreases in all areas except for the community center accounted for this decrease in net position of the business type activities.

The cost of all governmental activities this year was \$4,002,259 compared to \$4,003,014 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 \$2,551,239 because some of the cost was paid by those directly benefited from the programs (\$642,792) or by other governments and organizations which subsidized certain programs with grants and contributions (\$808,228). 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 \$4,177,627, which is 8.55% less than the \$4,568,365 total fund balance at June 30, 2017. 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 a decrease in fund balance of \$50,615 from the prior year to \$1,325,899. This was due to a decrease in revenues by \$62,139 or 1.91% to \$3,187,424. However, expenditures only increased by \$2,532 to \$3,263,039 over the prior year and other financing sources increased to \$25,000; compared to \$20,000 in the prior year.

The Special Revenue, Road Use Tax Fund that accounts for road construction and maintenance, had a decrease in fund balance of \$558,350 for the year ending June 30, 2018, attributable to an increase in capital project expenditures in comparison to the prior year. The Road Use Tax Fund ended fiscal year 2018 with a \$429,693 fund balance compared to the prior year's ending fund balance of \$988,043.

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 \$230,311 in fund balance at June 30, 2018, as compared to an increase of \$538,494 in the prior year. Lower tax revenues and an increase in transfers out in comparison to the prior year resulted in the smaller increase in fund balance. Net transfers out to operating funds increased by \$342,319 to total \$588,501 in the current year, as compared to \$246,182 for 2017.

**CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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 \$19,805,607 at June 30, 2018 compared to a net position of \$19,409,360 at June 30, 2017.

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, had a net position of \$8,059,117 at June 30, 2018 compared to a net position of \$8,050,479 at June 30, 2017.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had a net position of \$13,700,184 at June 30, 2018 compared to a net position of \$13,910,735 at June 30, 2017.

The Enterprise, Community Center Fund, which accounts for the operation of the City's Community Center, had a net position of \$1,095,903 at June 30, 2018 compared to a net position of \$660,759 June 30, 2017.

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, 2018 compared to a restated net position of \$469,084 at June 30, 2017.

BUDGETARY HIGHLIGHTS

On May 7, 2018, the City amended its budget to cover unplanned disbursements in public works, general government, capital projects, and business type activities. The City's receipts (before other financing sources) were \$326,729 less than amended budgeted receipts, an unfavorable variance of 2.52%. The most significant variance resulted from Intergovernmental receipts. The budget also unfavorable variances for tax increment financing, licenses and permits, miscellaneous receipts, and charges for services for the proprietary funds in addition to the governmental funds.

The City's disbursements were \$6,533,634 less than amended budgeted disbursements, a favorable variance of 33.92%. The largest variances were in general government, capital projects and in business type activities. The City did not exceed budgeted disbursements in any function area for the year ended June 30, 2018.

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 \$8,447,910 net of accumulated depreciation, at June 30, 2018. Capital assets of business type activities totaled \$35,491,115, net of accumulated depreciation, at June 30, 2018, See note 3 to the financial statements for more information about the City's capital assets.

**CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2018, the City had \$2,285,000 in total long-term debt outstanding for governmental activities. The City also had \$245,000 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 2018-2019 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$6.52825
Tort Liability Levy	.09213
Debt Service Levy	.12690
Total Tax Levy	<u>\$6.74728</u>
 Agricultural Land Levy	 <u>\$2.99067</u>

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, 2018

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,139,588	\$ 7,030,655	\$ 11,170,243
Receivables:			
Grant	47,332	-	47,332
Property tax			
Current year	8,961	-	8,961
Succeeding year	2,581,956	-	2,581,956
Other tax	124,176	-	124,176
Customer accounts and unbilled usage	-	597,410	597,410
Other	32,824	-	32,824
Inventories	26,471	705,510	731,981
Prepaid insurance	82,328	70,060	152,388
Restricted cash and investments	-	664,682	664,682
Due from other funds	72,855	-	72,855
Capital assets, net of accumulated depreciation	8,447,910	35,491,115	43,939,025
Total assets	<u>15,564,401</u>	<u>44,559,432</u>	<u>60,123,833</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	287,798	261,894	549,692
LIABILITIES			
Accounts payable	180,134	462,561	642,695
Accrued interest payable	3,561	306	3,867
Salaries and benefits payable	5,785	4,479	10,264
Accrued expenses	1,746	50,386	52,132
Due to other funds	72,855	-	72,855
Compensated absences	92,827	92,034	184,861
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	69,301	69,301
General obligation bonds and notes	235,000	-	235,000
Revenue bonds	-	245,000	245,000
Portion due or payable after one year:			
General obligation bonds and notes	2,050,000	-	2,050,000
Revenue bonds	-	-	-
Net pension liability	747,028	653,716	1,400,744
Compensated absences	114,077	79,849	193,926
Total liabilities	<u>3,503,013</u>	<u>1,657,632</u>	<u>5,160,645</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Succeeding year property tax	2,581,956	-	2,581,956
Pension related deferred inflows	12,368	33,799	46,167
Total deferred inflows of resources	<u>2,594,324</u>	<u>33,799</u>	<u>2,628,123</u>
NET POSITION			
Invested in capital assets, net of related debt	6,162,910	35,246,115	41,409,025
Restricted for:			
Capital projects	2,173,839	-	2,173,839
Community programs and services	68,917	-	68,917
Debt service	29,514	-	29,514
Revenue bonds retirement	-	350,075	350,075
Urban renewal	9,667	-	9,667
Unrestricted	1,310,015	7,533,705	8,843,720
Total net position	<u>\$ 9,754,862</u>	<u>\$ 43,129,895</u>	<u>\$ 52,884,757</u>

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, 2018**

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Governmental activities:			
Public safety	\$ 1,150,527	\$ 111,627	\$ 3,510
Public works	1,728,392	326,293	769,175
Culture and recreation	350,896	41,199	35,543
Community and economic development	87,553	6,895	-
General government	639,880	156,778	-
Interest on long-term debt	45,011	-	-
Total governmental activities	4,002,259	642,792	808,228
Business type activities:			
Electric	4,193,767	4,668,901	-
Water	793,430	915,212	-
Sewer	1,519,993	1,206,164	-
Community center	296,507	229,272	-
Fitness center	180,282	152,985	-
Interest on long-term debt	6,315	-	-
Total business type activities	6,990,294	7,172,534	-
TOTAL	\$ 10,992,553	\$ 7,815,326	\$ 808,228

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**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,035,390)	-	\$ (1,035,390)
(632,924)	-	(632,924)
(274,154)	-	(274,154)
(80,658)	-	(80,658)
(483,102)	-	(483,102)
(45,011)	-	(45,011)
(2,551,239)	-	(2,551,239)
-	475,134	475,134
-	121,782	121,782
-	(313,829)	(313,829)
-	(67,235)	(67,235)
-	(27,297)	(27,297)
-	(6,315)	(6,315)
-	182,240	182,240
<u>\$ (2,551,239)</u>	<u>\$ 182,240</u>	<u>\$ (2,368,999)</u>
2,352,039	-	2,352,039
45,016	-	45,016
255,812	-	255,812
42,374	-	42,374
863,157	-	863,157
852,775	-	852,775
1,198	-	1,198
22,365	88,273	110,638
(317,072)	317,072	-
153,441	31,118	184,559
4,271,105	436,463	4,707,568
1,719,866	618,703	2,338,569
8,034,996	42,511,192	50,546,188
<u>\$ 9,754,862</u>	<u>\$ 43,129,895</u>	<u>\$ 52,884,757</u>

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, 2018

	Special Revenue				Total All Funds
	General Fund	Road Use Tax Fund	Sales Tax Projects Fund	Other Nonmajor Governmental Funds	
ASSETS					
Cash and investments	\$ 1,316,426	\$ 500,977	\$ 2,076,050	\$ 246,135	\$ 4,139,588
Receivables:					
Grant		47,332			47,332
Property tax				-	
Current year	7,569	-	-	1,392	8,961
Succeeding year	2,531,956	-	-	50,000	2,581,956
Other tax	-	53,893	70,283	-	124,176
Other	32,824	-	-	-	32,824
Inventories	26,471	-	-	-	26,471
Prepaid insurance	82,328	-	-	-	82,328
Due from other funds	-	-	60,615	12,240	72,855
TOTAL ASSETS	\$ 3,997,574	\$ 602,202	\$ 2,206,948	\$ 309,767	\$ 7,116,491
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 31,706	\$ 111,894	\$ 28,524	\$ 8,010	\$ 180,134
Accrued interest payable	-	-	-	3,561	3,561
Salaries and benefits payable	5,785	-	-	-	5,785
Accrued expenses	1,746	-	-	-	1,746
Due to other funds	7,655	60,615	4,585	-	72,855
Compensated absences	92,827	-	-	-	92,827
Total liabilities	139,719	172,509	33,109	11,571	356,908
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Succeeding year property tax	2,531,956	-	-	50,000	2,581,956
FUND BALANCES					
Nonspendable:					
Inventories and prepaid insurance	108,799	-	-	-	108,799
Restricted for:					
Capital projects	-	-	2,173,839	-	2,173,839
Community programs and services	-	-	-	68,917	68,917
Debt service	-	-	-	29,514	29,514
Urban renewal	-	-	-	9,667	9,667
Committed for:					
Capital projects	-	-	-	140,098	140,098
General equipment replacement	240,425	-	-	-	240,425
Unassigned	976,675	429,693	-	-	1,406,368
Total fund balances	1,325,899	429,693	2,173,839	248,196	4,177,627
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,997,574	\$ 602,202	\$ 2,206,948	\$ 309,767	\$ 7,116,491

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, 2018**

Total governmental fund balance (page 15) \$ 4,177,627

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 \$34,325,867 and the accumulated depreciation is \$25,877,957. 8,447,910

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	\$ 287,798	
Deferred inflows of resources	<u>(12,368)</u>	
		275,430

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. (3,146,105)

Net position of governmental activities (page 12) \$ 9,754,862

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, 2018

	<u>Special Revenue</u>			<u>Other Nonmajor Governmental Funds</u>	<u>Total All Funds</u>
	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Sales Tax Projects Fund</u>		
REVENUES					
Property tax	\$ 2,352,039	\$ -	\$ -	\$ 45,016	\$ 2,397,055
Tax increment financing	-	-	-	255,812	255,812
Other taxes	42,374	-	820,884	33,089	896,347
Licenses and permits	108,112	-	-	-	108,112
Rent	39,012	-	-	-	39,012
Intergovernmental	73,090	863,157	-	-	936,247
Federal grant	-	769,175	-	-	769,175
Charges for services	534,680	-	-	-	534,680
Interest on investments	22,365	-	-	-	22,365
Miscellaneous	15,752	-	27,836	36,804	80,392
Total revenues	<u>3,187,424</u>	<u>1,632,332</u>	<u>848,720</u>	<u>370,721</u>	<u>6,039,197</u>
EXPENDITURES					
Operating:					
Public safety	1,090,815	-	-	-	1,090,815
Public works	904,853	360,618	-	-	1,265,471
Culture and recreation	365,083	-	-	17,490	382,573
Community and economic development	85,795	-	-	-	85,795
General government	619,659	-	-	-	619,659
Debt service	-	-	-	260,011	260,011
Capital projects	196,834	2,166,407	29,908	200,558	2,593,707
Total expenditures	<u>3,263,039</u>	<u>2,527,025</u>	<u>29,908</u>	<u>478,059</u>	<u>6,298,031</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(75,615)</u>	<u>(894,693)</u>	<u>818,812</u>	<u>(107,338)</u>	<u>(258,834)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	25,000	336,343	-	361,775	723,118
Operating transfers out	-	-	(588,501)	(266,521)	(855,022)
Total other financing sources (uses)	<u>25,000</u>	<u>336,343</u>	<u>(588,501)</u>	<u>95,254</u>	<u>(131,904)</u>
NET CHANGE IN FUND BALANCE	(50,615)	(558,350)	230,311	(12,084)	(390,738)
FUND BALANCE, BEGINNING OF YEAR	<u>1,376,514</u>	<u>988,043</u>	<u>1,943,528</u>	<u>260,280</u>	<u>4,568,365</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,325,899</u>	<u>\$ 429,693</u>	<u>\$ 2,173,839</u>	<u>\$ 248,196</u>	<u>\$ 4,177,627</u>

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, 2018

Net change in fund balances - total governmental funds (page 17) \$ (390,738)

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	(362,331)	
Expenditures for capital assets	2,303,191	
	1,940,860	1,940,860

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 106,460

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	(142,883)	
Compensated absences	(8,833)	
	63,284	63,284

Changes in net position of governmental activities (page 14) \$ 1,719,866

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, 2018

	<u>Electric Fund</u>	<u>Water Fund</u>
ASSETS		
Cash and investments	\$ 4,471,632	\$ 1,586,210
Receivables:		
Customer accounts and unbilled usage	382,542	98,957
Inventories	444,953	21,296
Prepaid insurance	29,514	9,838
Restricted assets:		
Cash and investments	643,319	21,363
Capital assets, net of accumulated depreciation	<u>14,518,561</u>	<u>6,412,414</u>
Total assets	<u>20,490,521</u>	<u>8,150,078</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	84,117	45,805
LIABILITIES		
Accounts payable	27,654	2,395
Salaries and benefits payable	705	633
Accrued expenses	50,386	-
Payable from restricted assets:		
Customer deposits	47,938	21,363
Revenue bonds	245,000	-
Accrued interest payable	306	-
Compensated absences	92,034	-
Long-term liabilities:		
Revenue bonds	-	-
Net pension liability	211,500	116,488
Compensated absences	<u>79,849</u>	<u>-</u>
Total liabilities	<u>755,372</u>	<u>140,879</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	13,659	(4,113)
NET POSITION		
Invested in capital assets, net of related debt	14,273,561	6,412,414
Restricted for:		
Revenue bonds retirement	350,075	-
Unrestricted:		
Designated for:		
Equipment replacement	600,541	415,691
Capital projects	100,000	-
Undesignated	<u>4,481,430</u>	<u>1,231,012</u>
Total net position	<u>\$ 19,805,607</u>	<u>\$ 8,059,117</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 945,506	\$ 20,225	\$ 7,082	\$ 7,030,655
115,911	-	-	597,410
236,827	1,390	1,044	705,510
19,323	6,348	5,037	70,060
-	-	-	664,682
<u>12,920,385</u>	<u>1,128,296</u>	<u>511,459</u>	<u>35,491,115</u>
<u>14,237,952</u>	<u>1,156,259</u>	<u>524,622</u>	<u>44,559,432</u>
70,135	33,520	28,317	261,894
428,778	199	3,535	462,561
37	-	3,104	4,479
-	-	-	50,386
-	-	-	69,301
-	-	-	245,000
-	-	-	306
-	-	-	92,034
-	-	-	-
176,963	79,645	69,120	653,716
-	-	-	79,849
<u>605,778</u>	<u>79,844</u>	<u>75,759</u>	<u>1,657,632</u>
2,125	14,032	8,096	33,799
12,920,385	1,128,296	442,339	35,176,995
-	-	-	350,075
290,437	-	-	1,306,669
-	-	-	100,000
<u>489,362</u>	<u>(32,393)</u>	<u>26,745</u>	<u>6,196,156</u>
<u>\$ 13,700,184</u>	<u>\$ 1,095,903</u>	<u>\$ 469,084</u>	<u>\$ 43,129,895</u>

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, 2018

	<u>Electric Fund</u>	<u>Water Fund</u>
OPERATING REVENUES		
Charges for services	\$ 4,668,901	\$ 915,212
Miscellaneous	5,220	22,878
Total operating revenues	4,674,121	938,090
OPERATING EXPENSES		
Business type activities:		
Cost of sales and services	3,658,351	516,545
Depreciation	535,416	276,885
Total operating expenses	4,193,767	793,430
NET INCOME (LOSS) FROM OPERATIONS	480,354	144,660
OTHER INCOME (EXPENSE)		
Interest on investments	59,630	6,338
Interest expense	(6,315)	-
Total other revenues (expenses)	53,315	6,338
OTHER FINANCING SOURCES (USES)		
Operating transfer in	14,800	-
Operating transfer out	(152,222)	(142,360)
Total other financing sources (uses)	(137,422)	(142,360)
NET INCOME (LOSS)	396,247	8,638
NET POSITION, BEGINNING OF YEAR	19,409,360	8,050,479
NET POSITION, END OF YEAR	\$ 19,805,607	\$ 8,059,117

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 1,206,164	\$ 229,272	\$ 152,985	\$ 7,172,534
450	1,048	1,522	31,118
<u>1,206,614</u>	<u>230,320</u>	<u>154,507</u>	<u>7,203,652</u>
1,058,347	261,918	163,511	5,658,672
461,646	34,589	16,771	1,325,307
<u>1,519,993</u>	<u>296,507</u>	<u>180,282</u>	<u>6,983,979</u>
<u>(313,379)</u>	<u>(66,187)</u>	<u>(25,775)</u>	<u>219,673</u>
17,868	4,437	-	88,273
-	-	-	(6,315)
<u>17,868</u>	<u>4,437</u>	<u>-</u>	<u>81,958</u>
266,521	496,894	15,000	793,215
(181,561)	-	-	(476,143)
<u>84,960</u>	<u>496,894</u>	<u>15,000</u>	<u>317,072</u>
(210,551)	435,144	(10,775)	618,703
<u>13,910,735</u>	<u>660,759</u>	<u>479,859</u>	<u>42,511,192</u>
<u>\$ 13,700,184</u>	<u>\$ 1,095,903</u>	<u>\$ 469,084</u>	<u>\$ 43,129,895</u>

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, 2018

	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 4,602,227	\$ 911,451
Cash received from other revenues	5,220	22,878
Cash paid for personal services	(410,696)	(260,437)
Cash paid to suppliers	(3,302,281)	(286,277)
Net cash provided (used) by operating activities	894,470	387,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other funds, net of advance repayments	(137,422)	(142,360)
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Acquisition of capital assets	(324,943)	(12,950)
Principal paid on revenue bonds and capital leases	(240,000)	-
Interest paid on revenue bonds and capital leases	(6,555)	-
Net cash provided (used) by capital and related financing activities	(571,498)	(12,950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	59,630	6,338
NET INCREASE (DECREASE) IN CASH	245,180	238,643
CASH AND INVESTMENTS, BEGINNING OF YEAR	4,869,771	1,368,930
CASH AND INVESTMENTS, END OF YEAR	\$ 5,114,951	\$ 1,607,573

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 1,196,401	\$ 229,272	\$ 152,985	\$ 7,092,336
450	1,048	1,522	31,118
(378,856)	(143,527)	(94,526)	(1,288,042)
<u>(271,633)</u>	<u>(113,184)</u>	<u>(64,086)</u>	<u>(4,037,461)</u>
<u>546,362</u>	<u>(26,391)</u>	<u>(4,105)</u>	<u>1,797,951</u>
<u>84,960</u>	<u>496,894.00</u>	<u>15,000</u>	<u>317,072</u>
(427,848)	(496,894)	-	(1,262,635)
-	-	-	(240,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,555)</u>
<u>(427,848)</u>	<u>(496,894)</u>	<u>-</u>	<u>(1,509,190)</u>
<u>17,868</u>	<u>4,437</u>	<u>-</u>	<u>88,273</u>
221,342	(21,954)	10,895	694,106
<u>724,164</u>	<u>42,179</u>	<u>(3,813)</u>	<u>7,001,231</u>
<u>\$ 945,506</u>	<u>\$ 20,225</u>	<u>\$ 7,082</u>	<u>\$ 7,695,337</u>

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, 2018

	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 480,354	\$ 144,660
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	535,416	276,885
(Increase) decrease in customer accounts and unbilled usage receivable	(66,674)	(3,761)
(Increase) decrease in inventories	(91,844)	(3,806)
(Increase) decrease in prepaid insurance	2,848	949
(Increase) decrease in deferred outflows of resources	(58,179)	(35,869)
Increase (decrease) in accounts payable	3,811	(34,737)
Increase (decrease) in accrued wages	(853)	94
Increase (decrease) in accrued expenses	846	-
Increase (decrease) in customer deposits	4,481	1,640
Increase (decrease) in compensated absences	16,854	-
Increase (decrease) in pension liability	16,252	10,020
Increase (decrease) in deferred inflows of resources	51,158	31,540
Net cash provided (used) by operating activities	\$ 894,470	\$ 387,615
Reconciliation of cash and investments at year end to specific assets included in the statement of net position:		
Current assets:		
Cash and investments	4,471,632	1,586,210
Restricted assets:		
Cash and investments:		
Revenue bonds retirement	595,381	-
Customer deposits	47,938	21,363
Cash and investments, end of year	\$ 5,114,951	\$ 1,607,573

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ (313,379)	\$ (66,187)	\$ (25,775)	\$ 219,673
461,646	34,589	16,771	1,325,307
(9,764)	-	-	(80,199)
(30,615)	1,977	17	(124,271)
2,596	605	2,230	9,228
(52,762)	(15,286)	(12,103)	(174,199)
427,626	199	43	396,942
(119)	-	688	(190)
-	-	-	846
-	-	-	6,121
-	-	-	16,854
14,739	4,270	3,381	48,662
<u>46,394</u>	<u>13,442</u>	<u>10,643</u>	<u>153,177</u>
<u>\$ 546,362</u>	<u>\$ (26,391)</u>	<u>\$ (4,105)</u>	<u>\$ 1,797,951</u>
945,506	20,225	7,082	7,030,655
-	-	-	595,381
-	-	-	69,301
<u>\$ 945,506</u>	<u>\$ 20,225</u>	<u>\$ 7,082</u>	<u>\$ 7,695,337</u>

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

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment 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 position 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.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, claims and judgments, and compensated absences 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.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise 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. The following accounting policies are followed in preparing the financial statements:

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, 2018 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, 2016 assessed property valuations, are for the tax accrual period July 1, 2017 through June 30, 2018 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2017.

**CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in the Enterprise 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, 2018, 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 Enterprise funds 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.

<u>Asset Class</u>	<u>Amount</u>
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:

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

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 City after the measurement date but before the end of the City'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 hour 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 hour 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, 2018. 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

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 Balance

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, 2018, 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, 2018 consist of the following:

Petty cash fund on hand	\$	830
Checking accounts		173,720
Money market accounts		<u>11,660,375</u>
Total		<u>\$11,834,925</u>

At June 30, 2018, the carrying amount of the City's deposits was \$11,834,925 and the related bank balance was \$11,926,710.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The City's deposits in banks at June 30, 2018 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, 2018 was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 409,938	\$ 2,355,575	\$ 409,938	\$ 2,355,575
Land	<u>2,100,007</u>	<u>-</u>	<u>-</u>	<u>2,100,007</u>
Total	<u>2,509,945</u>	<u>2,355,575</u>	<u>409,938</u>	<u>4,455,582</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,607,833	-	-	1,607,833
Equipment and vehicles	2,126,332	357,554	20,000	2,463,886
Infrastructure, road network	<u>25,798,566</u>	<u>-</u>	<u>-</u>	<u>25,798,566</u>
Total	<u>29,532,731</u>	<u>357,554</u>	<u>20,000</u>	<u>29,870,285</u>
Less accumulated depreciation	<u>25,535,626</u>	<u>362,331</u>	<u>20,000</u>	<u>25,877,957</u>
Net	<u>3,997,105</u>	<u>(4,777)</u>	<u>-</u>	<u>3,992,328</u>
Governmental activities capital assets, net	<u>\$ 6,507,050</u>	<u>\$ 2,350,798</u>	<u>\$ 409,938</u>	<u>\$ 8,447,910</u>

**CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Business type activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 570,994	-	-	\$ 570,994
<i>Capital assets being depreciated:</i>				
Buildings	35,583,749	496,894	-	36,080,643
Equipment and vehicles	2,074,638	765,741	-	2,840,379
Infrastructure	17,493,307	-	-	17,493,307
Total	<u>55,151,694</u>	<u>1,262,635</u>	-	<u>56,414,329</u>
Less accumulated depreciation	<u>20,168,901</u>	<u>1,325,307</u>	-	<u>21,494,208</u>
Net	<u>34,982,793</u>	<u>(62,672)</u>	-	<u>34,920,121</u>
Business type activities capital assets, net	<u>\$ 35,553,787</u>	<u>\$ (62,672)</u>	<u>\$ -</u>	<u>\$ 35,491,115</u>

Depreciation expense for the year ended June 30, 2018 was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 52,642
Public works	187,168
General government	8,842
Culture and recreation	113,679
Total governmental activities	<u>\$ 362,331</u>
Business type activities:	
Electric	\$ 535,416
Water	276,885
Sewer	461,646
Community center	34,589
Fitness center	16,771
Total business type activities	<u>\$ 1,325,307</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - LONG-TERM LIABILITIES

A summary of transactions that occurred regarding bond and note obligations for the year ended June 30, 2018 as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	<u>\$2,500,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 2,285,000</u>	<u>\$ 235,000</u>
Business type activities:					
Revenue bonds	<u>\$ 485,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>	<u>\$ 245,000</u>	<u>\$ 245,000</u>

General Obligation Bonds

The general obligation bonds outstanding at June 30, 2018 of \$2,285,000 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, 2018 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2018</u>
GP Bonds, Series 2015	March 10, 2015	.07 - 2.60%	June 1, 2027	215,000 to 260,000	\$2,715,000	\$2,285,000

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

Year Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		255,000	29,107	284,107
2024-2027		<u>1,060,000</u>	<u>63,700</u>	<u>1,123,700</u>
Totals		<u>\$ 2,285,000</u>	<u>\$ 246,089</u>	<u>\$2,531,089</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Electric revenue refunding series 2014, totaling \$245,000 were outstanding at June 30, 2018. 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.

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, 2018, the City was in compliance with the revenue bond provisions.

**CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Details of the revenue bonds payable at June 30, 2018 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2018</u>
Electric						
Revenue Bonds, Series 2014	May 12, 2014	.50% - 1.50%	June 1, 2019	\$ 230,000- 245,000	\$1,180,000	\$ 245,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 245,000	\$ 3,675	\$ 248,675

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, 2018, interfund advances were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
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
		<u>\$ 72,855</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - INTERFUND LOANS/ADVANCES/TRANSFERS(CONTINUED)

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, 2018 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Propriety Fund: Sewer	\$ 25,000
Special Revenue: Road Use	Propriety Funds: Electric Water Sewer	 152,222 127,560 <u>56,561</u> 336,343
Capital Projects: Capital Improvement Street Projects	Special Revenue: Sales Tax Projects Sales Tax Projects	 122,000 25,000
Debit Service	Special Revenue: Sales Tax Projects Proprietary Fund: Sewer	 114,775 <u>100,000</u> 214,775
Proprietary Fund: Sewer	Special Revenue: Unified TIF	 266,521
Proprietary Fund: Electric	Proprietary Fund: Water	14,800
Proprietary Fund: Fitness	Special Revenue: Sales Tax Projects	 <u>15,000</u>
Total		<u>\$1,019,439</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2018, 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, 2018 were \$187,237.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$1,400,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's collective proportion was 0.0210282 percent which was an increase of .000563 percent from its proportion measured as of June 30, 2016.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

For the year ended June 30, 2018, the City recognized pension expense of \$251,300. At June 30, 2018, 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	\$ 14,185	\$ 18,175
Changes of assumptions	306,124	73
Difference between projected and actual earnings on pension plan investments	-	19,973
Changes in proportion and differences between City contributions and proportionate share of contributions	41,773	7,946
City contributions subsequent to the measurement date	187,237	-
Total	\$ 549,692	\$ 46,167

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Iowa Public Employee Retirement System (IPERS) (continued)

\$187,237 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2019	\$ 48,749
2020	144,747
2021	88,343
2022	11,800
2023	22,649
	<u>\$ 316,288</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rate of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and .65% real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	27%	2.25%
Domestic equity	24	6.25
International equity	16	6.71
Private equity	11	11.15
Private real assets	7.5	4.18
Public real assets	7	3.27
Public credit	3.5	3.46
Private credit	3	4.25
Cash	1	(0.31)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed 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.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability:	\$2,585,543	\$ 1,400,744	\$ 405,580

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, 2018, 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, 2018 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 18,512	\$ 18,958	\$ 37,470
Vacation	68,245	66,740	134,985
Compensatory Time	6,070	6,336	12,406
Sick Leave	114,077	79,849	193,926
Totals	\$ 206,904	\$ 171,883	\$ 378,787

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 of 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 – COMMITMENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2018. The City has additional commitments for signed construction contracts of \$8,165,769 as of June 30, 2018. These commitments will be funded by state grants, cash reserves, and bond proceeds.

NOTE 10 – URBAN RENEWAL DEVELOPMENT AGREEMENTS

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer.

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

Certain agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements not including an annual appropriation clause is subject to the constitutional debt limitation.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – TAX ABATEMENTS

Governmental Accountings Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one of more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, \$68,600 of property tax was diverted from the City under the urban renewal and economic development projects.

The City was not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 12- SUBSEQUENT EVENTS

On July 2, 2018, the City passed a resolution approving and authorizing a form of loan and disbursement agreement by and between the City and the Iowa Finance Authority. This agreement authorized and provided for the issuance and securing payment of a \$6,000,000 Sewer Revenue Capital Loan Note, Series 2018. The Clean Water SRF note will be used to pay costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping the system, including those costs associated with pipeline and related improvements of the South Slope Transport and Treatment Project.

Management has evaluated subsequent events through December 13, 2018, the date the financial statements were available for issuance.

NOTE 13 – RECENTLY ISSUED PRONOUNCEMENTS

The Governmental Accounting Standard Board (GASB) has issued five statements not yet implemented by the City of Eldridge. The City has not yet determined the impact of the statements not yet implemented. The statements, which may impact the City of Eldridge, are as follows:

GASB Statement No. 83, Certain Asset Retirement Obligations, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – RECENTLY ISSUED PRONOUNCEMENTS(CONTINUED)

The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

GASB Statement No. 84, Fiduciary Activities, issued February 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 87, Leases, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the City must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – RECENTLY ISSUED PRONOUNCEMENTS(CONTINUED)

The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement, issued March 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019. Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This Statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt.

GASB Statement No. 90, Majority Equity Interests, will be effective for the City beginning with its fiscal year ending June 30, 2019. Statement No. 90 which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. Under Statement No. 90 a government entity should report its majority equity interest in a legally separate organization as an investment if that equity interest meets the GASB's definition of an investment. In many instances, a majority equity interest that meets the definition of an investment should be measured using the equity method. For a majority equity interest in a legally separate entity that does not meet the definition of an investment, Statement No. 90 requires a government to report the legally separate entity as a component unit. Statement No. 90 also establishes guidance for remeasuring assets and liabilities of wholly acquired governmental organizations that remain legally separate. That guidance brings the reporting of those acquisitions in line now with existing standards that apply to acquisitions that do not remain legally separate.

This information is an integral part of the accompanying financial statements.

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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Budget to Actual Variance
RECEIPTS						
Property tax	\$ 2,396,312	\$ -	\$ 2,396,312	\$ 2,383,134	\$ 2,383,134	\$ 13,178
Tax increment financing	254,548	-	254,548	255,041	255,041	(493)
Other taxes	917,442	-	917,442	893,051	893,051	24,391
Licenses and permits	108,112	-	108,112	118,500	118,500	(10,388)
Use of money and property	119,404	88,273	207,677	36,015	36,015	171,662
Intergovernmental	936,247	-	936,247	1,306,540	1,306,540	(370,293)
Federal grant	769,175	-	769,175	-	-	769,175
Charges for services	534,680	7,092,336	7,627,016	7,714,972	7,714,972	(87,956)
Miscellaneous	22,365	31,118	53,483	236,030	236,030	(182,547)
Total receipts	<u>6,058,285</u>	<u>7,211,727</u>	<u>13,270,012</u>	<u>12,943,283</u>	<u>12,943,283</u>	<u>326,729</u>
DISBURSEMENTS						
Public safety	1,090,967	-	1,090,967	1,198,825	1,198,825	107,858
Public works	1,181,167	-	1,181,167	1,190,585	1,217,185	36,018
Culture and recreation	389,908	-	389,908	605,363	605,363	215,455
Community and economic development	85,795	-	85,795	112,755	112,755	26,960
General government	638,486	-	638,486	1,003,271	1,017,271	378,785
Debt service	260,173	-	260,173	261,075	261,075	902
Capital projects	2,565,183	-	2,565,183	2,568,992	3,018,992	453,809
Business type activities		6,517,621	6,517,621	6,801,468	11,831,468	5,313,847
Total disbursements	<u>6,211,679</u>	<u>6,517,621</u>	<u>12,729,300</u>	<u>13,742,334</u>	<u>19,262,934</u>	<u>6,533,634</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(153,394)</u>	<u>694,106</u>	<u>540,712</u>	<u>(799,051)</u>	<u>(6,319,651)</u>	<u>6,860,363</u>
OTHER FINANCING SOURCES (USES) NET	<u>(317,072)</u>	<u>317,072</u>	<u>-</u>	<u>-</u>	<u>9,000,000</u>	<u>(9,000,000)</u>
NET CHANGE IN FUND BALANCES	<u>(470,466)</u>	<u>1,011,178</u>	<u>540,712</u>	<u>(799,051)</u>	<u>2,680,349</u>	<u>(2,139,637)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>4,568,365</u>	<u>42,511,192</u>	<u>47,079,557</u>	<u>11,700,056</u>	<u>11,700,056</u>	<u>35,379,501</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,097,899</u>	<u>\$ 43,522,370</u>	<u>\$ 47,620,269</u>	<u>\$ 10,901,005</u>	<u>\$ 14,380,405</u>	<u>\$ 33,239,864</u>

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, 2018

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Receipts/revenues	\$ 6,058,285	\$ (19,088)	\$ 6,039,197	\$ 7,211,727	\$ 80,198	\$ 7,291,925
Expenditures/expenses	<u>6,211,679</u>	<u>86,352</u>	<u>6,298,031</u>	<u>6,517,621</u>	<u>472,673</u>	<u>6,990,294</u>
Net	(153,394)	(105,440)	(258,834)	694,106	(392,475)	301,631
Other financing sources and transfer, net	(317,072)	<u>185,168</u>	<u>(131,904)</u>	<u>317,072</u>	<u>-</u>	317,072
Beginning fund balances/ Net position	<u>4,568,365</u>	<u>-</u>	<u>4,568,365</u>	<u>42,511,192</u>	<u>-</u>	<u>42,511,192</u>
Ending fund balances/ Net position	<u>\$ 4,097,899</u>	<u>\$ 79,728</u>	<u>\$ 4,177,627</u>	<u>\$ 43,522,370</u>	<u>\$ (392,475)</u>	<u>\$ 43,129,895</u>

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

CITY OF ELDRIDGE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
Year Ending June 30, 2018

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 \$5,520,600. 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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of net pension liability	0.0210282%	0.0204653%	0.0189992%	0.0181680%
City's proportionate share of net pension liability	\$1,400,744	\$1,287,947	\$ 938,653	\$720,526
City's covered-employee payroll	\$2,042,256	\$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	68.59%	62.83%	50.27%	40.61%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 187,238	\$ 187,728	\$ 170,694	\$ 164,889
Contributions in relation to the statutorily required contributions	<u>(187,238)</u>	<u>(187,728)</u>	<u>(170,694)</u>	<u>(164,889)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,042,256	\$ 2,050,003	\$ 1,867,067	\$ 1,774,408
Contributions as a percentage of covered-employee payroll	9.17%	9.16%	9.14%	9.29%

See accompanying independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 164,644	\$ 150,254	\$ 134,536	\$ 116,852	\$ 105,751	\$ 97,329
<u>(164,644)</u>	<u>(150,254)</u>	<u>(134,536)</u>	<u>(116,852)</u>	<u>(105,751)</u>	<u>(97,329)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,785,266	\$ 1,654,633	\$ 1,571,530	\$ 1,525,415	\$ 1,469,084	\$ 1,423,736
9.22%	9.08%	8.56%	7.66%	7.20%	6.84%

CITY OF ELDRIDGE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEE RETIREMENT SYSTEM
Year ended June 30, 2018

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.

Changes of assumptions:

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

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

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

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

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, 2018**

	Special Revenue	
	Hotel Tax Fund	Eldridge Unified TIF District Fund
ASSETS		
Cash and investments	\$ 72,342	\$ 2,983
Receivables:		
Property tax		
Current year	-	1,248
Succeeding year	-	-
Due from other funds	4,585	5,436
Total assets	\$ 76,927	\$ 9,667
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	68,917	-
Debt service	-	-
Urban renewal	-	9,667
Committed for:		
Capital improvements	-	-
Total fund balances	68,917	9,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 76,927	\$ 9,667

Schedule 1

<u>Capital Projects</u>			
<u>Capital Improvement Fund</u>	<u>Street Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 32,804	\$ 107,294	\$ 30,712	\$ 246,135
-	-	144	1,392
-	-	50,000	50,000
-	-	2,219	12,240
<u>\$ 32,804</u>	<u>\$ 107,294</u>	<u>\$ 83,075</u>	<u>\$ 309,767</u>
\$ -	\$ -	\$ -	\$ 8,010
-	-	3,561	3,561
-	-	-	-
-	-	3,561	11,571
-	-	50,000	50,000
-	-	-	68,917
-	-	29,514	29,514
-	-	-	9,667
32,804	107,294	-	140,098
<u>32,804</u>	<u>107,294</u>	<u>29,514</u>	<u>248,196</u>
<u>\$ 32,804</u>	<u>\$ 107,294</u>	<u>\$ 83,075</u>	<u>\$ 309,767</u>

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, 2018

	Special Revenue	
	Hotel Tax Fund	Eldridge Unified TIF District Fund
REVENUES		
Property tax	\$ -	\$ -
Tax increment financing	-	255,812
Other taxes	31,891	-
Miscellaneous	-	-
Total revenues	31,891	255,812
EXPENDITURES		
Operating:		
Public safety	-	-
Culture and recreation	17,490	-
Community and economic development	-	-
Debt service	-	-
Capital projects	11,399	-
Total expenditures	28,889	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,002	255,812
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of refunding bonds	-	-
Payment to refunded bond escrow agent	-	-
Operating transfers in	-	-
Operating transfers out	-	(266,521)
Total other financing sources (uses)	-	(266,521)
NET CHANGES IN FUND BALANCES	3,002	(10,709)
FUND BALANCES, BEGINNING OF YEAR	65,915	20,376
FUND BALANCES, END OF YEAR	\$ 68,917	\$ 9,667

Schedule 2

<u>Capital Projects</u>			
<u>Capital Improvement Fund</u>	<u>Street Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 45,016	\$ 45,016
-	-	-	255,812
-	1,198	-	33,089
35,543	-	1,261	36,804
<u>35,543</u>	<u>1,198</u>	<u>46,277</u>	<u>370,721</u>
-	-	-	-
-	-	-	17,490
-	-	-	-
-	-	260,011	260,011
189,159	-	-	200,558
<u>189,159</u>	<u>-</u>	<u>260,011</u>	<u>478,059</u>
<u>(153,616)</u>	<u>1,198</u>	<u>(213,734)</u>	<u>(107,338)</u>
-	-	-	-
-	-	-	-
122,000	25,000	214,775	361,775
-	-	-	(266,521)
<u>122,000</u>	<u>25,000</u>	<u>214,775</u>	<u>95,254</u>
(31,616)	26,198	1,041	(12,084)
64,420	81,096	28,473	260,280
<u>\$ 32,804</u>	<u>\$ 107,294</u>	<u>\$ 29,514</u>	<u>\$ 248,196</u>

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 NINE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES				
Property tax	\$ 2,397,055	\$ 2,385,897	\$ 2,063,545	\$ 2,002,223
Tax increment financing	255,812	308	740,379	621,419
Other taxes	896,347	1,036,374	893,643	906,392
Licenses and permits	108,112	147,215	124,835	116,975
Use of money and property	61,377	66,400	67,038	64,497
Intergovernmental	936,247	948,404	761,218	588,723
Charges for services	534,680	546,415	548,377	563,397
Miscellaneous	80,392	273,886	11,867	29,019
	<u>\$ 5,270,022</u>	<u>\$ 5,404,899</u>	<u>\$ 5,210,902</u>	<u>\$ 4,892,645</u>
EXPENDITURES				
Operating:				
Public safety	\$ 1,090,815	\$ 1,062,153	\$ 1,007,579	\$ 972,776
Public works	1,265,471	1,038,394	931,154	906,164
Culture and recreation	382,573	455,794	392,167	419,211
Community and economic development	85,795	94,103	236,136	213,817
General government	619,659	550,942	427,368	421,227
Debt service	260,011	252,565	650,866	671,007
Capital projects	2,593,707	1,173,947	1,049,910	1,671,021
	<u>\$ 6,298,031</u>	<u>\$ 4,627,898</u>	<u>\$ 4,695,180</u>	<u>\$ 5,275,223</u>

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

Schedule 3

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 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
<u>\$ 4,883,365</u>	<u>\$ 4,839,168</u>	<u>\$ 5,258,488</u>	<u>\$ 4,246,856</u>	<u>\$ 3,887,747</u>
\$ 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
<u>\$ 5,000,726</u>	<u>\$ 4,560,258</u>	<u>\$ 4,611,050</u>	<u>\$ 4,428,177</u>	<u>\$ 4,452,461</u>

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

CITY OF ELDRIDGE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	STP-U-2290(612) - 70-82	\$ <u>769,175</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Eldridge, Iowa under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Eldridge, Iowa, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Eldridge, Iowa.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See accompanying independent auditor's report.

**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, 2018, 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 December 13, 2018.

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.

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, 2018, 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 identified 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.

Miner, Kelly ; Meek CSA PC

Clinton, Iowa
December 13, 2018

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

To the Honorable Major and
Members of the City Council
City of Eldridge, Iowa:

Report on Compliance for Each Major Federal Program

We have audited the City of Eldridge, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City of Eldridge, Iowa's major federal program for the year ended June 30, 2018. The City of Eldridge, Iowa's major federal program is identified in Part I: Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Eldridge, Iowa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Eldridge, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Eldridge, Iowa's.

Opinion on Each Major Federal Program

In our opinion, the City of Eldridge, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City of Eldridge, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Eldridge, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge, Iowa's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Miner, Libby : Mark CPA PC

Clinton, Iowa
December 13, 2018

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Part I: Summary of Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (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) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance Section 200.516.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Eldridge, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

II-A-18 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.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

II-B-18 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: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Part IV: Other Findings Related to Required Statutory Reporting

III-A-18 Certified Budget

Finding: Disbursements during the year ended June 30, 2018 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-18 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-18 Travel Expenses

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

III-D-18 Business Transactions.

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

III-E-18 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-18 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-18 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-18 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-18 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 and no exceptions were noted.