



City of Burlington, Iowa

**Comprehensive Annual Financial
Report**

**For the Year Ended
June 30, 2016**

**Prepared By:
Finance Department**

CITY OF BURLINGTON, IOWA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

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INTRODUCTORY SECTION



December 27, 2016

To the Honorable Mayor, Members of the City Council,
and Citizens of the Burlington, Iowa:

The City of Burlington is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or by the State Auditor's Office. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Burlington, Iowa (City), for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Anderson, Larkin & Co, P.C., have issued an unmodified ("clean") opinion on the City of Burlington's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Burlington, incorporated in 1836 is located on the Mississippi River in the southeastern corner of the state. Burlington serves as the county seat of Des Moines County and as a regional trade center. The City of Burlington currently occupies a land area of 14 square miles and serves a population of 25,410. The City of Burlington is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Burlington has operated under the council-manager form of government since 1982. Policy-making and legislative authority are vested in a governing council consisting of five members elected at large. The mayor is selected by the City Council from their members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city manager, city clerk, and attorney. The city manager is responsible for carrying out the policies and ordinances of the governing council, for

overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with council members elected every two years.

The City of Burlington provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure, wastewater treatment, refuse collection, and recreational activities and cultural events. The City of Burlington is financially accountable for the legally separate Burlington Municipal Waterworks and the legally separate Southeast Iowa Regional Airport Authority (SEIRAA) both of which are reported separately within the City of Burlington's financial statements. The Friends of the Burlington Public Library Foundation is reported as a component unit since they raise funds for the exclusive use of the Burlington Public Library.

The annual budget serves as the foundation for the City of Burlington's financial planning and control. All agencies of the City of Burlington are required to submit requests for appropriation to the Director of Administrative Services before the end of November of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to the end of January. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., police). Department heads may make transfers of appropriations within a department with the manager's approval. Transfers of appropriations between departments, however, require the special approval of the governing council. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined rather than at the individual fund level. The nine functions mandated by the State are: (1) Public Safety (2) Culture and Recreation (3) Community and Economic Development (4) Health and Social Services (5) Public Works (6) General Government (7) Debt Service (8) Capital Projects and (9) Business Type Activities. Since the City maintains its budgets at the individual fund level, it is necessary to aggregate the expenditures of the budgeted activities within the individual funds on a function basis and to compare such function totals with the function budgeted totals in order to demonstrate legal compliance with the budget.

Local Economy

The local economy continued to make movements in a positive direction during fiscal year 2016, building off of momentum from the previous years. Case-New Holland Corporation began the trend by announcing during 2010 that they were moving another line of production to the Burlington facility, which has added nearly 200 jobs to the area.

In addition, the City's agreement with Federal Mogul Ignition Products to utilize the targeted jobs withholding program to keep the Burlington manufacturing plant open appears to have been very successful. As a result of this program, the City was able to save over 350 jobs, the amount of the income tax withholding payments from Federal Mogul have risen, and the company was successful in obtaining additional work from automotive manufacturers including General Motors and Chrysler.

A new fertilizer plant was announced for the area, 10 miles south of Burlington, a \$1.2 billion project currently under construction and anticipated to be online in late 2016 or during calendar year 2017. The Burlington area has seen a peak of 2,000 workers on the construction project in 2015, and the plant is expected to create 300 full-time jobs on a permanent basis. With

construction winding down, we have begun to see a gradual phase out of the positive economic effect from the construction workers.

During FY2015, General Electric announced the addition of two lines to its West Burlington location, adding 50 f.t.e.'s to their labor force. Snyder's Lance was purchased by Shearer's, and subsequently announced the addition of over 100 f.t.e.'s to their labor force as well as an expansion of their facility's footprint in our community.

The City also received the announcement that Silgan would construct a new facility in our industrial park and add 115 jobs. The plant was subsequently constructed and began production during FY2016.

The City has seen several new retail developments recently. During the 2015 Fiscal Year, we saw the redevelopment of the vacant former KMART site, now the site of a new Dick's Sporting Goods store and Pet Supplies Plus in addition to the new home for JoAnn Fabrics and Staples within the Burlington area. Fiscal Year 2016 continued on this trend with the beginning of the development of the Manor site. Two local developers purchased this property from the City, and immediately began development of a new retail area, with a Sonic restaurant being the first facility being built. We have also seen the successful redevelopment of the former Fairway Center continue to occur.

In addition to these positive developments, the City had continued strength in hotel/motel tax revenues, sales tax receipts, and gambling revenues from the Catfish Bend Casino during the year.

Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 13.39 percent of General Fund expenditures compared to 11.00 percent in the previous year. The City Council reviewed the Financial Management Policies and is committed to increasing the general fund balance.

The City maintains a five year Capital Improvement Program which serves as its planning document to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. This program allows the City to plan for its capital needs and allocate short and long-term resources appropriately. Currently the major capital project for the City is the sewer separation project.

Relevant financial policies

The City has adopted a comprehensive set of financial management policies. The City has a policy that a working fund balance for general operations will be maintained in order to support expenditures prior to the collection of taxes. The working balance will be at least ten percent of the budgeted level of expenditures. The City has a transition plan for the General Fund to work towards 15% of a working fund balance that began in fiscal year 2014. By year ten, the City will have increased the working fund balance to fifteen percent operating reserve.

Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Burlington for its comprehensive annual

financial report (CAFR) for the fiscal years ended June 30, 2013, 2014 and June 30, 2015. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. The report satisfied both GAAP and applicable legal requirements.

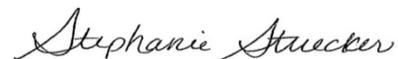
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort and dedication of the entire staff of the Finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Also appreciated is the continued interest and support by the members of the City Council and City departments in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Credit also must also be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Burlington's finances.

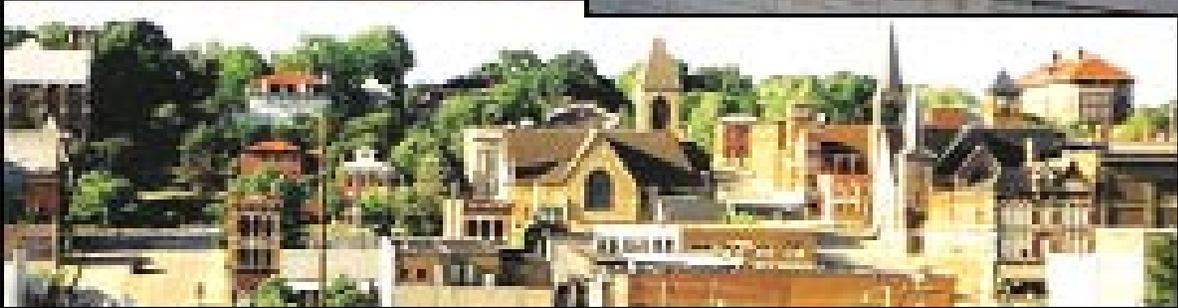
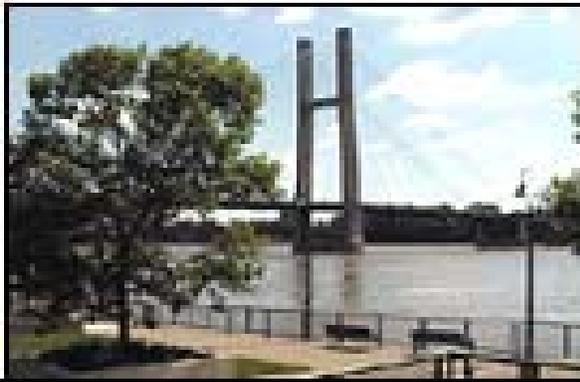
Respectfully submitted,

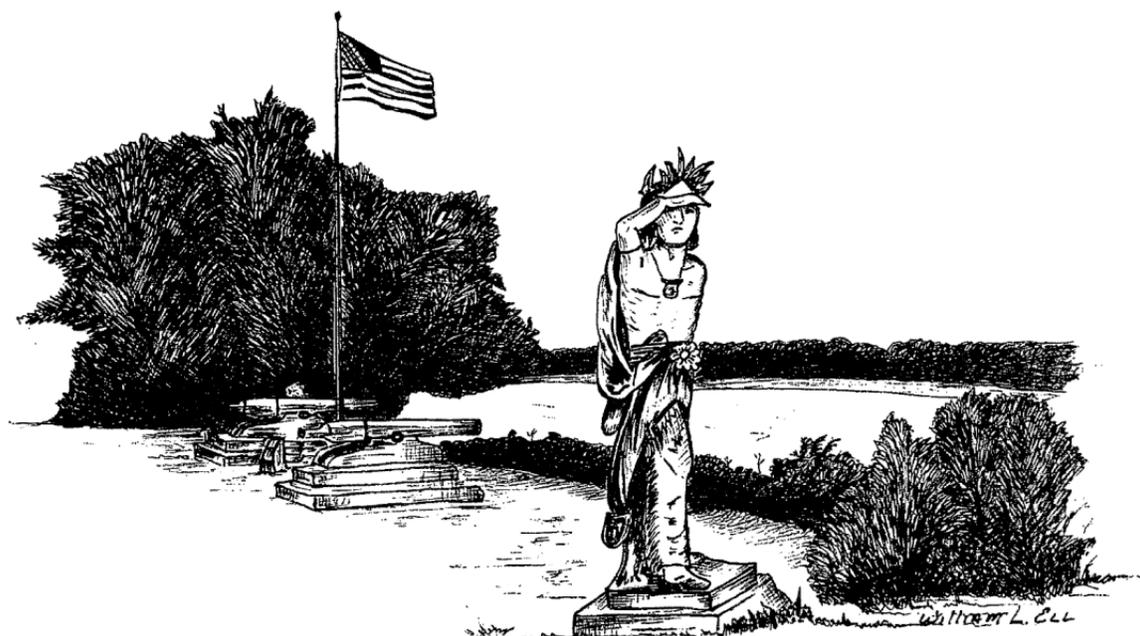


Jim Ferneau
City Manager

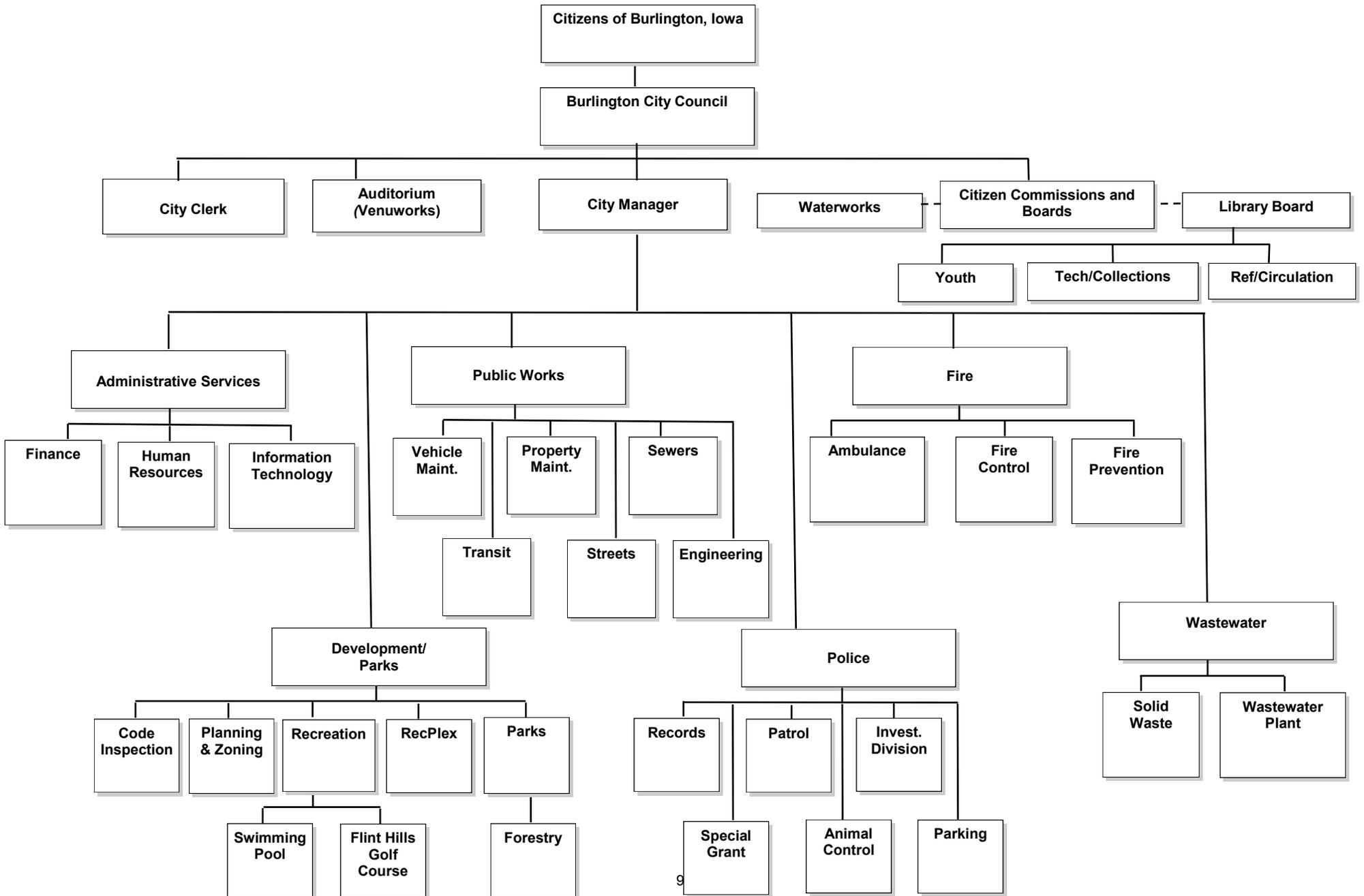


Stephanie Stuecker, CPA
Director of Administrative Services





CITY OF BURLINGTON ORGANIZATIONAL CHART



CITY OF BURLINGTON, IOWA

List of Principal Officials June 30, 2016

ELECTED OFFICIALS

Mayor	Shane McCampbell
Mayor Pro tem	Jim Davidson
Council Member	Robert Fleming
Council Member	Tim Scott
Council Member	Annie Wilson

APPOINTED OFFICIALS

City Manager	Jim Ferneau
City Attorney	Patrick O'Connell
City Clerk	Kathleen Salisbury
Development and Parks Director	Eric Tysland
Director of Administrative Services	Stephanie Stuecker
Fire Chief	Matt Trexel
Library Director	Rhonda Frevert
Police Chief	Doug Beard
Public Works Director	Nick MacGregor
Wastewater Treatment Facility Superintendent	Donald Fitting



City of
Burlington

VISION

Burlington is a great place to live, work and play.

- Proud of our past, building for our future**
- Community of pride and caring**
- Commitment to financial responsibility**

VALUES

PARTNERSHIP

We encourage teamwork between individuals and organizations to inspire innovation and effective service, creating a great place to live, work and play.

RESPECT

We respond to the diverse views of the community and incorporate these into discussions and decision-making with consistent follow-through and accountability.

INTEGRITY

We are transparent, honest and ethical in our interactions and conduct our business in accordance with the highest standards of professional behavior.

DEDICATION

We are passionate, progressive individuals striving for a cohesive community, enthusiastic about achieving excellence.

EFFICIENCY

We pursue continuous learning, adaptability and fiscal responsibility to create a sustainable and safe community.

CITY OF BURLINGTON

Mission Statement

The Mission of the City of Burlington is to provide consistent quality services to support a safe and healthy community. This commitment to excellence is based on the belief that well informed and involved citizens, in partnership with trained service oriented city employees will maintain and implement cost effective services which enable the community to meet future challenges and opportunities.



Government Finance Officers Association

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

Presented to

**City of Burlington
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Burlington, Iowa



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date May 20, 2016

FINANCIAL SECTION



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

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Burlington, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 did not audit the financial statements of Burlington Municipal Waterworks, Southeast Iowa Regional Airport Authority and Friends of the Burlington Public Library Foundation, discretely presented component units of the City, which represents all of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Burlington Municipal Waterworks, Southeast Iowa Regional Airport Authority and Friends of the Burlington Public Library Foundation, are based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Friends of the Burlington Public Library Foundation was not audited in accordance with Government Auditing Standards.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of June 30, 2016, 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 that the Management's Discussion and Analysis on pages 20 through 30, the Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of City Contributions for the Iowa Public Employee's Retirement System on pages 89 through 91, the Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of City Contributions for the Municipal Fire and Police Retirement System of Iowa on pages 95 through 97, the Schedule of Funding Progress for Other Postemployment Benefits on page 84, the Budgetary Comparison Schedule of Receipts, Disbursements and Change in Fund Balances, Budget and Actual (Budget Basis) on page 85, and Budgetary Basis to GAAP Reconciliation page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Burlington, Iowa's basic financial statements. The supplementary information, 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the City of Burlington, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Burlington, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Anderson Larkin + CO PC

Ottumwa, Iowa
December 27, 2016

Management's Discussion and Analysis

Our discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2016 is intended to give the readers an overview of and additional insight into the financial activities of the City over the past year. This will be done most effectively by reading this discussion in conjunction with the letter of transmittal and the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City of Burlington exceeded its liabilities and deferred inflows at June 30, 2016 by \$45,917,074 (net position), an increase of \$8,131,178 from the previous year.
- At the close of the current fiscal year, the City of Burlington's governmental funds reported combined ending fund balance of \$11,017,848, an increase of \$324,498 in comparison with the prior year. The increase was attributed to an increase in the General Fund of \$571,481 which is part of the financial management policy of growing the general fund to a 15% fund balance. The General Fund revenues increased by \$450,000. The Debt Service Fund decreased by \$611,949 due to the calling of the Taxable General Obligation Urban Renewal Economic Development Bond, Series 2008B. The Local Option Sales Tax Fund decreased by \$350,779 due to the increase in transfers to the General Fund, the Tax Increment Financing Fund increased by \$229,160, the Capital Projects Fund increased by \$112,549, and all other governmental funds increased by \$374,036.
- At the end of the current fiscal year, the unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$2,434,610 and is 13.50 percent of total General Fund expenditures.

Using this annual report

This discussion and analysis is intended to serve as an introduction to the City of Burlington's basic financial statements. The statements comprise three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

On the right side of the statement, the Burlington Municipal Waterworks and the Southeast Iowa Regional Airport Authority are presented. The City appoints a majority of their board members and has a substantial financial responsibility for these organizations. Therefore, the City's financial statements would not be complete without reporting their activities. The focus of the statements, however, is clearly on the primary government. There are separately issued financial statements for these component units. Additionally, the Friends of the Burlington Public Library Foundation is reported since they raise funds exclusively for the benefit of the Burlington Public Library.

The *Statement of Activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include sewer, solid waste, RecPlex, Flint Hills Golf Course and parking operations.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are divided into two major categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities (the government-wide level). However, unlike the government-wide level, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has five major funds: the General fund, the Debt Service fund, the Local Option Sales Tax fund, the Tax Increment Financing fund, and the Capital Projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances. The City also has nine non-major governmental funds. These funds are combined and reported in a single column in the governmental fund financial statements, but are reported individually in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City uses funds to prepare its annual budget, but is not the legal level of control. The State of Iowa instead requires City's to budget at a higher "function" level that crosses funds and fund types. The eight levels are Public Safety, Culture and Recreation, Community and Economic Development, Health and Social Services, Public Works, General Government, Debt Service, and Capital Projects. Legal compliance is demonstrated in the Budget to Actual Schedule in the required supplementary information immediately following the notes to the financial statements.

The basic governmental fund financial statements can be found on pages 36-41 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains five enterprise funds: the Sewer fund, the Solid Waste fund, the Recplex fund, the Parking fund, and the Flint Hills Golf Course fund. Only the Sewer fund is presented as a major fund. The other four funds are combined and reported in a single column in the proprietary fund financial statements, but are reported individually elsewhere in the report.

The internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The internal service funds are consolidated into the governmental activities at the government-wide level.

The City maintains four internal services funds: the Property Maintenance fund, the Vehicle Maintenance fund, the Safety Coordination fund, and the Self Insurance fund. They are combined into a single, aggregated column in the proprietary fund financial statements, but are reported individually elsewhere in the report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer fund, which is considered to be a major fund of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual data for the internal service funds and non-major proprietary funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 42-44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 46-81 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds and internal service funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 101-109 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Burlington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45,917,074 at the close of the most recent fiscal year.

By far the largest portion of the City's net position is its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City of Burlington uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Burlington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Burlington Net Position (000's)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 27,822	\$ 29,320	\$ 8,483	\$ 9,002	\$ 36,305	\$ 38,322
Capital assets	52,253	53,324	37,279	37,509	89,532	90,833
Total Assets	80,075	82,644	45,762	46,511	125,837	129,155
Deferred Outflows of Resources	2,943	5,102	235	431	3,178	5,533
Current liabilities	6,654	7,255	2,323	2,713	8,977	9,968
Noncurrent liabilities	42,101	39,173	21,326	20,637	63,427	59,810
Total Liabilities	48,755	46,428	23,649	23,350	72,404	69,778
Deferred Inflows of Resources	18,253	18,462	573	530	18,826	18,992
Net investment in capital assets	41,550	44,295	17,657	17,888	59,207	62,183
Restricted	7,163	7,968	121	125	7,284	8,093
Unrestricted	(32,702)	(29,408)	3,997	5,049	(28,705)	(24,359)
Total Net Position	\$ 16,011	\$ 22,855	\$ 21,775	\$ 23,062	\$ 37,786	\$ 45,917

A portion of the City's net position (17.62%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations.

At the end of the current fiscal year, the City reported deficit balances in its unrestricted net position but not in its invested in capital assets, net of related debt or its restricted assets for the government as a whole, as well as for its separate business-type activities. The net position of the City increased by \$8,131,178 during the current fiscal year. This increase was due to several different items occurring. Property tax revenues increased \$227,145 from the prior year because of the increased tax valuations. Charges for services increased \$343,339 in the business-type activities and \$156,712 in the primary governmental activities because of an increase in fees charged. Primary governmental capital grants increased \$1,474,883 from the prior year because of an increase in various grant funding sources including CDBG and RISE Street grants.

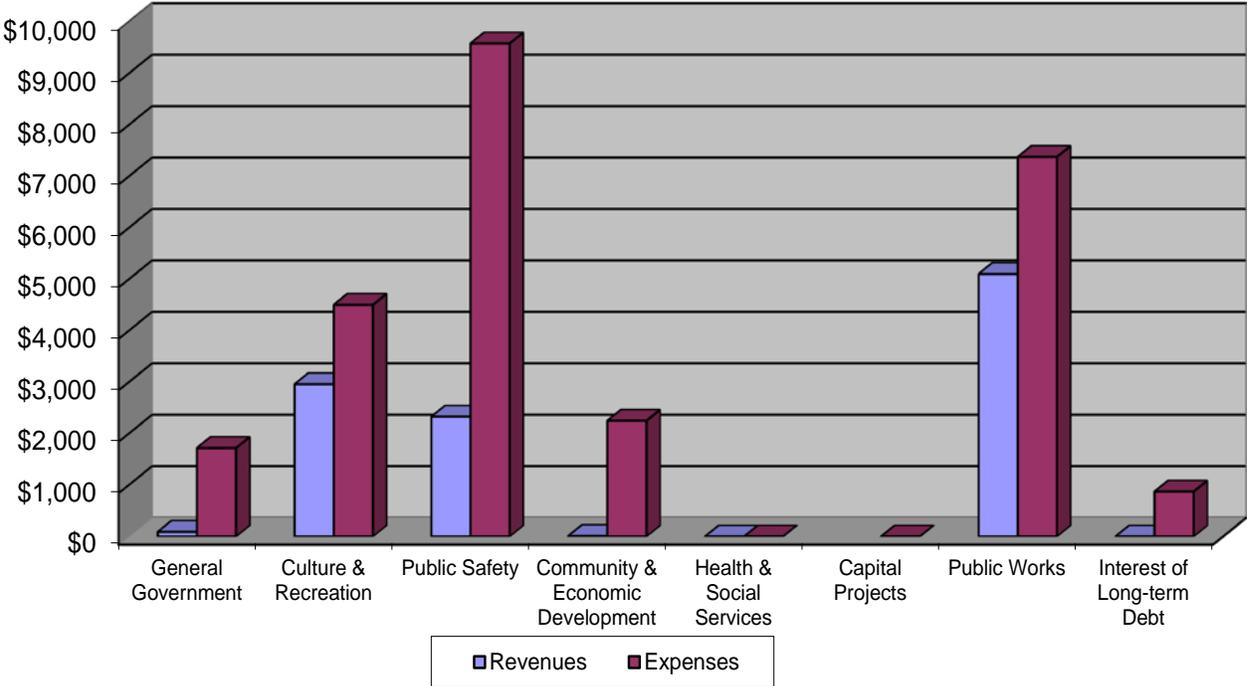
The following table summarizes the City's operating activities for the fiscal year 2016:

City of Burlington's Changes in Net Position (000's)

	Governmental Activities		Business Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,849	\$ 3,006	\$ 9,334	\$ 9,678	\$ 12,183	\$ 12,684
Operating grants and contributions	4,976	5,112	-	-	4,976	5,112
Capital grants and contributions	904	2,379	-	-	904	2,379
General revenues:						
Property taxes	12,982	13,209	-	-	12,982	13,209
Other taxes	5,940	6,637	-	-	5,940	6,637
Other	1,769	2,581	128	143	1,897	2,724
Total revenues	29,420	32,924	9,462	9,821	38,882	42,745
Expenses:						
General government	1,644	1,721	-	-	1,644	1,721
Public safety	11,536	9,584	-	-	11,536	9,584
Public works	6,774	7,381	-	-	6,774	7,381
Culture and recreation	4,193	4,505	-	-	4,193	4,505
Community and economic development	1,404	2,251	-	-	1,404	2,251
Interest on long-term debt	1,176	875	-	-	1,176	875
Sewer	-	-	5,555	5,558	5,555	5,558
Solid waste	-	-	1,362	1,412	1,362	1,412
Recplex	-	-	642	634	642	634
Parking	-	-	130	138	130	138
Flint Hills golf course	-	-	520	555	520	555
Total expenses	26,727	26,317	8,209	8,297	34,936	34,614
Increase (decrease) in net position before transfers	2,693	6,607	1,253	1,524	3,946	8,131
Transfers in (out)	631	237	(631)	(237)	-	-
Increase (decrease) in net position	3,324	6,844	622	1,287	3,946	8,131
Net position beginning	12,687	16,011	21,153	21,775	33,840	37,786
Net position ending	\$ 16,011	\$ 22,855	\$ 21,775	\$ 23,062	\$ 37,786	\$ 45,917

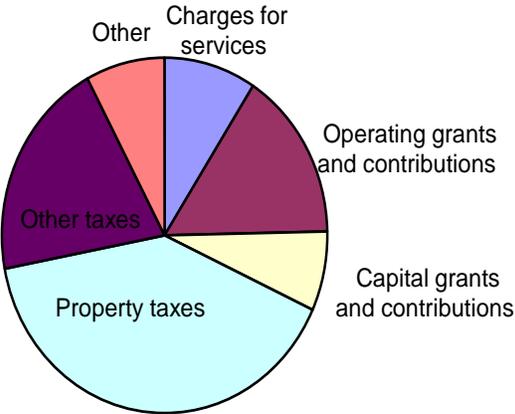
Governmental activities. Governmental activities increased the City of Burlington's net position by \$6,844,918, which accounted for the increase in the City's net position. An increase in property tax and other taxes revenues of \$924,000, increase in charges for service of \$157,000, and an increase in operating and capital grants of \$1,611,000 also contributed to net position. Total expenses held steady to the prior year and that also contributed to the net position. The change in net position due to program activities is represented as follows:

Expenses and Program Revenues - Governmental Activities (000's)

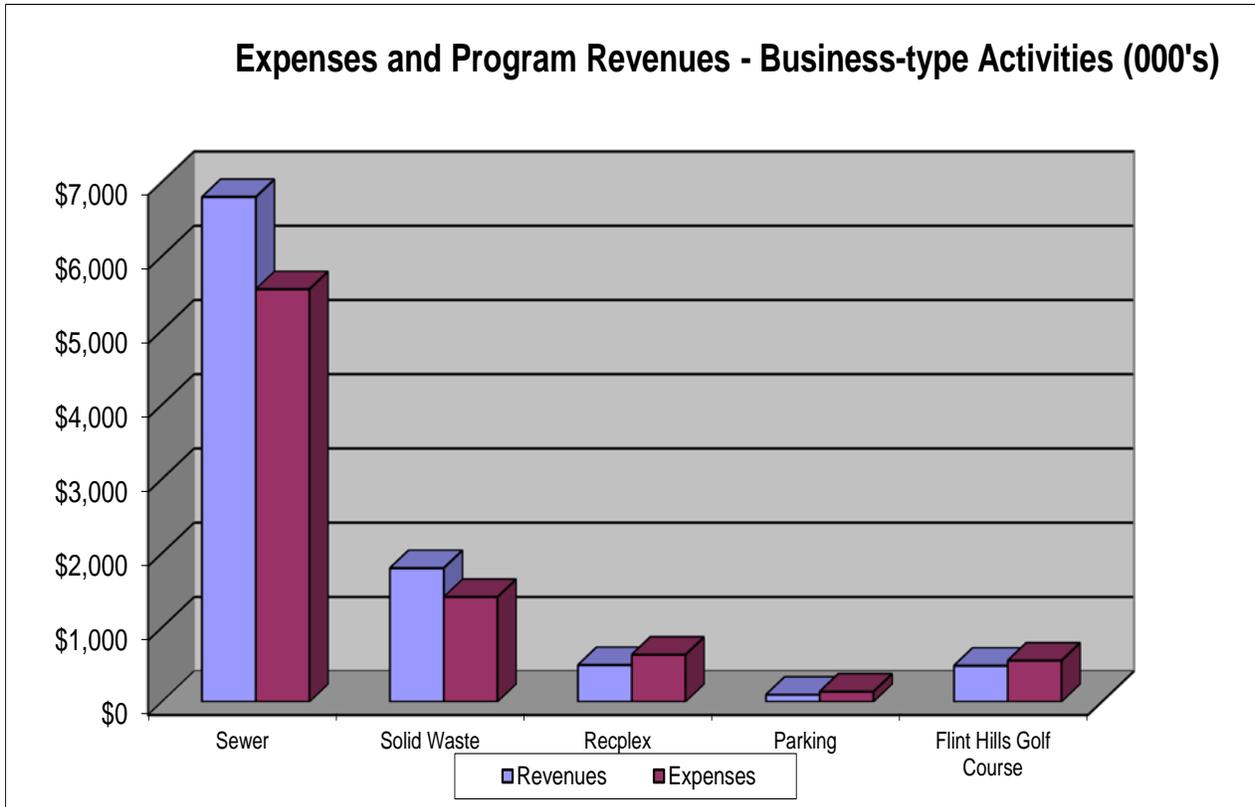


Expenses are higher than revenues for most of these programs due to the fact that many of the governmental activities are supported by general governmental revenues including property taxes and other taxes and other revenues. Revenues for the governmental activities are derived as follows:

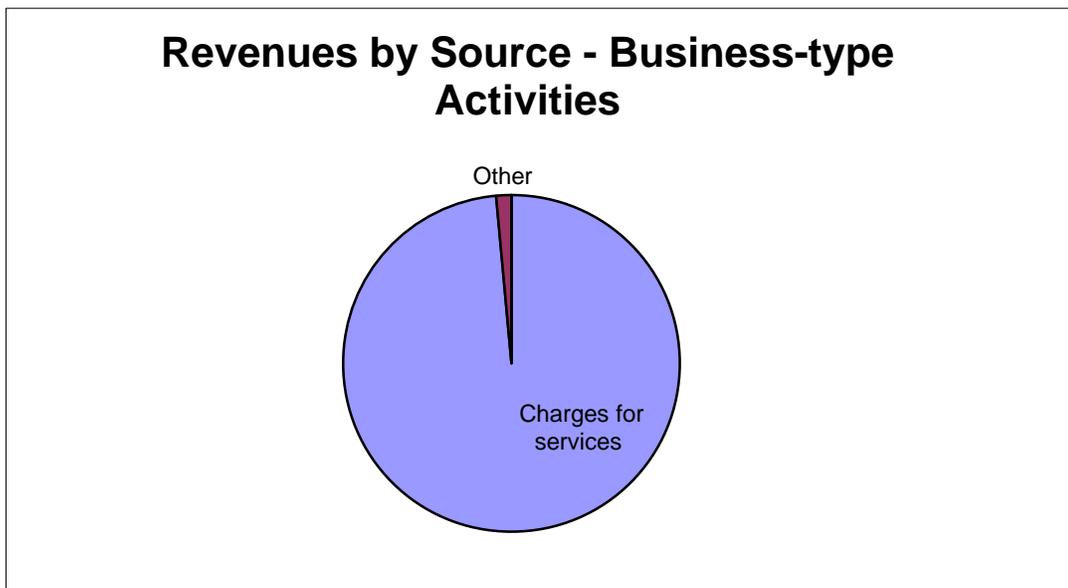
Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City of Burlington's net position by \$1,286,260. The increase in net position from all of the business-type activities is primarily due to an increase in charges for services and a decrease in transfers to governmental funds. The business-type funds also recorded transfers out \$236,992 to the governmental funds.



The program revenues were near even with expenses for each business-type activity. The graph reflects the fact that business-type activities are operated in a business-like manner and are intended to be self-supporting through service charges. Service charges by source are reflected in the chart below:



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assisting the City of Burlington's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,017,848 an increase of \$324,498 in comparison with the prior year.

The General fund is the chief operating fund of the City of Burlington. At the end of the current fiscal year, total fund balance of the General Fund was \$2,870,565, which \$2,414,225 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance unassigned to total fund expenditures. Total unassigned fund balance represents 13.39 percent of total General Fund expenditures.

The fund balance of the City of Burlington's General fund increased by \$571,481 during the current fiscal year to \$2,870,565. The increase was primarily due to an \$189,165 increase in revenues for other taxes and assessments, \$65,979 in licenses and permits, and charges for services of \$146,875. The other taxes and assessments were higher because of an increase in hotel/motel taxes of \$158,139 and gaming taxes of \$25,460. Licenses and permits were higher because of an increase in gambling boarding fees received. Charges for services were higher because of an increase in ambulance charges and swimming pool admissions. The General fund expenses increased by \$766,000 in the current fiscal year. Public safety increase by \$515,538 caused by the increase in wages and benefits for both police and fire departments. General government expenses increased by \$153,003 which was due to an increase in attorney fees and professional consulting fees.

The Debt Service fund decreased its fund balance by \$611,949 during the year to (\$40,922). The decrease was primarily due to Federal Mogul remitting their targeted jobs debt payments at a faster rate than scheduled in prior years and due to this accelerated repayment the Taxable General Obligation Urban Renewal Economic Development Bond, Series 2008B issued for Federal Mogul was called on August 20, 2016.

The Local Option Sales Tax fund has a balance of \$580,566, which is a decrease from the previous year of \$350,779. This balance represents funds allocated for projects, but not expended as of June 30, 2016, funds received in the prior year and carried forward for property tax relief in the ensuing fiscal year, and funds set aside for economic development purposes and not as of yet committed. An increase in transfers for property tax relief to the general fund was the reason for decrease in fund balance.

The Tax Increment Financing fund has a fund balance of \$336,336, which is an increase from the previous year of \$229,160.

The Capital Projects fund has a fund balance of \$4,931,860 at the end of the current fiscal year. This represents an increase from the previous year of \$112,549.

Proprietary funds. The City of Burlington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position for the City's enterprise funds as of June 30, 2016 was \$23,061,633, which was an increase of \$1,286,260 from the previous year. The increase is due to increased revenue for charges of services.

The Solid Waste fund recorded a net operating gain of \$397,099 before contributions and transfers. The Recplex, Parking, and Golf Course funds all recorded net operating losses before contributions and transfers for the year. Depreciation expense is the primary reason for the operating loss in the Parking fund. After removing depreciation expense from each of these funds, the RecPlex has an operating loss of \$34,225 and the Golf Course fund has an operating loss of \$29,926. Revenue in each of these funds also remained steady or grew.

The Sewer fund recorded a net operating income before contributions and transfers of \$1,885,694. Revenues increased from the previous year by \$335,397 or 5.00%. Expenses remained steady compared to the previous year.

Budget Analysis

The amended budget for disbursement for all funds was \$6,466,370 higher or 13.09% more than the original budget. The final amended budget expenditures were \$55,857,115. The budget amendment included increases in expenditures for public safety, public works, culture and recreation, capital projects, general government, debt service, community and economic development, and business type activities.

Even with these amendments, the City exceeded the budgeted amounts in culture and recreation function for the year ended June 30, 2016.

Capital Asset and Debt Administration

Capital assets. The City of Burlington's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounts to \$90,832,776 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$1,300,009 or 1.45% (2.05% increase for governmental activities and a 0.60% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The capitalization of new assets during the year amounted to \$5,667,099 during the year.
- Major asset additions in the governmental funds include police cars and equipment totaling \$110,769, new pool liner totaling \$110,866, a seeder totaling \$14,600, purchase of a copier totaling \$7,452, road use equipment including two Ford F350's and a dump truck box totaling \$69,100, a utility bed for sign truck totaling \$77,090, traffic signal cameras totaling \$53,562, Division Street turn lane totaling \$532,435 and a trail extension totaling \$432,930.

- Major asset additions in the business-type funds include the design of the cascade sewer separation project for \$931,411, a garbage truck totaling \$176,145, batting cages totaling \$27,955, a dump truck totaling \$26,195 and \$25,560 for the wastewater treatment roof.
- The value of work in progress amounted to \$3,181,750. Of this amount, the design of the MASL sewer separation project at \$1,021,556, roundabout and Agency street engineering costs of \$102,413, belt filter room modifications for \$214,711, Depot renovations at \$461,170, new police station building at \$1,097,800 and flood wall engineering costs of \$284,100.

City of Burlington's Capital Assets (000's)
(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2016	2015	2016	2015	2016
Land	\$ 1,991	\$ 2,093	\$ 399	\$ 399	\$ 2,390	\$ 2,492
Buildings and system	17,006	16,316	14,404	13,506	31,410	29,822
Improvements other than buildings	202	292	249	189	451	481
Fixtures and equipment	3,720	3,911	934	965	4,654	4,876
Infrastructure	28,880	28,767	20,353	20,652	49,233	49,419
Construction in progress	455	1,945	940	1,798	1,395	3,743
Total	\$ 52,254	\$ 53,324	\$ 37,279	\$ 37,509	\$ 89,533	\$ 90,833

Additional information on the City of Burlington's capital assets can be found in note III on pages 58-60 of this report.

Long-term debt. At the end of the current fiscal year, the City of Burlington had total long-term bonded debt outstanding of \$50,389,444. Of this amount, \$33,834,915 comprises debt backed by the full faith and credit of the government and \$16,554,529 is revenue bonds repayable with revenues from the City's sewer utility.

City of Burlington's Outstanding Debt (000's)
General Obligation and Revenue Bonds

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2016	2015	2016	2015	2016
General obligation bonds	\$ 33,706	\$ 30,150	\$ 4,116	\$ 3,685	\$ 37,822	\$ 33,835
Sewer revenue bonds	-	-	16,817	16,554	16,817	16,554
Notes payable	239	-	-	-	239	-
Total	\$ 33,945	\$ 30,150	\$ 20,933	\$ 20,239	\$ 54,878	\$ 50,389

The City's total long-term debt decreased by \$4,488,786 during the current fiscal year. The City of Burlington maintains an "A+" rating from Standard & Poor's Rating Services for general obligation bonds and an "A2" rating for sewer revenue bonds from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Burlington is \$59,040,388. The City's current applicable debt is \$33,834,915, which is 57.31% of the statutory limit.

Additional information on the City of Burlington's long-term debt can be found in note V on pages 62-65 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Burlington, as of June 2016 was 5.2%, which was higher than the June 2015 of 4.9%. Total labor force remained constant at 13,100.
- Per capita income increased from the 2013 level of \$46,446 to the 2014 level of \$48,755 or 4.97%.
- For the fiscal 2015-2016 budget, the City's property tax rate is the same as the previous year \$15.9363 per \$1,000 of property valuation.
- The City's total taxable valuation increased by \$10,271,409 or 1.38%, the actual valuation was up by \$30,124,295 or 2.62%. This increase is at least partly attributed to an increase residential property values.
- Sewer revenues for FY 2017 budget include a 3% increase to sewer charges.
- The City's health insurance premiums are projected to increase 5%. Over the past eight years, the average annual increase in health care premiums has been 3%. This low level of increase may be attributed to our employee bargaining units working with us to make plan design changes and mitigate the impact of any increases.

Requests for Information

This financial report is designed to provide a general overview of the City of Burlington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Burlington, 400 Washington, Burlington, IA 52601.

**BASIC
FINANCIAL
STATEMENTS**

City of Burlington, Iowa

Statement of Net Position
June 30, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Burlington Municipal Waterworks	Southeast Iowa Regional Airport Authority	Friends of the Burlington Public Library
Assets						
Current assets:						
Cash and cash equivalents	\$ 10,482,387	\$ 7,694,975	\$ 18,177,362	\$ 2,224,320	\$ 633,384	\$ 354,642
Receivables:						
Property taxes	13,846,623	-	13,846,623	-	-	-
Accounts	366,214	139,333	505,547	332,289	119,892	59,346
Special assessments	242,900	-	242,900	-	-	-
Intergovernmental	2,178,908	-	2,178,908	-	73,145	-
Interest	135	-	135	-	-	7,508
Due from other governments	-	-	-	9,965	-	-
Loan receivable	191,978	-	191,978	-	-	-
Land held for resale	1,026,750	-	1,026,750	-	-	-
Internal balances	278,559	(278,559)	-	-	-	-
Inventories	115,820	20,685	136,505	44,863	-	-
Other assets	-	-	-	-	80,346	-
Prepaid contracts	157,702	71,818	229,520	138,156	3,598	219
Total current assets	28,887,976	7,648,252	36,536,228	2,749,593	910,365	421,715
Noncurrent assets:						
Restricted cash and cash equivalents	-	1,353,923	1,353,923	90,788	-	-
Loan receivable	431,868	-	431,868	-	-	-
Investments	-	-	-	-	-	4,230,115
Capital assets:						
Land and Work in Progress	4,038,382	2,196,921	6,235,303	171,981	2,071,653	-
Buildings, infrastructure, and equipment, net	49,285,384	35,312,089	84,597,473	9,844,426	8,608,354	-
Total noncurrent assets	53,755,634	38,862,933	92,618,567	10,107,195	10,680,007	4,230,115
Total assets	\$ 82,643,610	\$ 46,511,185	\$ 129,154,795	\$ 12,856,788	\$ 11,590,372	\$ 4,651,830
Deferred Outflows of Resources						
Pension related deferred outflows	4,611,632	430,644	5,042,276	141,462	29,183	-
Deferred amount on refunding	490,679	-	490,679	-	-	-
Total deferred outflows of resources	\$ 5,102,311	\$ 430,644	\$ 5,532,955	\$ 141,462	\$ 29,183	\$ -
Liabilities						
Current liabilities:						
Accounts payable	\$ 2,533,551	\$ 697,725	\$ 3,231,276	\$ 65,860	\$ 62,487	\$ -
Claims payable	145,847	-	145,847	-	-	-
Accrued expense	-	-	-	45,434	13,229	2,202
Customers deposits	-	-	-	2,700	-	-
Lime removal liability	-	-	-	523,834	-	-
Unearned revenue	135,000	507,525	642,525	168,621	13,324	-
Bond interest payable	62,916	47,797	110,713	6,885	-	-
Current portion of long-term obligations	4,377,821	1,460,147	5,837,968	258,586	-	-
Total current liabilities	7,255,135	2,713,194	9,968,329	1,071,920	89,040	2,202
Noncurrent liabilities:						
Long-term obligations	27,390,806	19,217,118	46,607,924	2,563,000	-	-
Net pension liability	11,398,792	1,342,476	12,741,268	284,425	74,855	-
Net OPEB liability	383,292	77,626	460,918	13,710	3,550	-
Total noncurrent liabilities	39,172,890	20,637,220	59,810,110	2,861,135	78,405	-
Total liabilities	\$ 46,428,025	\$ 23,350,414	\$ 69,778,439	\$ 3,933,055	\$ 167,445	\$ 2,202
Deferred Inflows of Resources						
Pension related deferred inflows	4,747,451	529,782	5,277,233	66,227	19,368	-
Property taxes	10,965,004	-	10,965,004	-	-	-
Tax increment financing	2,750,000	-	2,750,000	-	-	-
Total deferred inflows of resources	\$ 18,462,455	\$ 529,782	\$ 18,992,237	\$ 66,227	\$ 19,368	\$ -
Net Position						
Net investment in capital assets	\$ 44,295,803	\$ 17,887,153	\$ 62,182,956	\$ 7,262,407	\$ 10,680,007	\$ -
Restricted for:						
Public Safety	118,242	-	118,242	-	-	-
Road Use	1,624,941	-	1,624,941	-	-	-
Culture and Recreation	775,412	-	775,412	-	-	1,522,244
Community and Economic Development	283,761	-	283,761	-	-	-
Capital Projects	4,662,565	-	4,662,565	-	-	-
Property tax relief	166,758	-	166,758	-	-	-
Debt service	336,336	125,308	461,644	-	-	-
Unrestricted (deficit)	(29,408,377)	5,049,172	(24,359,205)	1,736,561	752,735	3,127,384
Total net position	\$ 22,855,441	\$ 23,061,633	\$ 45,917,074	\$ 8,998,968	\$ 11,432,742	\$ 4,649,628

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

City of Burlington, Iowa
Statement of Activities
For The Year Ended June 30, 2016

Programs/Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,720,797	\$ 14,295	\$ 76,706	\$ -	\$ (1,629,796)	\$ -	\$ (1,629,796)
Culture and Recreation	4,505,269	655,443	409,837	1,896,643	(1,543,346)	-	(1,543,346)
Public Safety	9,584,079	1,781,725	548,625	-	(7,253,729)	-	(7,253,729)
Community and Economic Development	2,250,813	-	10,026	-	(2,240,787)	-	(2,240,787)
Health and Social Services	719	-	-	-	(719)	-	(719)
Public works	7,380,662	554,160	4,067,486	482,689	(2,276,327)	-	(2,276,327)
Interest and charges on long-term debt	875,043	-	-	-	(875,043.00)	-	(875,043)
Total governmental activities	<u>26,317,382</u>	<u>3,005,623</u>	<u>5,112,680</u>	<u>2,379,332</u>	<u>(15,819,747)</u>	<u>-</u>	<u>(15,819,747)</u>
Business-type activities:							
Sewer	5,557,669	6,797,723	-	-	-	1,240,054	1,240,054
Solid waste	1,412,017	1,801,431	-	-	-	389,414	389,414
Recplex	634,184	495,814	-	-	-	(138,370)	(138,370)
Parking	137,659	95,619	-	-	-	(42,040)	(42,040)
Flint Hills golf course	555,351	487,025	-	-	-	(68,326)	(68,326)
Total business-type activities	<u>8,296,880</u>	<u>9,677,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,380,732</u>	<u>1,380,732</u>
Total primary government	<u>\$ 34,614,262</u>	<u>\$ 12,683,235</u>	<u>\$ 5,112,680</u>	<u>\$ 2,379,332</u>	<u>\$ (15,819,747)</u>	<u>\$ 1,380,732</u>	<u>\$ (14,439,015)</u>
Component units:							
Burlington Municipal Waterworks	\$ 3,970,046	\$ 4,014,783	\$ -	\$ 42,805.00	\$ -	\$ -	\$ -
Friends of the Burlington Public Library	106,128	-	164,249	-	-	-	-
Southeast Iowa Regional Airport	1,314,203	272,426	218,817	153,208	-	-	-
Total component units	<u>\$ 5,390,377</u>	<u>\$ 4,287,209</u>	<u>\$ 383,066</u>	<u>\$ 196,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:							
Taxes:							
Property taxes					13,209,249	-	13,209,249
Local Option Sales					4,379,324	-	4,379,324
Other					2,258,143	-	2,258,143
Unrestricted Investment Income, Net					8,710	78,223	86,933
Other Revenues					2,572,247	64,297	2,636,544
Transfers					236,992	(236,992)	-
Total general revenues and transfers					<u>22,664,665</u>	<u>(94,472)</u>	<u>22,570,193</u>
Changes in net position					6,844,918	1,286,260	8,131,178
Net position - beginning					16,010,523	21,775,373	37,785,896
Net position - ending					<u>\$ 22,855,441</u>	<u>\$ 23,061,633</u>	<u>\$ 45,917,074</u>

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

Burlington Municipal Waterworks	Component Units	
	Southeast Iowa Regional Airport Authority	Friends of the Burlington Public Library
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ -	\$ -	\$ -
\$ 87,542	\$ -	\$ -
-	-	58,121
-	(669,752)	-
\$ 87,542	\$ (669,752)	\$ 58,121
-	-	-
-	-	-
1,791	942	(114,115)
1,501	32,860	-
-	-	-
3,292	33,802	(114,115)
90,834	(635,950)	(55,994)
8,908,134	12,068,692	4,705,622
\$ 8,998,968	\$ 11,432,742	\$ 4,649,628

City of Burlington, Iowa

**Balance Sheet
Governmental Funds
June 30, 2016**

	General	Debt Service	Local Option Sales Tax	Tax Increment Financing
Assets				
Cash and cash equivalents	\$ 3,000,267	\$ -	\$ -	\$ 386,929
Receivables:				
Property taxes	6,324,294	2,850,643	-	2,756,311
Accounts	316,115	249	-	-
Special assessments	170,502	-	-	-
Intergovernmental	482,914	-	997,884	-
Interest	135	-	-	-
Loan receivable	-	623,846	-	-
Inventory	-	-	-	-
Land held for resale	-	-	-	-
Due from other funds	-	-	-	-
Prepaid contracts	116,830	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 10,411,057	\$ 3,474,738	\$ 997,884	\$ 3,143,240
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 1,082,407	\$ 23,250	\$ -	\$ 56,904
Due to other funds	-	47,414	127,318	-
Unearned revenue	-	-	-	-
Total liabilities	1,082,407	70,664	127,318	56,904
Deferred inflows of resources				
Unavailable revenue - property taxes	6,248,702	2,821,150	-	-
Unavailable revenue - special assessments	170,502	-	-	-
Unavailable revenue - tax increment financing	-	-	-	2,750,000
Unavailable revenue - loans and accounts receivable	37,954	623,846	-	-
Unavailable revenue - Intergovernmental	927	-	290,000	-
Total deferred inflows of resources	6,458,085	3,444,996	290,000	2,750,000
Fund balances				
Nonspendable	116,830	-	-	-
Restricted	319,125	-	580,566	336,336
Assigned	20,385	-	-	-
Unassigned	2,414,225	(40,922)	-	-
Total fund balances	2,870,565	(40,922)	580,566	336,336
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,411,057	\$ 3,474,738	\$ 997,884	\$ 3,143,240

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

Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 4,710,089	\$ 1,862,730	\$ 9,960,015
-	1,915,375	13,846,623
-	49,550	365,914
72,398	-	242,900
452,467	238,426	2,171,691
-	-	135
-	-	623,846
-	71,410	71,410
1,026,750	-	1,026,750
-	194,008	194,008
685	20,665	138,180
-	278,559	278,559
<u>\$ 6,262,389</u>	<u>\$ 4,630,723</u>	<u>\$ 28,920,031</u>
\$ 907,992	\$ 376,852	\$ 2,447,405
-	19,276	194,008
135,000	-	135,000
<u>1,042,992</u>	<u>396,128</u>	<u>2,776,413</u>
-	1,895,152	10,965,004
72,398	-	242,900
-	-	2,750,000
-	-	661,800
215,139	-	506,066
<u>287,537</u>	<u>1,895,152</u>	<u>15,125,770</u>
685	92,075	209,590
4,483,582	2,248,406	7,968,015
447,593	-	467,978
-	(1,038)	2,372,265
<u>4,931,860</u>	<u>2,339,443</u>	<u>11,017,848</u>
<u>\$ 6,262,389</u>	<u>\$ 4,630,723</u>	<u>\$ 28,920,031</u>

City of Burlington, Iowa

**Reconciliation of the Balance Sheet to the
Governmental Funds to Statement of Net Position
June 30, 2016**

Total governmental fund balances		\$ 11,017,848
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets:		
Land and work in progress	\$ 4,038,382	
Buildings, improvements, and equipment, net of depreciation	49,285,384	
Less: Internal service fund capital assets, net of depreciation	<u>(559,400)</u>	52,764,366
The assets, deferred outflows of resources, liabilities and deferred inflows of resources of internal service funds are included in the governmental activities in the statement of net position.		
		445,386
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 4,611,632	
Less: Amount applicable to internal service funds	(120,234)	
Deferred inflows of resources	(4,747,451)	
Add: Amount applicable to internal service funds	<u>148,593</u>	(107,460)
Other long-term assets are not available to pay for current period expenditures and, therefore are reported as unavailable revenue in the funds.		
General fund - accounts receivable	\$ 37,954	
Debt service fund - accounts receivable	623,846	
General fund - special assessments receivable	170,502	
General fund - intergovernmental receivable	927	
Local option sales tax fund - intergovernmental receivable	290,000	
Capital projects fund - intergovernmental receivable	215,139	
Capital projects fund - special assessments receivable	<u>72,398</u>	1,410,766
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$ (30,150,244)	
Premium on general obligation bonds	(439,107)	
Deferred amount on refunding	490,679	
Compensated absences	(1,179,276)	
Less: Amount applicable to internal service funds	49,955	
Other post-employment benefits payable	(361,788)	
Net pension liability	(11,398,792)	
Less: Amount applicable to internal service funds	376,024	
Bond interest payable	<u>(62,916)</u>	<u>(42,675,465)</u>
Net position of governmental activities		<u>\$ 22,855,441</u>

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

City of Burlington, Iowa

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	General Fund	Debt Service	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 6,279,813	\$ 2,760,446	\$ -	\$ 2,454,140	\$ -	\$ 1,714,850	\$ 13,209,249
Other taxes and assessments	1,749,740	93,814	4,441,514	-	3,778	62,714	6,351,560
Licenses and permits	790,502	-	-	-	-	680	791,182
Fines and forfeitures	82,167	-	-	-	-	-	82,167
Intergovernmental	1,687,504	119,106	-	4,529	2,481,900	3,317,959	7,610,998
Charges for services	1,738,186	-	-	-	-	28,553	1,766,739
Use of money and property	198,043	-	-	-	-	6,371	204,414
Other	547,005	192,477	-	-	209,333	2,014,309	2,963,124
Total revenues	13,072,960	3,165,843	4,441,514	2,458,669	2,695,011	7,145,436	32,979,433
Expenditures:							
Current operating:							
Public Safety	10,795,520	-	-	-	-	30,601	10,826,121
Culture and Recreation	3,536,800	-	50,000	-	-	287,390	3,874,190
Public Works	1,860,291	-	-	-	-	2,308,487	4,168,778
Community and Economic Development	226,066	-	-	112,239	-	1,558,599	1,896,904
Health and Social Services	719	-	-	-	-	-	719
General Government	1,578,719	155,270	-	-	-	-	1,733,989
Debt service:							
Principal	35,064	4,795,508	-	165,606	-	-	4,996,178
Interest and other charges	1,054	828,460	-	73,218	-	-	902,732
Capital outlay	-	-	-	-	5,976,782	-	5,976,782
Total expenditures	18,034,233	5,779,238	50,000	351,063	5,976,782	4,185,077	34,376,393
Excess (deficiency) of revenues over (under) expenditures	(4,961,273)	(2,613,395)	4,391,514	2,107,606	(3,281,771)	2,960,359	(1,396,960)
Other financing sources (uses):							
Issuance of general obligation bonds	-	1,295,000	-	-	-	-	1,295,000
Premium payment for general obligation bonds	-	26,398	-	-	-	-	26,398
Issuance of general refunding bonds	-	2,180,000	-	-	-	-	2,180,000
Premium payment for general refunding bonds	-	132,500	-	-	-	-	132,500
Payment to refunded bonds escrow agent	-	(2,275,864)	-	-	-	-	(2,275,864)
Proceeds from sale of property	-	-	-	-	173,250	-	173,250
Transfers in	7,698,648	1,880,607	-	-	3,593,590	41,905	13,214,750
Transfers out	(2,165,894)	(1,237,195)	(4,742,293)	(1,878,446)	(372,520)	(2,628,228)	(13,024,576)
Total other financing sources and uses	5,532,754	2,001,446	(4,742,293)	(1,878,446)	3,394,320	(2,586,323)	1,721,458
Net change in fund balance	571,481	(611,949)	(350,779)	229,160	112,549	374,036	324,498
Fund balances, beginning	2,299,084	571,027	931,345	107,176	4,819,311	1,965,407	10,693,350
Fund balances, ending	\$ 2,870,565	\$ (40,922)	\$ 580,566	\$ 336,336	\$ 4,931,860	\$ 2,339,443	\$ 11,017,848

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

City of Burlington, Iowa

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2016**

Net change in fund balances--total governmental funds		\$ 324,498
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. The following is the amount by which depreciation expense exceeds capital outlays capitalized in the current year:		
Capital outlay	\$ 3,613,594	
Loss on disposals of capital assets	(37,967)	
Depreciation	<u>(2,480,013)</u>	1,095,614
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
General fund - accounts receivable	\$ 59	
Debt service fund - accounts receivable	(191,978)	
General fund - special assessments receivable	7,725	
General fund - intergovernmental receivable	(7,262)	
Local option sales tax fund - intergovernmental receivable	(62,190)	
Community Development fund - intergovernmental receivable	(53,469)	
Capital projects fund - intergovernmental receivable	53,997	
Capital projects fund - special assessments receivable	<u>(799)</u>	(253,917)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Governmental funds report the effect of premium and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:		
Repayment of bond principal	\$ 4,830,579	
Payments to escrow agent, including \$75,864 deferred amount on refunding	2,275,864	
Issuance of long-term debt	(3,475,000)	
Premiums	(158,898)	
Deferred amount on refunding, net	(95,939)	
Amortization of bond premiums	46,614	
Repayment of note payable	238,824	
Adjustment to bond and note interest payable	<u>9,655</u>	3,671,699
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in compensated absences	\$ (17,165)	
Change in other post-employment benefits payable	(27,155)	
Change in pension expense	<u>153,808</u>	109,488
The current year City employer share of IPERS and MFPRS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position		1,719,838
Internal service funds are used by management to charge costs of certain activities, such as vehicle and property maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		<u>177,698</u>
Changes in net position of governmental activities		<u>\$ 6,844,918</u>

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

City of Burlington, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Total Non-Major Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,140,892	\$ 554,083	\$ 7,694,975	\$ 522,372
Receivables:				
Accounts	124,017	15,316	139,333	300
Intergovernmental	-	-	-	7,217
Due from other funds	-	-	-	17,513
Inventories	-	20,685	20,685	44,410
Prepaid contracts	44,035	27,783	71,818	19,522
Total current assets	7,308,944	617,867	7,926,811	611,334
Noncurrent assets:				
Restricted cash and cash equivalents	1,353,923	-	1,353,923	-
Capital assets:				
Land and Work in Progress	1,798,378	398,543	2,196,921	-
Buildings, infrastructure, and equipment, net	32,446,363	2,865,726	35,312,089	559,400
Total noncurrent assets	35,598,664	3,264,269	38,862,933	559,400
Total assets	\$ 42,907,608	\$ 3,882,136	\$ 46,789,744	\$ 1,170,734
Deferred Outflows of Resources,				
Pension related deferred outflows	\$ 286,760	\$ 143,884	\$ 430,644	\$ 120,234
Liabilities				
Current liabilities:				
Accounts payable	\$ 528,754	\$ 168,971	\$ 697,725	\$ 86,146
Claims payable	-	-	-	145,847
Due to other funds	-	-	-	17,513
Unearned revenue	385,408	122,117	507,525	-
Bond interest payable	47,797	-	47,797	-
Current portion of long-term obligations	1,414,254	45,893	1,460,147	12,488
Total current liabilities	2,376,213	336,981	2,713,194	261,994
Noncurrent liabilities:				
Advances from other funds	-	278,559	278,559	-
Net pension liability	895,333	447,143	1,342,476	376,024
Net OPEB liability	49,624	28,002	77,626	21,504
Long-term obligations	18,928,408	288,710	19,217,118	37,467
Total liabilities	\$ 22,249,578	\$ 1,379,395	\$ 23,628,973	\$ 696,989
Deferred Inflows of Resources				
Pension related deferred inflows	\$ 353,557	\$ 176,225	\$ 529,782	\$ 148,593
Net Position				
Net investment in capital assets	14,622,884	3,264,269	17,887,153	559,400
Restricted for:				
Debt service	125,308	-	125,308	-
Unrestricted (deficit)	5,843,041	(793,869)	5,049,172	(114,014)
Total net position	\$ 20,591,233	\$ 2,470,400	\$ 23,061,633	\$ 445,386

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

City of Burlington, Iowa

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

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Total Non-Major Enterprise Funds	Total Enterprise Funds	
Operating revenues:				
Charges for services	\$ -	\$ 2,879,889	\$ 2,879,889	\$ 1,708,824
Sewer Charges Pledged as Security for Revenue Bonds	6,797,723	-	6,797,723	-
Other	-	-	-	20,602
Total operating revenues	6,797,723	2,879,889	9,677,612	1,729,426
Operating expenses:				
Personal services	1,846,753	978,310	2,825,063	960,791
Contractual services	780,732	1,112,271	1,893,003	112,919
Operating supplies	711,714	390,461	1,102,175	499,110
Depreciation	1,572,830	250,484	1,823,314	25,796
Total operating expenses	4,912,029	2,731,526	7,643,555	1,598,616
Operating income	1,885,694	148,363	2,034,057	130,810
Nonoperating revenues (expenses):				
Interest revenue	78,223	-	78,223	70
Intergovernmental	64,297	-	64,297	-
Interest expense	(645,640)	(7,685)	(653,325)	-
Total nonoperating revenues (expenses)	(503,120)	(7,685)	(510,805)	70
Net income (loss) before transfers	1,382,574	140,678	1,523,252	130,880
Transfers in	-	593,675	593,675	75,421
Transfers out	(654,507)	(176,160)	(830,667)	(28,603)
Change in net position	728,067	558,193	1,286,260	177,698
Total net position - beginning	19,863,166	1,912,207	21,775,373	267,688
Total net position - ending	\$ 20,591,233	\$ 2,470,400	\$ 23,061,633	\$ 445,386

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

City of Burlington, Iowa
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Total Non-Major Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:				
Receipts from customers	\$ 6,741,919	\$ 2,894,389	\$ 9,636,308	\$ 1,741,195
Payments to suppliers	(1,175,128)	(1,479,705)	(2,654,833)	(808,410)
Payments to employees	(1,934,914)	(1,020,295)	(2,955,209)	(794,368)
Net cash provided by operating activities	<u>3,631,877</u>	<u>394,389</u>	<u>4,026,266</u>	<u>138,417</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(654,507)	(176,160)	(830,667)	(28,603)
Transfers from other funds	-	593,675	593,675	75,421
Intergovernmental bond rebates	64,297	-	64,297	-
(Payments) to interfund accounts	-	(499,311)	(499,311)	-
Net cash provided by (used) in noncapital financing activities	<u>(590,210)</u>	<u>(81,796)</u>	<u>(672,006)</u>	<u>46,818</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	647,000	-	647,000	-
Purchase of capital assets	(1,841,406)	(212,100)	(2,053,506)	-
Principal paid on capital debt	(1,330,000)	(11,491)	(1,341,491)	-
Interest paid on capital debt	(659,888)	(7,685)	(667,573)	-
Net cash (used) in capital and related financing activities	<u>(3,184,294)</u>	<u>(231,276)</u>	<u>(3,415,570)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	78,223	-	78,223	104
Net increase (decrease) in cash and cash equivalents	(64,404)	81,317	16,913	185,339
Balances - beginning of year	8,559,219	472,766	9,031,985	337,033
Balances - end of year	<u>\$ 8,494,815</u>	<u>\$ 554,083</u>	<u>\$ 9,048,898</u>	<u>\$ 522,372</u>
Reconciliation of cash and cash equivalents to the statement of net position:				
Cash and cash equivalents	\$ 7,140,892	\$ 554,083	\$ 7,694,975	\$ 522,372
Restricted cash and cash equivalents	1,353,923	-	1,353,923	-
	<u>\$ 8,494,815</u>	<u>\$ 554,083</u>	<u>\$ 9,048,898</u>	<u>\$ 522,372</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,885,694	\$ 148,363	\$ 2,034,057	\$ 130,810
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,572,830	250,484	1,823,314	25,796
Changes in assets and liabilities:				
Receivables, net	(22,928)	22,028	(900)	11,769
Inventories	-	3,845	3,845	8,498
Prepaid contracts	(6,716)	1,162	(5,554)	(527)
Accounts and other payables	324,034	18,790	342,824	(2,426)
Unearned revenue	(36,071)	(7,528)	(43,599)	-
Net pension liability	69,749	35,233	104,982	29,173
Deferred outflows of resources	(130,041)	(65,692)	(195,733)	(54,392)
Deferred inflows of resources	(28,415)	(14,354)	(42,769)	(11,885)
Other postemployment benefits	3,741	2,058	5,799	1,601
Net cash provided by operating activities	<u>\$ 3,631,877</u>	<u>\$ 394,389</u>	<u>\$ 4,026,266</u>	<u>\$ 138,417</u>

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

I. Summary of significant accounting policies

A. Financial Reporting Entity

The City of Burlington, Iowa (the City) operates under the Council/Manager form of government. A wide variety of services are provided by the City including garbage and sewer collection, wastewater treatment, police and fire protection, library facilities, street maintenance, public transportation, parks and recreation facilities, planning and zoning, and general administration.

The City is a municipal corporation governed by an elected mayor and a four member council, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

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

These financial statements present the City (primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

Burlington Municipal Waterworks (Waterworks) supplies water to the homes, businesses, and industries throughout the City of Burlington, the City of West Burlington, and to limited areas in Des Moines County.

Burlington Municipal Waterworks and the City of Burlington are separate legal entities. Burlington Municipal Waterworks meets the component unit definition as a voting majority of the Waterworks' Board of Trustees is appointed by the City, and Waterworks is fiscally dependent upon the City. Waterworks is a business-type activity.

Complete financial statements for the component unit may be obtained at Burlington Municipal Waterworks, 500 North 3rd Street, Burlington, Iowa, 52601.

Southeast Iowa Regional Airport Authority (SIRAA) operates the airport within the City of Burlington's city limits. The City of West Burlington and the City of Burlington formed the SIRAA on July 1, 1996. Commercial air service from one commercial airline as well as other air transportation and recreation services are offered to the southeast Iowa and western Illinois regions.

SIRAA and the City of Burlington are separate legal entities. SIRAA meets the discretely presented component unit definition as a voting majority of the SIRAA's Board of Trustees is appointed by the City, and SIRAA is fiscally dependent upon the City. SIRAA is a business-type activity.

Complete financial statements for the component unit may be obtained at the Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, Iowa, 52601.

Friends of the Burlington Public Library Foundation (Foundation), a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library, which serves the Burlington area and to disburse those funds in a manner that will benefit the Library. The Foundation meets the definition of a component unit since its primary purpose is to raise funds on behalf of the Burlington Public Library. The Foundation is a business type activity. The Foundation's fiscal year ended on May 31, 2016.

Complete financial statements for the Foundation may be obtained from the Board of Directors of the Friends of the Burlington Public Library Foundation, 210 Court Street, Burlington, Iowa, 52601.

There are no other organizations or agencies whose financial statements should be combined and presented with the City's financial statements.

B. Basis of presentation - Government-wide and Fund Financial Statements

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

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

The statement of net position presents the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any borrowings that are attributed to the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. The sewer fund had \$1,228,615 of unspent bond proceeds.

Restricted net position results when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consists of \$947 for public works, \$1,624,941 for road use, \$166,758 for property tax relief, \$336,336 for debt service (for tax increment debt), \$283,761 for economic development, \$4,662,565 for capital projects, and \$775,412 in culture and recreation.

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

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

These financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (U.S. GAAP) that apply to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Local Option Sales Tax Fund* accounts for revenue received from a one percent sales tax levied by the City to be used for community protection, property tax relief, and capital improvements.

The *Tax Increment Financing Fund* accounts for taxes collected on the incremental increase in the value of property located within the tax increment financing districts to be used for activities within those districts.

The *Capital Projects Fund* accounts for acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

The City reports the following major proprietary fund:

The *Sewer Fund* accounts for the operations of a municipally owned wastewater treatment plant and its related sewer infrastructure.

Additionally, the City reports the following nonmajor proprietary fund type:

Internal service funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. These include vehicle maintenance, property maintenance, safety coordination and self-insurance.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in the

business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out; certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement focus and basis of accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension benefits, other postemployment benefits and claims and judgments, are recorded only when payment is due.

Other taxes and assessments, intergovernmental service charges, utility charges for service, and fines and forfeitures associated with current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits and other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time. Interest earnings are recorded as earned, since they are measurable and available.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is available.

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 the proprietary fund's principal ongoing operations. The principal operating revenues from the City's proprietary funds are charges to customers for sales, rentals and services. Operating expenses for the proprietary funds include cost of personal services, contractual services, operating supplies, self-insurance claims, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, deferred inflows/outflows of resources and fund balance

Cash, Cash Equivalents and Investments

The City maintains a cash pool in order to maximize interest returns. Income from the cash pool is allocated to individual funds based on the fund's average monthly cash balance and legal requirements. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund. Fund cash deficits are treated as due to/from.

The City, SIRAA, Waterworks, and Foundation consider all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Investments are stated at their fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current year exchange rates.

Interfund Balances

Transactions between funds that are representative of long-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are expected to be repaid within one year and reported as "due to/from other funds."

Any residual outstanding balances between governmental activities and business-type activities are shown as internal balances in the government-wide financial statements.

Property Tax Receivable, Including Tax Increment Financing

Property taxes are recognized in the year in which the levy is due and collectable. The current tax levy, which is due and collectable during the year ending June 30, 2016 was certified on March 15, 2015 by the local taxing authority, Des Moines County, based on January 1, 2014 valuations establishing a lien date of March 15, 2015. Property taxes are due in two installments with the first half becoming delinquent after September 30 and the second half after March 31 of the following year. Property tax receivable is recognized on the levy or lien date, which is the date

the tax asking is certified by the City to the County. Any County collections on the 2014-2015 tax levy remitted to the City within sixty days subsequent to June 30, 2016, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2016, are delinquent and have been recorded as receivables and unavailable revenue.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable for 2015-2016 tax levy has been recorded, the related revenue is unavailable and will not be recognized as revenue until the year for which it is levied and budgeted for use.

Intergovernmental receivables

Intergovernmental receivables represent amounts due from the State of Iowa for grants, entitlements, hotel/motel tax, and local option sales.

Inventories and Prepaid Contracts

City inventories are carried at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Waterworks' inventory is valued at cost using the FIFO method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted cash and cash equivalents

Certain proceeds of the City's Sewer Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and cash equivalents on the Statement of Net Position. These assets are restricted due to revenue bond covenants requiring that monies be set aside and used solely for the protection and repayment of the revenue bond holders.

Capital Assets

Capital assets used in governmental and business-type activities of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Major outlays for capital assets and improvements are capitalized as construction-in-progress as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

All assets capitalized by the City must have a useful life of two years or more and have a cost that exceeds the following minimum thresholds:

<u>Assets</u>	<u>Threshold</u>
Infrastructure	\$ 50,000
Land Improvements	50,000
Buildings	20,000
Building Improvements	20,000
Intangible Assets	20,000
Vehicles	5,000
Machinery and Equipment	5,000

Property, plant and equipment are depreciated using the straight line method of depreciation with half-year convention over the following estimated useful lives:

Infrastructure	50
Land Improvements	12-20
Buildings	40
Building Improvements	20
Vehicles	4-12
Machinery and Equipment	5-10

Capital assets are reported at the fund level for proprietary funds, but not for governmental funds.

SIRAA records property and equipment at cost and depreciation is computed using the straight-line method at rates based on the following useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	5-38
Buildings and Improvements	5-40
Furniture and Equipment	5-10

Waterworks computes depreciation using the 150% declining balance method using the following useful lives:

<u>Assets</u>	<u>Years</u>
Distribution System	10-39
Land Improvements	15-22
Buildings and improvements	7-40
Furniture and Equipment	5-10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon termination or retirement while sick pay is payable only upon retirement. Additionally, since Firefighters are regularly scheduled to work in excess of 136 hours per regular work period as established under the Fair Labor Standards Act (FLSA) they shall accrue twelve (12) hours compensatory time per regular pay period. Compensatory time is scheduled time off on the same basis as overtime, however is accrued in lieu of overtime pay. A liability has been recorded in the government-wide and proprietary fund financial statements for all earned but unused vacation benefits, Firefighter compensatory time benefits and earned but unused sick leave benefits. For governmental activities, compensated absences are generally liquidated by the General and Road Use Tax funds.

In governmental fund financial statements, these accrued benefits, including Firefighter compensatory time, are considered long-term liabilities similar to that of long-term debt and are not reported as a fund liability unless the liability has matured, for example, as a result of employee retirements and resignations.

Long-term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as an expense in the year they are incurred and reported in interest and charges on long-term debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System and the Municipal Fire and Police Retirement System (Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems'. For this purpose, benefit payments (including refunds of employee contributions) are recognized when

due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first is a deferred amount on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Pension related deferred outflows 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.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from five sources: property taxes, tax increment financing taxes, special assessments, intergovernmental and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements, only the property taxes and tax increment financing taxes remain under the modified accrual basis of accounting and will become an inflow in the year for which the taxes are levied and budgeted for. The City also includes pension related deferred inflows, which are the unamortized portion of the difference between expected and actual experience, changes in assumptions, and the change in proportionate share of contributions all related to the net pension liability.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Estimates and Assumptions:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

As of June 30, 2016, the carrying amount of the City's cash deposits, which includes certificates of deposit, total \$19,531,285 with bank balances of \$20,252,511. The bank balances are covered entirely 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.

As of June 30, 2016, the carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	Carrying Amount	Bank Balance
Demand Deposits	\$ 19,498,057	\$ 20,223,778
Certificates of Deposit	28,733	28,733
Petty Cash	4,495	-
Total	<u>\$ 19,531,285</u>	<u>\$ 20,252,511</u>

SIRAA's deposits at June 30, 2016 are 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. Cash balances as of June 30, 2016, consisted of unrestricted cash of \$408,034. The cash balances are entirely from checking and savings deposits. SIRAA held a non-negotiable certificate of deposit of \$225,350 as of June 30, 2016.

Waterworks' carrying amount of deposits was \$2,315,108 all of which are 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 funds. Waterworks' held no investments as of June 30, 2016.

The Foundation had cash deposits of \$354,642. Investments held by the foundation were as follows:

U. S. Agency obligations	\$ 30,106
Municipal bonds and notes	53,214
Corporate debt securities	473,725
Fixed income funds	1,113,606
Equity securities	1,307,981
Equity funds	<u>1,251,483</u>
Total	<u>\$ 4,230,115</u>

Additional information regarding the Foundation's investments can be obtained in the separately issued financial statements.

The City, SIRAA, and Waterworks are authorized by statute to invest in 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 City Council, Board of Trustees, Authority Board, or Treasurer of the State of Iowa; 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.

Interest Rate Risk. The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within fifteen

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The City did not hold any investments as of June 30, 2016 subject to interest rate risk.

Credit Risk. The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. As of June 30, 2016, the City did not hold any investments subject to credit risk.

Concentration of Credit Risk. The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no investments subject to this risk during the year.

Custodial Credit Risk - Investment. For an investment, this is the risk that, in the event of the failure the counterparty, the government will not to be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year.

III. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,990,699	\$ 102,200	\$ -	\$ 2,092,899
Work-in-progress	454,510	1,945,483	454,510	1,945,483
Total, undepreciated	<u>2,445,209</u>	<u>2,047,683</u>	<u>454,510</u>	<u>4,038,382</u>
Capital assets being depreciated:				
Land improvements	1,354,632	110,866	-	1,465,498
Infrastructure	45,919,581	965,365	-	46,884,946
Buildings	20,608,529	-	-	20,608,529
Building improvements	7,429,785	-	-	7,429,785
Fixtures and equipment	6,082,110	127,265	318,231	5,891,144
Vehicles	6,847,580	816,925	631,310	7,033,195
Total, depreciated	<u>88,242,217</u>	<u>2,020,421</u>	<u>949,541</u>	<u>89,313,097</u>
Less accumulated depreciation for:				
Land improvements	1,152,176	21,512	-	1,173,688
Infrastructure	17,039,344	1,078,701	-	18,118,045
Buildings	5,968,570	495,621	-	6,464,191
Building improvements	5,063,389	194,739	-	5,258,128
Fixtures and equipment	4,267,410	252,149	316,451	4,203,108
Vehicles	4,942,589	463,088	595,124	4,810,553
Total accumulated depreciation	<u>38,433,478</u>	<u>2,505,810</u>	<u>911,575</u>	<u>40,027,713</u>
Total capital assets being depreciated, net	<u>49,808,739</u>	<u>(485,389)</u>	<u>37,966</u>	<u>49,285,384</u>
Governmental activities capital assets, net	<u>\$ 52,253,948</u>	<u>\$ 1,562,294</u>	<u>\$ 492,476</u>	<u>\$ 53,323,766</u>

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 398,543	\$ -	\$ -	\$ 398,543
Work-in-progress	940,139	1,236,267	378,028	1,798,378
Total, undepreciated	<u>1,338,682</u>	<u>1,236,267</u>	<u>378,028</u>	<u>2,196,921</u>
Capital assets being depreciated:				
Land improvements	2,289,958	-	-	2,289,958
Infrastructure	30,220,939	931,411	-	31,152,350
Buildings	32,993,927	-	-	32,993,927
Building improvements	2,614,823	25,560	-	2,640,383
Fixtures and equipment	2,812,006	35,955	-	2,847,961
Vehicles	1,582,992	202,340	-	1,785,332
Total, depreciated	<u>72,514,645</u>	<u>1,195,266</u>	<u>-</u>	<u>73,709,911</u>
Less accumulated depreciation for:				
Land improvements	2,040,906	59,809	-	2,100,715
Infrastructure	9,868,291	632,013	-	10,500,304
Buildings	19,668,390	801,489	-	20,469,879
Building improvements	1,536,304	122,506	-	1,658,810
Fixtures and equipment	2,123,791	136,633	-	2,260,424
Vehicles	1,336,826	70,864	-	1,407,690
Total accumulated depreciation	<u>36,574,508</u>	<u>1,823,314</u>	<u>-</u>	<u>38,397,822</u>
Total capital assets being depreciated, net	<u>35,940,137</u>	<u>(628,048)</u>	<u>-</u>	<u>35,312,089</u>
Business-type activities capital assets, net	<u>\$ 37,278,819</u>	<u>\$ 608,219</u>	<u>\$ 378,028</u>	<u>\$ 37,509,010</u>

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

Governmental activities:	
Public Safety	\$ 386,843
Cultural and Recreation	629,291
Public Works	1,429,867
General government	34,012
Internal Service	25,797
Total depreciation expense - governmental activities	<u>\$ 2,505,810</u>
Business-type activities:	
Sewer	\$ 1,572,830
Solid waste	48,079
Recplex	104,145
Parking	59,860
Flint Hills golf course	38,400
Total depreciation expense - business-type activities	<u>\$ 1,823,314</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The following is a summary of capital assets for the Burlington Municipal Waterworks for the year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 151,981	\$ -	\$ -	\$ 151,981
Construction in progress	75,622	20,000	75,622	20,000
Total, not depreciated	<u>227,603</u>	<u>20,000</u>	<u>75,622</u>	<u>171,981</u>
Capital assets being depreciated:				
Building and tanks	5,430,330	3,660	3,608	5,430,382
Distribution miscellaneous equipment	221,387	1,557	-	222,944
Distribution mains	12,443,198	56,309	-	12,499,507
Emergency well water	77,072	-	-	77,072
Filter equipment	1,009,122	-	1,085	1,008,037
Furniture and office equipment	218,565	48,261	1,554	265,272
Land improvements	775,595	-	-	775,595
Miscellaneous plant equipment	239,463	14,995	-	254,458
Power/pumping equipment	3,463,163	249,597	-	3,712,760
Sludge equipment	143,568	-	-	143,568
Vehicles	500,807	184,556	55,131	630,232
Total, capital assets being depreciated	<u>24,522,270</u>	<u>558,935</u>	<u>61,378</u>	<u>25,019,827</u>
Less accumulated depreciation/amortization for:				
Building and tanks	2,805,121	148,884	3,608	2,950,397
Distribution miscellaneous equipment	84,005	29,738	-	113,743
Distribution mains	6,878,737	265,051	-	7,143,788
Emergency well water	30,242	3,667	-	33,909
Filter equipment	966,251	7,934	1,085	973,100
Furniture and office equipment	200,251	13,672	1,554	212,369
Land improvements	560,031	28,856	-	588,887
Miscellaneous plant equipment	127,539	17,249	-	144,788
Power/pumping equipment	2,402,230	83,000	-	2,485,230
Sludge equipment	69,721	10,890	-	80,611
Vehicles	485,871	17,839	55,131	448,579
Total accumulated depreciation/amortization	<u>14,609,999</u>	<u>626,780</u>	<u>61,378</u>	<u>15,175,401</u>
Total capital assets being depreciated, net	<u>9,912,271</u>	<u>(67,845)</u>	<u>-</u>	<u>9,844,426</u>
Capital assets, net	<u>\$ 10,139,874</u>	<u>\$ (47,845)</u>	<u>\$ 75,622</u>	<u>\$ 10,016,407</u>

The following is a summary of capital assets for the Southeast Iowa Regional Airport Authority for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 2,071,653	\$ -	\$ -	\$ 2,071,653
Capital assets being depreciated:				
Land improvements	17,046,076	115,329	-	17,161,405
Building and improvements	3,169,579	23,195	-	3,192,774
Furniture and equipment	1,559,017	67,785	-	1,626,802
Total capital assets being depreciated	<u>21,774,672</u>	<u>206,309</u>	<u>-</u>	<u>21,980,981</u>
Less accumulated depreciation for:				
Land improvements	9,695,119	820,573	-	10,515,692
Building and improvements	1,433,086	93,599	-	1,526,685
Furniture and equipment	1,251,925	78,325	-	1,330,250
Total accumulated depreciation:	<u>12,380,130</u>	<u>992,497</u>	<u>-</u>	<u>13,372,627</u>
Total capital assets being depreciated, net	<u>9,394,542</u>	<u>(786,188)</u>	<u>-</u>	<u>8,608,354</u>
Capital assets, net	<u>\$ 11,466,195</u>	<u>\$ (786,188)</u>	<u>\$ -</u>	<u>\$ 10,680,007</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

IV. INTERFUND RECEIVABLES AND PAYABLES:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental fund - Road use tax	Governmental fund - Debt Service	\$ 47,414
	Governmental fund - Local Option Sales Tax	127,318
	Nonmajor governmental fund - Employee Benefit	19,276
		<u>194,008</u>
Internal service fund - Self ins.	Internal service funds - Vehicle Maint.	17,513
		<u>\$ 211,521</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of internal borrowings to cover cash shortages which are expected to be collected in the subsequent year.

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental fund - Road use tax	Nonmajor enterprise funds - Golf	\$ 128,231
	Nonmajor enterprise funds - Rec Plex	150,328
		<u>\$ 278,559</u>

The amounts payable to the road use tax fund relate to loans made for capital improvements. All of the balances are scheduled to be collected in the subsequent year.

Transfers generally move resources from the fund statutorily required to collect resources to the fund statutorily required to expend resources. In addition, payments in lieu of taxes from enterprise funds to the general fund are treated as a transfer between those funds. Interfund transfers for the year ended June 30, 2016 were as follows:

	Transfers In:			
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds
Transfers out:				
General	\$ -	\$ 37,798	\$ 1,459,000	\$ -
Local option sales tax	4,465,092	33,448	227,473	16,280
Tax increment financing	-	1,809,361	69,085	-
Debt service	-	-	1,237,195	-
Capital projects	372,520	-	-	-
Nonmajor governmental	2,001,766	-	600,837	25,625
Sewer	654,507	-	-	-
Solid waste	176,160	-	-	-
Internal service	28,603	-	-	-
	<u>\$ 7,698,648</u>	<u>\$ 1,880,607</u>	<u>\$ 3,593,590</u>	<u>\$ 41,905</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	Parking Fund	Golf Course Fund	Recplex Fund	Internal Service Funds	Total
Transfers out:					
General	\$ 60,000	\$ 266,725	\$ 266,950	\$ 75,421	\$ 2,165,894
Local option sales tax	-	-	-	-	4,742,293
Tax increment financing	-	-	-	-	1,878,446
Debt service	-	-	-	-	1,237,195
Capital projects	-	-	-	-	372,520
Nonmajor governmental	-	-	-	-	2,628,228
Sewer	-	-	-	-	654,507
Solid waste	-	-	-	-	176,160
Internal service	-	-	-	-	28,603
	<u>\$ 60,000</u>	<u>\$ 266,725</u>	<u>\$ 266,950</u>	<u>\$ 75,421</u>	<u>\$ 13,883,846</u>

V. LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of infrastructure, major capital facilities, other major capital assets, and repairs and maintenance of capital assets. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in proprietary funds if they are expected to be repaid from proprietary fund revenues.

During fiscal year 2016, the City issued \$2,180,000 to advance refund the General Obligation Bonds, Series 2007. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 bond. As a result, the 2007 series GO bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net position. The transactions resulted in a reduction of \$115,850 in future debt payments and an economic gain of \$111,492.

In 2016, the City defeased the General Obligation Bonds, series 2007 with the issuance of 2016 GO Bonds. The proceeds were placed in an irrevocable trust to provide for the remaining principal and interest payments until they are callable. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's Financial Statements. As of June 30, 2016, the amount to be called by the escrow account is \$2,275,864.

On July 20, 2015 the City authorized the call of the Taxable General Obligation Urban Renewal Economic Development Bonds, Series 2008B. They were called on August 20, 2015. The interest cost savings due to the early payoff was \$78,191.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Debt	Issue Date	Amount Issued	Interest Rates	Balance June 30, 2016
General corporate	01/06/10	1,785,000	1.60-4.60 %	600,000
General corporate	02/01/11	9,000,000	2.70-3.40	8,000,000
G.O. Refunding	03/15/12	3,390,000	1.00-1.25	180,000
G.O. Refunding	06/28/12	817,000	1.37	542,000
G.O. Refunding and general corporate	05/22/13	2,225,000	1.65-3.05	2,225,000
G.O. Refunding	05/22/13	3,670,000	.50-2.85	2,795,000
G.O. Refunding	05/22/13	5,670,000	2.00-3.00	4,510,000
G.O. Refunding	05/22/13	1,140,000	2.00	470,000
General corporate	12/02/13	103,750	2.80	17,915
General corporate	04/15/14	1,450,000	1.90-4.00	1,450,000
G.O. Refunding	04/15/14	3,890,000	1.25-2.00	2,455,000
G.O. Refunding and general corporate	06/04/15	4,415,000	2.00-3.00	3,890,000
G.O. Refunding	06/04/15	3,845,000	.90-2.40	3,225,000
General corporate	06/01/16	1,295,000	2.00-2.25	1,295,000
G.O. Refunding	06/01/16	2,180,000	2.00-3.00	2,180,000
		<u>\$ 44,875,750</u>		<u>\$ 33,834,915</u>

Future debt service requirements for the outstanding general obligation bonded indebtedness are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 4,083,002	\$ 745,912	457,908	75,595	\$ 5,362,417
2018	3,961,325	668,514	492,675	66,395	5,188,909
2019	4,092,600	579,867	484,400	56,401	5,213,268
2020	3,867,779	482,029	495,221	46,457	4,891,486
2021	3,772,889	385,448	527,111	38,465	4,723,913
2022-2026	8,674,305	780,201	1,105,695	63,924	10,624,125
2027-2031	1,698,349	135,742	121,656	16,596	1,972,343
	<u>\$ 30,150,249</u>	<u>\$ 3,777,713</u>	<u>\$ 3,684,666</u>	<u>\$ 363,833</u>	<u>\$ 37,976,461</u>

Sewer revenue bonds. The City issues sewer revenue bonds to provide for the construction of sewer system infrastructure. These bonds are reported in the sewer fund in the enterprise funds and under the bond agreement are payable solely from net revenues derived from the operation of the sewer system. Annual principal and interest payments on the bonds are expected to require less than 55 percent of net revenues. These bonds are not general obligations of the City. Total principal and interest remaining on the bonds are \$21,374,974 payable through 2031. For the current year, principal and interest paid and net revenues generated were \$1,493,371 and \$3,458,524, respectively.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Sewer revenue bonds as of June 30, 2016 consist of the following issues:

<u>Debt</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2016</u>
Sewer capital loan	07/01/08	\$ 3,851,000	3.00%	\$ 2,759,000
Sewer revenue	01/06/10	4,350,000	2.70-6.00	3,310,000
Sewer revenue	07/19/11	5,340,000	1.00-4.20	4,580,000
Sewer revenue	05/22/13	5,400,000	2.00-3.25	4,815,000
Sewer capital loan	06/21/13	1,000,000	0.00	530,357
Sewer revenue	12/18/15	908,000	1.75	560,172
		<u>\$ 20,849,000</u>		<u>\$ 16,554,529</u>

Future debt service requirements for the outstanding sewer revenue bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 937,000	\$ 566,700	\$ 1,503,700
2018	959,000	540,370	1,499,370
2019	1,520,357	512,890	2,033,247
2020	1,022,000	483,803	1,505,803
2021	1,054,000	452,698	1,506,698
2022-2026	5,825,000	1,719,325	7,544,325
2027-2031	5,237,172	544,659	5,781,831
	<u>\$ 16,554,529</u>	<u>\$ 4,820,445</u>	<u>\$ 21,374,974</u>

The following provisions are included in the sewer revenue bond indenture:

Cash from the Sewer Fund shall be transferred monthly into the Sewer Revenue Bond Sinking Fund to pay the interest on, and to redeem the principal amount of, the bonds at maturity. The monthly transfers must be equal to one-sixth of the interest due on the next payment date, plus one-twelfth of the principal maturing on the next retirement date. As of June 30, 2016, the sinking funds had a balance of \$125,308.

The Sewer Reserve Fund maintains an amount equal to \$1,353,924, which is the amount required to be in compliance of restriction debt covenants.

On or before the beginning of each fiscal year City Council will adopt or continue in effect rates for all services rendered by the Utility sufficient to produce "net revenues" for the next succeeding fiscal year sufficient to meet the requirements of the sinking funds and to create "net revenues" equal to at least 1.25 times the maximum annual combined debt service of the revenue bonds then outstanding.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

“Net revenues” are defined as gross revenues less operating expenses which shall include salaries, wages, cost of maintenance and operation, materials and supplies, and insurance, as well as other items that are normally included under recognized accounting practices, but shall not include allowance for depreciation in the value of physical properties.

Notes payable. The City and the Burlington Municipal Waterworks entered an agreement in 1997 for the construction of five water main extensions in the Flint Hills Business Park. The water main extensions are to be repaid utilizing tax increment financing when tax increment financing revenue becomes available. Interest shall accrue annually based on the Public funds rate set by the State of Iowa for the one year to 397 day category. The principal of amount of \$165,606 and accrued interest of \$73,218 was paid to Waterworks on February 16, 2016.

In 2013, the City authorized a \$1,000,000 Sewer Revenue Loan and Disbursement Agreement Anticipation Project Note (Project Note) under the Iowa Finance Authority’s (IFA) state revolving loan program (SRF). Proceeds are used for the planning and designing improvements and extensions to the Municipal Sanitary Sewer System of the City. The note bears an interest rate of 0% per annum, and is payable at maturity, three years from the date of the Project Note. During fiscal 2016, the City drew down \$49,828 on this loan and total amount on note is \$530,357.

The following is a summary of the changes in the long-term debt of the City for the year ended June 30, 2016. Typically, long-term liabilities of the governmental activities, other than debt, are liquidated by the fund incurring the debt.

	June 30, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 33,705,821	\$ 3,475,000	\$ 7,030,572	\$ 30,150,249	\$ 4,083,002
Add: bond premiums	326,824	158,898	46,615	439,107	-
Notes payable	238,722	102	238,824	-	-
Compensated absences	1,174,634	298,300	293,658	1,179,276	294,819
Total governmental activities	<u>35,446,001</u>	<u>3,932,300</u>	<u>7,609,669</u>	<u>31,768,632</u>	<u>4,377,821</u>
Business-type activities:					
General obligation bonds	4,116,158	-	431,492	3,684,666	457,908
Sewer revenue bonds	16,817,529	647,000	910,000	16,554,529	937,000
Add: bond premiums	190,353	-	13,236	177,117	-
Compensated absences	263,378	63,419	65,845	260,952	65,239
Total business-type activities	<u>21,387,418</u>	<u>710,419</u>	<u>1,420,573</u>	<u>20,677,264</u>	<u>1,460,147</u>
Total long-term debt	<u>\$ 56,833,419</u>	<u>\$ 4,642,719</u>	<u>\$ 9,030,242</u>	<u>\$ 52,445,896</u>	<u>\$ 5,837,968</u>

VI. Iowa Public Employees Retirement System (IPERS)

Plan description: Employees of the City are provided with pensions through the Iowa Public Employees Retirement System (IPERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Benefits provided: IPERS provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest five-year average salary and a multiplier based on the years of service. Employees are eligible for full retirement age 65; at age 62 with at least 20 years of covered employment or when the years of service plus the employee's age equals or exceeds 88. Four years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are calculated based on the actuarial present value of the employee's accrued benefit at the time of death or a calculation based on the employee's contributions, highest covered annual wage and years of service.

Contributions: Per Iowa Code Section 97B.4(4)(d) the required contribution rate is determined by the IPERS actuary as the rate necessary to fully fund the benefits as defined by Iowa Code Chapter 97B. Employees are required to contribute 5.95 percent of their annual pay. The City contractually required contribution rate for the year ended June 30, 2016, was 8.93 percent of annual payroll, actuarially determined at an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$557,774 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$4,290,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the City's proportion was 0.086293 percent, a decrease of 0.011326% from the City's proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$185,656.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 64,817	\$ -
Changes of assumptions	118,115	-
Net difference between projected and actual earnings on pension plan investments	641,872	998,914
Changes in proportion and differences between City contributions and proportionate share of contributions	-	690,763
City contributions subsequent to the measurement date	<u>557,774</u>	<u>-</u>
Total	<u>\$ 1,382,578</u>	<u>\$ 1,689,677</u>

\$557,774 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the average remaining service life of all system members of 5.26 years or 5 years (as of the beginning of the fiscal year) as follows:

Year end June 30:	
2017	\$ (295,381)
2018	(295,381)
2019	(295,381)
2020	49,073
2021	<u>(27,803)</u>
	<u>\$ (864,873)</u>

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

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation Rates vary by membership group.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (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	Target Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.67
U.S. TIPS	5	1.92
Other real assets	2	6.27
Cash	1	(0.71)
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 7,511,049	\$ 4,290,018	\$ 1,571,236

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 can be located at www.ipers.org.

Payables to the Pension Plan - At June 30, 2016, the City had no payables to the defined benefit pension plan.

VIII. Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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

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

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22

years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

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

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

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

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

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

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

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

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

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$1,367,604.

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

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

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$8,451,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 1.798849 % which was a decrease of .002921% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$358,282. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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JUNE 30, 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 227,171	\$ 14,443
Changes of assumptions	635,889	-
Net difference between projected and actual earnings on pension plan investments	1,429,034	2,298,935
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,274,178
City contributions subsequent to the measurement date	<u>1,367,604</u>	<u>-</u>
Total	<u>\$ 3,659,698</u>	<u>\$ 3,587,556</u>

\$1,367,604 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the average remaining service life of all system members of 5.60 years or 5 years (as of the beginning of the fiscal year) as follows:

Year end June 30:	
2017	\$ (461,458)
2018	(461,458)
2019	(461,458)
2020	231,055
2021	<u>(142,143)</u>
	<u>\$ (1,295,462)</u>

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

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

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

Mortality rates used by the plan were based on weighting equal to 1/12 of the 1971 GAM table and 11/12 of the 1994 GAM table with no projection of future mortality improvement. The one additional step results in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
Core Investments	40.0%	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	5.0	6.8
Real Estate	10.0	
Total	100%	

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 14,713,878	\$ 8,451,250	\$ 3,247,739

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

Payables to the Pension Plan - At June 30, 2016, the City had no payables to the defined benefit pension plan.

IX. COMPONENTS OF FUND BALANCE

	General	Debt Service	Tax Increment Financing	Local Option Sales Tax	Capital Projects	Non-Major Governmental Funds	Total
Nonspendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,410	\$ 71,410
Prepaid Items	116,830	-	-	-	685	20,665	138,180
Total Nonspendable	116,830	-	-	-	685	92,075	209,590
Restricted for:							
Debt Service	-	-	336,336	-	-	-	336,336
Capital improvements & equipment	-	-	-	166,758	4,483,582	12,225	4,662,565
Road Use	-	-	-	-	-	1,624,941	1,624,941
Law Enforcement	-	-	-	-	-	79,147	79,147
Ambulance	-	-	-	-	-	39,095	39,095
Economic Development	-	-	-	247,050	-	36,711	283,761
Property Tax Relief	-	-	-	166,758	-	-	166,758
Culture & Recreation	319,125	-	-	-	-	456,287	775,412
Total Restricted	319,125	-	336,336	580,566	4,483,582	2,248,406	7,968,015
Assigned to:							
Capital improvements & equipment	20,385	-	-	-	447,593	-	467,978
Total Assigned	20,385	-	-	-	447,593	-	467,978
Unassigned:	2,414,225	(40,922)	-	-	-	(1,038)	2,372,265
Total Fund Balances	\$ 2,870,565	\$ (40,922)	\$ 336,336	\$ 580,566	\$ 4,931,860	\$ 2,339,443	\$ 11,017,848

X. DEFICIT BALANCES

The following City funds have a deficit net position as of June 30, 2016:

	<u>Balance</u>
Governmental:	
Debt Service	\$ 40,922
Nonmajor Governmental:	
Downtown SSMID District	1,038
Internal Service:	
Property Maintenance	183,342
Safety Coordination	27,461
Enterprise:	
Flint Hills Golf Course, non-major fund	132,745

These deficits will be eliminated as resources are obtained from charges for services and transfers in.

XI. RISK MANAGEMENT

The City, in conjunction with Des Moines County, Iowa, Burlington Municipal Waterworks, Southeast Iowa Regional Airport Authority, and other organizations participate in a multi-government pool for the purchase of health, dental and prescription drug insurance, which is funded through employer premiums. The plan purchases coverage through Wellmark Blue Cross/Blue Shield. Coverage includes a \$2,500/\$5,000 deductible per employee, with the plan self-insuring the difference between those amounts and the deductible elected by the employee. An independent claims administrator performs the handling of all dental and prescription drug claims. Settled claims have not exceeded the planned coverage during any of the past three fiscal years.

The City is insured for general and automotive liability, property, and other coverage through insurance purchased from Travelers. The City purchased insurance coverage of \$118,193,858 for buildings and contents with a deductible of \$10,000. The City purchased liability coverage of \$1,000,000 per occurrence and \$2,000,000 in aggregate with no deductible. The City also purchased an additional \$4,000,000 in umbrella coverage per incident and in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City is self-insured for worker's compensation. Self-insurance is in effect up to a stop loss amount of approximately \$400,000 per incident for worker's compensation. Worker's compensation premiums and claims are accounted for in an internal service fund. Charges are billed to the operating funds based upon estimated workers compensation premiums based on budgeted wages. Unemployment claims are charged quarterly to the applicable funds based upon actual claims as assessed by the State.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The changes in the aggregate liability for claims for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Claims payable, beginning of year	\$ 121,589	\$ 93,994
Incurred claims and other adjustments (including IBNR)	215,160	242,144
Claim payments	(190,902)	(214,549)
Claims payable, end of year	<u>\$ 145,847</u>	<u>\$ 121,589</u>

XII. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City participates in a multi-government health insurance pool that provides medical, dental benefits, and prescription drug coverage to employees and retirees. Full-time fire fighters and police officers participate in MFPRSI and may retire after the age of 55 with 22 years of service or if disabled. All other full-time employees participate in IPERS and may retire with health coverage after the age of 55 with 33 years of service, under the Rule of 88, age 62 with 20 years of service or if disabled.

The City pays 97% of the health and dental insurance premiums for employees for the standard health and dental package. Premium growth is limited to 5% annually on a cumulative basis over the next five years. Employees must contribute premium costs above this level or change health and dental plan provision to reduce premium costs to less than 5% growth. Retirees pay 102% of the employee premium rates. Retirees may elect to stay on the City's group health and dental plan until they reach the age of 65. The plan does not issue a stand-alone financial report.

Funding policy – The City's current funding policy is to pay health and dental costs as they occur on a pay-as-you-go basis. The City establishes and amends contribution requirements.

Annual OPEB and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan, and changes in the net OPEB obligation:

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Annual required contribution	\$ 102,377
Interest on net OPEB obligation	17,055
Adjustment to annual required contribution	<u>(24,656)</u>
Annual OPEB cost	94,776
Contributions made	<u>60,221</u>
Increase in net OPEB obligation	34,555
Net OPEB obligation, beginning of year	<u>426,363</u>
Net OPEB obligation, end of year	<u><u>\$ 460,918</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 94,776	63.5%	\$ 460,918
6/30/2015	95,493	57.9%	426,363
6/30/2014	110,205	56.2%	386,118

Funding Status and Funding Progress – As of July 1, 2014, the actuarial accrued liability was \$869,811 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$869,811. The covered payroll (annual payroll of covered employees by the plan) was approximately \$12,978,427 and the ratio of UAAL to covered payroll was approximately 6.7%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are used to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions include a

4% discount rate based on the City's funding policy and an inflation rate of 3%. The projected annual medical trend rate is 9% with an ultimate medical trend rate of 5%. The medical trend rate is reduced .5% each year until reaching the ultimate medical trend rate. The amortization is level dollar amount over thirty years based on an open group.

XIII. JOINTLY GOVERNED ORGANIZATIONS

The City participates in several jointly governed organizations. The City is a member of the Des Moines County Regional Solid Waste Commission (DMCRSWC). The Solid Waste Commission manages the landfill and the recycling center in Des Moines County. The City, along with ten other governmental entities, forms the DMCRSWC. The City provides three board members while each of the other entities provide one board member creating a thirteen member board. The City paid \$400,410 in recycling fees and \$341,109 in landfill charges in fiscal year 2016.

The City is a participant in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the City, Des Moines County, the Des Moines County Regional Solid Waste Commission, and the Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with OSHA regulations. Board members are based on number of employees covered, with the City appointing two members, the County two members, the DMCRSC one member, and the Waterworks one member. The City contributed \$56,411, the Airport contributed \$696 and the Waterworks contributed \$6,825 in fiscal year 2016 to the JSC for operating expenses and also provided accounting services at no cost.

The City is a participant in the City/County Health Care Plan (COBCO). COBCO is a cooperative effort by the City, Waterworks, Des Moines County, Des Moines County Regional Solid Waste Commission, Des Moines County Communications Center, Southeast Iowa Regional Airport, City of Danville, City of Mediapolis and the Two Rivers Levee Drainage District to create and maintain a self-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. For the year ended June 30, 2016, the City contributed \$2,839,618, the Airport contributed \$10,247 and Waterworks contributed \$364,257 to cover employee benefits offered by COBCO.

XIV. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

In 1984, under the terms of the Small Cities Community Development Block Grant Program, the City awarded \$1,200,000 to a local construction company for the redevelopment and operation of a housing project in the Flint Hills Manor subdivision of the City. The contract is guaranteed by the officers of the construction company and is due on October 16, 2024.

For the City to receive cash under this agreement, the construction company must meet the principal and interest requirements on all other debt relating to the project as well as all "normal" operating expenses of the project. In addition, the construction

company is guaranteed ten percent return on its equity in the project. Funds available after satisfying the above conditions will be divided between the construction company and the City, sixty percent (60%) and forty percent (40%), respectively.

Any amounts received by the City under these conditions will be considered interest. In no case will the City's rate of return on the \$1,200,000 award exceed the greater of: (1) the bond rate as of December 31 of the subject year on the First Mortgage Revenue bonds to be issued by the Iowa Housing Finance Authority in conjunction with the project, or (2) the cost of rollover financing on the project, or (3) ten percent (10%). Any funds received from the housing project in excess of the above limitations belong to the construction company. On August 17, 2015, the City Council approved a Resolution approving an agreement for satisfaction of \$1,200,000 Promissory Note of CDBG funds with Newbury Village Associates for a discounted sum of \$1,000,000 as full and final satisfaction of the original promissory note. The City received the \$1,000,000 on October 15, 2015.

XV. COMMITMENTS AND CONTINGENCIES

The City has outstanding commitments for construction projects including street and sewer improvements, and other miscellaneous construction. The City's commitment to these contracts, net of amounts funded through state and federal grants, is \$167,381.

The City has outstanding commitments for purchase orders that have been issued to various vendors. For budgetary purposes, these commitments are considered encumbrances. The City had encumbrances in the General Fund, Capital Projects Fund, nonmajor governmental funds, Sewer fund and Solid Waste Funds of \$49,038, \$5,772, \$8,604, \$37,427, and \$554, respectively.

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material effect on the financial statements of the City.

XVI. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued seven statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be effective for fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state

and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 77, Tax Abatement Disclosures, issued August 2015, will be effective for the City beginning with its fiscal year ending June 30, 2017. This Statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments reduce the reporting government's tax revenues includes the name of the government entering into the abatement, the tax being abated, and the amount of the reporting government's tax being abated.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, will be effective for the fiscal year June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Statement No. 79, Certain External Investment Pools and Pool Participants, will be effective for the fiscal year ending June 30, 2017. The objective of this statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Statement No. 80, Blending Requirements for certain component units - An amendment of GASB Statement No. 14, will be effective for the fiscal year June 30, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

Statement No, 81, Irrevocable Split-Interest Agreements will be effective for the fiscal year ending June 30, 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 82, Pension Issues - An amendment of GASB Statements No. 67, No. 68, and No.73, will be effective for the fiscal year June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and

Financial Reporting for Pensions, No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Burlington, Iowa
Schedule of Funding Progress
City of Burlington, Other Post Employment Benefits
Required Supplementary Information

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2016	7/1/2014	-	\$ 869,811	\$ 869,811	0.00%	\$ 12,978,427	6.70%
6/30/2015	7/1/2014	-	869,811	869,811	0.00%	12,600,415	6.90%
6/30/2014	7/1/2012	-	992,123	992,123	0.00%	12,233,413	8.11%
6/30/2013	7/1/2012	-	992,123	992,123	0.00%	11,877,100	8.35%
6/30/2012	7/1/2011	-	748,043	748,043	0.00%	11,829,800	6.32%
6/30/2011	7/1/2011	-	748,043	748,043	0.00%	11,829,800	6.32%

See Note XII in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

City of Burlington, Iowa

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

Required Supplementary Information

For The Year Ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final To Actual Variance
				Original	Final	
Receipts:						
Property taxes	\$ 10,755,109	\$ -	\$ 10,755,109	\$ 10,869,031	\$ 10,869,031	\$ 113,922
Tax increment revenues	2,454,140	-	2,454,140	2,654,652	2,654,652	200,512
Other taxes	6,351,560	-	6,351,560	5,505,491	6,035,491	(316,069)
Licenses and permits	791,182	-	791,182	733,001	733,001	(58,181)
Use of money and property	204,414	80,014	284,428	157,550	157,550	(126,878)
Intergovernmental revenue	7,610,998	107,102	7,718,100	8,295,405	10,885,405	3,167,305
Charges for services	1,766,739	14,044,118	15,810,857	15,356,000	15,356,000	(454,857)
Miscellaneous	3,045,291	-	3,045,291	1,610,450	1,610,450	(1,434,841)
Total Receipts	32,979,433	14,231,234	47,210,667	45,181,580	48,301,580	1,090,912
Disbursements:						
Public Safety	10,852,202	-	10,852,202	10,832,395	10,963,395	111,193
Public Works	4,168,777	-	4,168,777	4,544,440	4,719,440	550,663
Health and Social Services	719	-	719	2,125	2,125	1,406
Culture and Recreation	3,874,191	-	3,874,191	3,666,900	3,796,900	(77,291)
Community and Economic Development	1,896,906	-	1,896,906	1,374,890	2,803,760	906,854
General Government	1,588,754	-	1,588,754	1,554,475	1,654,475	65,721
Debt Service	6,018,066	-	6,018,066	5,800,193	8,872,693	2,854,627
Capital Projects	5,930,132	-	5,930,132	6,315,027	7,119,027	1,188,895
Business Type Activities	-	14,229,976	14,229,976	15,300,300	15,925,300	1,695,324
Total Disbursements	34,329,747	14,229,976	48,559,723	49,390,745	55,857,115	7,297,392
Excess(deficiency) of receipts over (under) disbursements	(1,350,314)	1,258	(1,349,056)	(4,209,165)	(7,555,535)	(6,206,480)
Other financing sources (uses):						
Bond proceeds	1,358,034	647,000	2,005,034	4,215,250	6,532,750	4,527,716
Transfers in	12,190,746	1,593,012	13,783,758	11,111,662	14,861,662	1,077,904
Transfers out	(12,000,572)	(1,783,186)	(13,783,758)	(11,111,662)	(14,861,662)	(1,077,904)
Other financing sources (uses)	1,548,208	456,826	2,005,034	4,215,250	6,532,750	4,527,716
Excess(deficiency) of receipts and other financing sources over(under) disbursements and other financing uses	197,894	458,084	655,978	6,085	(1,022,785)	(1,678,763)
Balances beginning of year	10,053,680	13,517,832	23,571,512	20,499,050	20,499,050	(3,072,462)
Balances end of year	\$ 10,251,574	\$ 13,975,916	\$ 24,227,490	\$ 20,505,135	\$ 19,476,265	\$ (4,751,225)

City of Burlington, Iowa
Budgetary Basis to GAAP Reconciliation
For The Year Ended June 30, 2016

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	Modified Accrual Basis	Budget Basis	Adjustments	Modified Accrual Basis
Revenues & other financing sources	\$ 46,528,213	\$ 3,473,118	\$ 50,001,331	\$ 16,471,246	\$ (6,057,439)	\$ 10,413,807
Expenditures & other financing uses	<u>46,330,319</u>	<u>3,346,514</u>	<u>49,676,833</u>	<u>16,013,162</u>	<u>(6,885,615)</u>	<u>9,127,547</u>
Excess revenues & other sources over expenditures & other uses	197,894	126,604	324,498	458,084	828,176	1,286,260
Balances beginning of year	<u>10,053,680</u>	<u>639,670</u>	<u>10,693,350</u>	<u>13,517,832</u>	<u>8,257,541</u>	<u>21,775,373</u>
Balances end of year	<u>\$ 10,251,574</u>	<u>\$ 766,274</u>	<u>\$ 11,017,848</u>	<u>\$ 13,975,916</u>	<u>\$ 9,085,717</u>	<u>\$ 23,061,633</u>

The notes to the required supplementary information are an integral part of this schedule.

JUNE 30, 2016

The City prepares, adopts and submits to the State of Iowa an annual budget on a program basis for all combined funds, except the internal service funds, as prescribed by Iowa statutes. The State of Iowa requires that annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The adopted budget constitutes the City's appropriation for each program and purpose specified therein until amended.

After the initial budget is adopted, the budget may be amended for specific purposes. Budget amendments are required for budget transfers between funds as well as between programs. Management is not authorized to amend the budget without the approval of City Council. The City filed one budget amendment for the fiscal year ended June 30, 2016 for an increase in expenditures of \$6,466,370. The budget amendment included an increase in expenditures for public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

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

The State of Iowa allows the total cost of a construction project to be budgeted in one annual budget even if the project extends beyond that fiscal year. The remaining appropriation continues until the project is completed as long as (1) the total cost of the project is adopted after a public hearing as required by State code, (2) the cost must be included in an adopted or amended city budget, and (3) if the cost of a project exceeds the continuing appropriation, an additional appropriation must be included in a subsequent budget or amendment.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined rather than at the individual fund level. The nine functions mandated by the State are: (1) Public Safety, (2) Culture and Recreation, (3) Community and Economic Development, (4) Health and Social Services, (5) Public Works, (6) General Government, (7) Debt Service, (8) Capital Projects, and (9) Business Type Activities. Since the City maintains its budgets at the individual fund level, it is necessary to aggregate the expenditures of the budgeted activities within the individual funds on a function basis and to compare such function totals with the function budgeted totals in order to demonstrate legal compliance with the budget.

Revenues are credited to the individual fund types while expenditures/expenses are classified according to function areas within the individual funds for budgetary control purposes. Encumbrances and expenditures/expenses are compared to budget appropriations according to the nine general function designations.

For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances do not lapse at year end and provide authorization for expenditure in the following year. Unencumbered appropriations, other than amounts appropriated for capital projects, lapse at year end. Appropriations for unfinished capital projects are carried forward indefinitely.

All general obligation bond payments, including those for which financial reporting purposes are accounted for through the enterprise funds, are budgeted through the debt service fund.

A comparison of the actual expenditures/expenses with the City's final amended program budget amounts is presented as Required Supplementary Information.

A reconciliation of the expenditures as presented in accordance with U.S. GAAP to the amounts presented on the budgetary basis is also presented as Required Supplementary Information.

During the year ended June 30, 2016, disbursements exceed the amount budgeted in the culture and recreation function.

City of Burlington, Iowa

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

**Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)**

Required Supplementary Information

	2016	2015
City's proportion of the net pension liability	0.0862930%	0.0996170%
City's proportion of the net pension liability	\$ 4,290	\$ 3,951
City's covered-employee payroll	5,949	6,544
City's proportion of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.38%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of the measurement date.

See notes to required supplementary information.

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

City of Burlington, Iowa

Schedule of the City's Contributions

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)**

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 552	\$ 531	\$ 585
Contributions in relation to the statutorily required contribution	<u>(552)</u>	<u>(531)</u>	<u>(585)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 6,180	\$ 5,949	\$ 6,544
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.94%

*Covered payroll for periods before Fiscal Year 14 are not available.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 587	\$ 553	\$ 490	\$ 452	\$ 419	\$ 384	\$ 349
<u>(587)</u>	<u>(553)</u>	<u>(490)</u>	<u>(452)</u>	<u>(419)</u>	<u>(384)</u>	<u>(349)</u>
<u><u>\$ -</u></u>						
*	*	*	*	*	*	*

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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 per cent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

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

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

Changes of assumptions:

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

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

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

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

JUNE 30, 2016

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Burlington, Iowa

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

**Municipal Fire and Police Retirement System of Iowa
Last Fiscal Year*
(In Thousands)**

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0179885%	1.8017700%
City's proportion of the net pension liability	\$ 8,451	\$ 8,435
City's covered-employee payroll	4,716	4,631
City's proportion of the net pension liability as a percentage of its covered-employee payroll	179.20%	182.14%
Plan fiduciary net position as a percentage of the total pension liability	78.20%	86.27%

* The amounts presented for each fiscal year were determined as of the measurement date.

See notes to required supplementary information.

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

City of Burlington, Iowa

Schedule of the City's Contributions

Municipal Fire and Police Retirement System of Iowa
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,356	\$ 1,434	\$ 1,395
Contributions in relation to the statutorily required contribution	<u>(1,356)</u>	<u>(1,434)</u>	<u>(1,395)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,884	\$ 4,716	\$ 4,631
Contributions as a percentage of covered-employee payroll	27.76%	30.41%	30.12%

*Covered payroll for periods before Fiscal Year 14 are not available.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,236	\$ 1,130	\$ 904	\$ 743	\$ 791	\$ 1,046	\$ 1,085
<u>(1,236)</u>	<u>(1,130)</u>	<u>(904)</u>	<u>(743)</u>	<u>(791)</u>	<u>(1,046)</u>	<u>(1,085)</u>
<u><u>\$ -</u></u>						
*	*	*	*	*	*	*

JUNE 30, 2016

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

**SUPPLEMENTARY
INFORMATION**

Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenues that are legally or administratively restricted to expenditure for a particular purpose.

Road Use Tax Fund – Accounts for state road use taxes allocated to the City to be used to maintain and improve the City's street system.

Library Fund - Accounts for donations restricted by donors to specific activities and purposes for the library only.

Community Development Fund - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

SEINT Operating Fund - Accounts for the activities of the Southeast Iowa Narcotics Task Force.

Bridge Fund - Accounts for the revenues and expenses related to the annual Great River Bridge Run/Walk.

Downtown SSMID District Fund - Accounts for the self-imposed property tax levy by a downtown district, to be used for the promotion and improvement of that district.

Employee Benefit Fund - Accounts for taxes levied to pay the cost of benefits such as health care, retirement plans, worker's compensation, FICA, Medicare, etc. for employees paid through the City's General Fund.

Targeted Jobs Fund - Accounts for withholding payments arising from Withholding Agreements that have been approved by the Iowa Economic Development Authority.

Special Contribution Fund - Accounts for donations restricted by donors to specific activities and purposes.

City of Burlington, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue									Total Non-Major Governmental Funds
	Road Use Tax	Library	Community Development	SEINT Operating	Bridge	Downtown SSMID District	Employee Benefits	Targeted Jobs	Special Contribution	
Assets										
Cash and cash equivalents	\$ 1,155,608	\$ 250,304	\$ 33,391	\$ 51,758	\$ 8,681	\$ 36,443	\$ -	\$ 45,830	\$ 280,715	\$ 1,862,730
Receivables:										
Taxes	-	-	-	-	-	59,186	1,856,189	-	-	1,915,375
Accounts	22,200	-	-	-	-	-	-	25,539	1,811	49,550
Intergovernmental	238,426	-	-	-	-	-	-	-	-	238,426
Inventory	71,410	-	-	-	-	-	-	-	-	71,410
Due from Other Funds	194,008	-	-	-	-	-	-	-	-	194,008
Prepaid contracts	20,665	-	-	-	-	-	-	-	-	20,665
Advances to other funds	278,559	-	-	-	-	-	-	-	-	278,559
Total assets	\$ 1,980,876	\$ 250,304	\$ 33,391	\$ 51,758	\$ 8,681	\$ 95,629	\$ 1,856,189	\$ 71,369	\$ 282,526	\$ 4,630,723
Liabilities, deferred inflows of resources and fund balances										
Liabilities										
Accounts payable	\$ 263,860	\$ -	\$ -	\$ 22	\$ 298	\$ 38,428	\$ -	\$ 68,049	\$ 6,195	\$ 376,852
Due to other funds	-	-	-	-	-	-	19,276	-	-	19,276
Total liabilities	263,860	-	-	22	298	38,428	19,276	68,049	6,195	396,128
Deferred inflows of resources										
Unavailable revenue - property taxes	-	-	-	-	-	58,239	1,836,913	-	-	1,895,152
Total deferred inflows of resources	-	-	-	-	-	58,239	1,836,913	-	-	1,895,152
Fund balances										
Nonspendable	92,075	-	-	-	-	-	-	-	-	92,075
Restricted	1,624,941	250,304	33,391	51,736	8,383	-	-	3,320	276,331	2,248,406
Unassigned	-	-	-	-	-	(1,038)	-	-	-	(1,038)
Total fund balances	1,717,016	250,304	33,391	51,736	8,383	(1,038)	-	3,320	276,331	2,339,443
Total liabilities, deferred inflows of resources and fund balances	\$ 1,980,876	\$ 250,304	\$ 33,391	\$ 51,758	\$ 8,681	\$ 95,629	\$ 1,856,189	\$ 71,369	\$ 282,526	\$ 4,630,723

City of Burlington, Iowa

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2016

	Special Revenue								Total Non-Major Governmental Funds	
	Road Use Tax	Library	Community Development	SEINT Operating	Bridge	Downtown SSMD District	Employee Benefits	Targeted Jobs		Special Contribution
Revenues:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,935	\$ 1,658,915	\$ -	\$ -	\$ 1,714,850
Other taxes and assessments	-	-	-	-	-	-	62,714	-	-	62,714
Licenses and permits	-	-	-	-	-	-	-	-	680	680
Intergovernmental	3,140,978	16,081	63,495	-	-	8,238	79,271	-	9,896	3,317,959
Charges for services	-	17,131	-	-	11,422	-	-	-	-	28,553
Use of money and property	-	6,177	-	39	-	-	-	-	155	6,371
Other	33,670	202,453	238,011	43,000	6,325	-	-	1,296,476	194,374	2,014,309
Total revenues	3,174,648	241,842	301,506	43,039	17,747	64,173	1,800,900	1,296,476	205,105	7,145,436
Expenditures:										
Current operating:										
Public Safety	-	-	-	25,320	-	-	-	-	5,281	30,601
Culture and Recreation	-	190,278	-	-	11,602	-	-	-	85,510	287,390
Public Works	2,308,487	-	-	-	-	-	-	-	-	2,308,487
Community and Economic Development	-	-	197,643	-	-	67,800	-	1,293,156	-	1,558,599
Total expenditures	2,308,487	190,278	197,643	25,320	11,602	67,800	-	1,293,156	90,791	4,185,077
Excess (deficiency) of revenues over (under) expenditures	866,161	51,564	103,863	17,719	6,145	(3,627)	1,800,900	3,320	114,314	2,960,359
Other financing sources (uses):										
Transfers in	16,280	-	-	-	-	-	-	-	25,625	41,905
Transfers out	(730,837)	-	-	-	-	-	(1,800,900)	-	(96,491)	(2,628,228)
Total other financing sources and uses	(714,557.00)	-	-	-	-	-	(1,800,900)	-	(70,866)	(2,586,323)
Net change in fund balance	151,604	51,564	103,863	17,719	6,145	(3,627)	-	3,320	43,448	374,036
Fund balances, beginning	1,565,412	198,740	(70,472)	34,017	2,238	2,589	-	-	232,883	1,965,407
Fund balances, ending	\$ 1,717,016	\$ 250,304	\$ 33,391	\$ 51,736	\$ 8,383	\$ (1,038)	\$ -	\$ 3,320	\$ 276,331	\$ 2,339,443

City of Burlington, Iowa

**Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2016**

	<u>Solid Waste</u>	<u>Recplex</u>	<u>Parking</u>	<u>Flint Hills Golf Course</u>	<u>Total Non-Major Enterprise Funds</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 545,136	\$ -	\$ 8,947	\$ -	\$ 554,083
Receivables:					
Accounts	5,540	4,370	2,324	3,082	15,316
Inventories	-	-	-	20,685	20,685
Prepaid contracts	15,537	5,905	2,166	4,175	27,783
Total current assets	<u>566,213</u>	<u>10,275</u>	<u>13,437</u>	<u>27,942</u>	<u>617,867</u>
Noncurrent assets:					
Capital assets:					
Land and Work in Progress	-	262,981	129,162	6,400	398,543
Buildings, infrastructure, and equipment, net	390,181	2,156,881	193,790	124,874	2,865,726
Total noncurrent assets	<u>390,181</u>	<u>2,419,862</u>	<u>322,952</u>	<u>131,274</u>	<u>3,264,269</u>
Total assets	<u>\$ 956,394</u>	<u>\$ 2,430,137</u>	<u>\$ 336,389</u>	<u>\$ 159,216</u>	<u>\$ 3,882,136</u>
Deferred Outflows of Resources, Pension related deferred outflows	<u>\$ 66,009</u>	<u>\$ 38,442</u>	<u>\$ 5,563</u>	<u>\$ 33,870</u>	<u>\$ 143,884</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 86,914	\$ 50,571	\$ 4,309	\$ 27,177	\$ 168,971
Unearned revenue	120,583	-	1,534	-	122,117
Current portion of long-term obligations	35,118	7,048	79	3,648	45,893
Total current liabilities	242,615	57,619	5,922	30,825	336,981
Noncurrent liabilities:					
Advances from other funds	-	150,328	-	128,231	278,559
Net pension liability	200,409	122,984	17,275	106,475	447,143
Net OPEB liability	11,991	7,850	972	7,189	28,002
Noncurrent portion of long-term obligations	256,387	21,142	236	10,945	288,710
Total liabilities	<u>\$ 711,402</u>	<u>\$ 359,923</u>	<u>\$ 24,405</u>	<u>\$ 283,665</u>	<u>\$ 1,379,395</u>
Deferred Inflows of Resources, Pension related deferred inflows	<u>\$ 78,192</u>	<u>\$ 49,059</u>	<u>\$ 6,808</u>	<u>\$ 42,166</u>	<u>\$ 176,225</u>
Net Position					
Investment in capital assets	390,181	2,419,862	322,952	131,274	3,264,269
Unrestricted (deficit)	<u>(157,372)</u>	<u>(360,265)</u>	<u>(12,213)</u>	<u>(264,019)</u>	<u>(793,869)</u>
Total net position	<u>\$ 232,809</u>	<u>\$ 2,059,597</u>	<u>\$ 310,739</u>	<u>\$ (132,745)</u>	<u>\$ 2,470,400</u>

City of Burlington, Iowa

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

	<u>Solid Waste</u>	<u>Recplex</u>	<u>Parking</u>	<u>Flint Hills Golf Course</u>	<u>Total Non-Major Enterprise Funds</u>
Operating revenues:					
Charges for services	\$ 1,801,431	\$ 495,814	\$ 95,619	\$ 487,025	\$ 2,879,889
Total operating revenues	<u>1,801,431</u>	<u>495,814</u>	<u>95,619</u>	<u>487,025</u>	<u>2,879,889</u>
Operating expenses:					
Personal services	453,902	257,589	27,960	238,859	978,310
Contractual services	874,429	113,877	47,643	76,322	1,112,271
Operating supplies	27,922	158,573	2,196	201,770	390,461
Depreciation	48,079	104,145	59,860	38,400	250,484
Total operating expenses	<u>1,404,332</u>	<u>634,184</u>	<u>137,659</u>	<u>555,351</u>	<u>2,731,526</u>
Operating income (loss)	<u>397,099</u>	<u>(138,370)</u>	<u>(42,040)</u>	<u>(68,326)</u>	<u>148,363</u>
Nonoperating revenues (expenses):					
Interest expense	<u>(7,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,685)</u>
Total nonoperating revenues (expenses)	<u>(7,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,685)</u>
Transfers in	-	266,950	60,000	266,725	593,675
Transfers out	<u>(176,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,160)</u>
Change in net position	213,254	128,580	17,960	198,399	558,193
Total net position - beginning	<u>19,555</u>	<u>1,931,017</u>	<u>292,779</u>	<u>(331,144)</u>	<u>1,912,207</u>
Total net position - ending	<u>\$ 232,809</u>	<u>\$ 2,059,597</u>	<u>\$ 310,739</u>	<u>\$ (132,745)</u>	<u>\$ 2,470,400</u>

City of Burlington, Iowa

**Combining Statement of Cash Flows
Non-Major Proprietary Funds
For The Year Ended June 30, 2016**

	Solid Waste	Recplex	Parking	Flint Hills Golf Course	Total Non-Major Enterprise Funds
Cash flows from operating activities:					
Receipts from customers	\$ 1,806,546	\$ 500,105	\$ 90,783	\$ 496,955	\$ 2,894,389
Payments to suppliers	(889,433)	(264,846)	(49,299)	(276,127)	(1,479,705)
Payments to employees	(473,262)	(268,494)	(29,839)	(248,700)	(1,020,295)
Net cash provided (used) by operating activities	<u>443,851</u>	<u>(33,235)</u>	<u>11,645</u>	<u>(27,872)</u>	<u>394,389</u>
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to other funds	(176,160)	-	-	-	(176,160)
Transfers from other funds	-	266,950	60,000	266,725	593,675
Payments from interfund accounts	-	(205,760)	(62,698)	(230,853)	(499,311)
Net cash provided (used) by noncapital financing activities	<u>(176,160)</u>	<u>61,190</u>	<u>(2,698)</u>	<u>35,872</u>	<u>(81,796)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(176,145)	(27,955)	-	(8,000)	(212,100)
Principal paid on capital debt	(11,491)	-	-	-	(11,491)
Interest paid on capital debt	(7,685)	-	-	-	(7,685)
Net cash (used) by capital and related financing activities	<u>(195,321)</u>	<u>(27,955)</u>	<u>-</u>	<u>(8,000)</u>	<u>(231,276)</u>
Net increase in cash and cash equivalents	72,370	-	8,947	-	81,317
Balances - beginning of year	<u>472,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,766</u>
Balances - end of year	<u>\$ 545,136</u>	<u>\$ -</u>	<u>\$ 8,947</u>	<u>\$ -</u>	<u>\$ 554,083</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:					
Operating (loss)	\$ 397,099	\$ (138,370)	\$ (42,040)	\$ (68,326)	\$ 148,363
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:					
Depreciation	48,079	104,145	59,860	38,400	250,484
Changes in assets and liabilities:					
Receivables, net	6,901	4,291	906	9,930	22,028
Inventories	-	-	-	3,845	3,845
Prepaid contracts	702	255	(42)	247	1,162
Accounts and other payables	13,204	7,349	364	(2,127)	18,790
Unearned revenue	(1,786)	-	(5,742)	-	(7,528)
Decrease in net pension liability	16,700	9,014	1,363	8,156	35,233
Increase in deferred outflows of resources	(31,136)	(16,807)	(2,542)	(15,207)	(65,692)
Increase in deferred inflows of resources	(6,804)	(3,672)	(555)	(3,323)	(14,354)
Increase in other postemployment benefits	892	560	73	533	2,058
Net cash provided (used) by operating activities	<u>\$ 443,851</u>	<u>\$ (33,235)</u>	<u>\$ 11,645</u>	<u>\$ (27,872)</u>	<u>\$ 394,389</u>

Internal Service Funds

Internal service funds are used to finance and account for goods or services provided by one department or agency of the City to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Property Maintenance Fund - Accounts for the activities associated with maintaining and servicing the City's buildings and grounds beyond traditional janitorial service on a cost reimbursement basis.

Vehicle Maintenance Fund - Accounts for the operations of a central vehicle maintenance garage and fuel distribution system. All costs incurred for vehicle maintenance, operations, and fuel are charged to departments and other governments on a cost reimbursement basis.

Safety Coordination Fund - Accounts for the operations of the safety coordinator. All costs incurred for such activities are charged to funds and other governments on a cost reimbursement basis.

Self Insurance Fund - Accounts for insurance claims against the City and the administration of the self insurance plan. All paid claims and administration costs are charged to departments as premiums based on departmental claims experience. Premiums are designed on a cost reimbursement basis.

City of Burlington, Iowa
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	<u>Property Maintenance</u>	<u>Vehicle Maintenance</u>	<u>Safety Coordination</u>	<u>Self Insurance</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 12,621	\$ -	\$ 28,435	\$ 481,316	\$ 522,372
Receivables:					
Accounts	-	300	-	-	300
Intergovernmental	-	7,217	-	-	7,217
Due from other funds	-	-	-	17,513	17,513
Inventories	-	44,410	-	-	44,410
Prepaid contracts	3,665	6,125	-	9,732	19,522
Total current assets	16,286	58,052	28,435	508,561	611,334
Noncurrent assets:					
Capital assets:					
Buildings, infrastructure, and equipment, net	97,790	461,610	-	-	559,400
Total assets	\$ 114,076	\$ 519,662	\$ 28,435	\$ 508,561	\$ 1,170,734
Deferred Outflows of Resources,					
Pension related deferred outflows	\$ 66,007	\$ 39,516	\$ 14,711	\$ -	\$ 120,234
Liabilities					
Current liabilities:					
Accounts payable	\$ 16,286	\$ 40,539	\$ 5,471	\$ 23,850	\$ 86,146
Claims payable	-	-	-	145,847	145,847
Due to other funds	-	17,513	-	-	17,513
Long-term obligations	11,528	886	74	-	12,488
Total current liabilities	27,814	58,938	5,545	169,697	261,994
Noncurrent liabilities:					
Net pension liability	207,277	124,061	44,686	-	376,024
Net OPEB liability	11,699	7,091	2,714	-	21,504
Long-term obligations	34,585	2,659	223	-	37,467
Total liabilities	\$ 281,375	\$ 192,749	\$ 53,168	\$ 169,697	\$ 696,989
Deferred Inflows of Resources,					
Pension related deferred inflows	\$ 82,050	\$ 49,104	\$ 17,439	\$ -	\$ 148,593
Net Position					
Investment in capital assets	97,790	461,610	-	-	559,400
Unrestricted (deficit)	(281,132)	(144,285)	(27,461)	338,864	(114,014)
Total net position	\$ (183,342)	\$ 317,325	\$ (27,461)	\$ 338,864	\$ 445,386

City of Burlington, Iowa
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For The Year Ended June 30, 2016

	Property Maintenance	Vehicle Maintenance	Safety Coordination	Self Insurance	Total
Operating revenues:					
Charges for services	\$ 494,082	\$ 747,624	\$ 117,000	\$ 350,118	\$ 1,708,824
Other	-	20,602	-	-	20,602
Total operating revenues	<u>494,082</u>	<u>768,226</u>	<u>117,000</u>	<u>350,118</u>	<u>1,729,426</u>
Operating expenses:					
Personal services	419,475	229,047	97,819	214,450	960,791
Contractual services	33,255	13,477	3,333	62,854	112,919
Operating supplies	15,776	479,661	3,673	-	499,110
Depreciation	5,105	20,691	-	-	25,796
Total operating expenses	<u>473,611</u>	<u>742,876</u>	<u>104,825</u>	<u>277,304</u>	<u>1,598,616</u>
Operating income (loss)	<u>20,471</u>	<u>25,350</u>	<u>12,175</u>	<u>72,814</u>	<u>130,810</u>
Nonoperating revenues (expenses):					
Interest revenue	-	-	70	-	70
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>70</u>	<u>-</u>	<u>70</u>
Net income (loss) before contributions and transfers	20,471	25,350	12,245	72,814	130,880
Transfers in	75,421	-	-	-	75,421
Transfers out	<u>(4,879)</u>	<u>(23,724)</u>	<u>-</u>	<u>-</u>	<u>(28,603)</u>
Change in net position	91,013	1,626	12,245	72,814	177,698
Total net position - beginning	<u>(274,355)</u>	<u>315,699</u>	<u>(39,706)</u>	<u>266,050</u>	<u>267,688</u>
Total net position - ending	<u>\$ (183,342)</u>	<u>\$ 317,325</u>	<u>\$ (27,461)</u>	<u>338,864</u>	<u>\$ 445,386</u>

City of Burlington, Iowa
Combining Statement of Cash Flows
Internal Service Funds
For The Year Ended June 30, 2016

	Property Maintenance	Vehicle Maintenance	Safety Coordination	Self Insurance	Totals
Cash flows from operating activities:					
Receipts from customers	\$ 494,082	\$ 779,827	\$ 117,168	\$ 350,118	\$ 1,741,195
Payments to suppliers	(45,025)	(493,346)	(3,606)	(266,433)	(808,410)
Payments to employees	(440,172)	(251,364)	(102,832)	-	(794,368)
Net cash provided by operating activities	<u>8,885</u>	<u>35,117</u>	<u>10,730</u>	<u>83,685</u>	<u>138,417</u>
Cash flows from noncapital financing activities:					
Transfers to other funds	(4,879)	(23,724)	-	-	(28,603)
Transfers from other funds	75,421	-	-	-	75,421
(Payments) to interfund accounts	(66,806)	(11,393)	-	78,199	-
Net cash provided (used) by noncapital financing activities	<u>3,736</u>	<u>(35,117)</u>	<u>-</u>	<u>78,199</u>	<u>46,818</u>
Cash flows from investing activities:					
Interest received	-	-	104	-	104
Net increase in cash and cash equivalents	<u>12,621</u>	<u>-</u>	<u>10,834</u>	<u>161,884</u>	<u>185,339</u>
Balances - beginning of year	<u>-</u>	<u>-</u>	<u>17,601</u>	<u>319,432</u>	<u>337,033</u>
Balances - end of year	<u>\$ 12,621</u>	<u>\$ -</u>	<u>\$ 28,435</u>	<u>\$ 481,316</u>	<u>\$ 522,372</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 20,471	\$ 25,350	\$ 12,175	\$ 72,814	\$ 130,810
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	5,105	20,691	-	-	25,796
Changes in assets and liabilities:					
Receivables, net	-	11,601	168	-	11,769
Inventories	-	8,498	-	-	8,498
Prepaid contracts	92	90	-	(709)	(527)
Accounts and other payables	2,613	(19,530)	2,911	11,580	(2,426)
Net pension liability	15,920	9,534	3,719	-	29,173
Deferred outflows of resources	(29,682)	(17,776)	(6,934)	-	(54,392)
Deferred inflows of resources	(6,485)	(3,884)	(1,516)	-	(11,885)
Other postemployment benefits	851	543	207	-	1,601
Net cash provided by operating activities	<u>\$ 8,885</u>	<u>\$ 35,117</u>	<u>\$ 10,730</u>	<u>\$ 83,685</u>	<u>\$ 138,417</u>

STATISTICAL SECTION

City of Burlington, Iowa

**Statistical Section
Contents**

The statistical section of the City's comprehensive annual financial report represents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain information to help the reader understand how the City's financial performance and well being have changed over time.	114
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	122
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	127
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.	135
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	138

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**City of Burlington
Primary Government Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

Activity	Fiscal Year Ended June 30				
	2016	2015	2014	2013	2012
Governmental Activities					
Net Investment in Capital Assets	\$ 44,295,803	\$ 41,550,072	\$ 41,646,820	\$ 40,805,638	\$ 39,961,600
Restricted	7,968,015	7,162,511	5,209,803	4,472,718	12,369,051
Unrestricted	(29,408,377)	(32,702,060)	(21,439,067)	(23,773,080)	(29,955,814)
Total governmental activities net position	\$ 22,855,441	\$ 16,010,523	\$ 25,417,556	\$ 21,505,276	\$ 22,374,837
Business Type Activities					
Net Investment in Capital Assets	\$ 17,887,153	\$ 17,656,962	\$ 17,946,482	\$ 17,852,028	\$ 14,606,326
Restricted	125,308	120,519	120,770	114,271	1,351,424
Unrestricted	5,049,172	3,997,892	4,757,482	4,035,623	5,357,113
Total business type activities net position	\$ 23,061,633	\$ 21,775,373	\$ 22,824,734	\$ 22,001,922	\$ 21,314,863
Primary Government					
Net Investment in Capital Assets	\$ 62,182,956	\$ 59,207,034	\$ 59,593,302	\$ 58,657,666	\$ 54,567,926
Restricted	8,093,323	7,283,030	5,330,573	4,586,989	13,720,475
Unrestricted	(24,359,205)	(28,704,168)	(16,681,585)	(19,737,457)	(24,598,701)
Total primary government net position	\$ 45,917,074	\$ 37,785,896	\$ 48,242,290	\$ 43,507,198	\$ 43,689,700

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 41,867,298	\$ 43,862,027	\$ 41,203,425	\$ 36,794,281	\$ 32,087,346
1,030,213	1,108,623	1,215,209	2,080,057	644,761
(21,346,433)	(22,618,131)	(21,365,155)	(12,756,557)	(5,716,176)
<u>\$ 21,551,078</u>	<u>\$ 22,352,519</u>	<u>\$ 21,053,479</u>	<u>\$ 26,117,781</u>	<u>\$ 27,015,931</u>
\$ 20,053,622	\$ 23,323,859	\$ 24,354,343	\$ 24,867,169	\$ 25,375,875
975,690	979,720	501,000	501,000	501,000
450,806	(2,182,581)	(1,928,899)	(1,702,655)	(1,603,052)
<u>\$ 21,480,118</u>	<u>\$ 22,120,998</u>	<u>\$ 22,926,444</u>	<u>\$ 23,665,514</u>	<u>\$ 24,273,823</u>
\$ 61,920,920	\$ 67,185,886	\$ 65,557,768	\$ 61,661,450	\$ 57,463,221
2,005,903	2,088,343	1,716,209	2,581,057	1,145,761
(20,895,627)	(24,800,712)	(23,294,054)	(14,459,212)	(7,319,228)
<u>\$ 43,031,196</u>	<u>\$ 44,473,517</u>	<u>\$ 43,979,923</u>	<u>\$ 49,783,295</u>	<u>\$ 51,289,754</u>

**City of Burlington, Iowa
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

Expenses	Fiscal Year Ending June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
General government	\$ 1,720,797	\$ 1,644,445	\$ 1,696,879	\$ 1,741,098	\$ 1,608,915	\$ 1,302,747	\$ 1,432,096	\$ 1,407,686	\$ 1,314,315	\$ 1,525,097
Culture and Recreation	4,505,269	4,192,844	4,457,807	4,164,515	4,315,176	4,499,063	4,377,852	4,288,883	4,073,422	4,004,287
Public Safety	9,584,079	11,536,600	10,283,691	10,310,527	10,424,084	9,791,474	9,304,686	8,925,533	9,236,690	9,405,488
Community and Economic Development	2,250,813	1,403,878	1,372,665	313,656	571,563	745,160	809,430	405,557	380,320	307,679
Health and Social Services	719	451	637	977	490	2,185	2,143	2,223	2,420	3,470
Capital Projects	-	-	644,750	4,550,591	2,142,386	4,136,038	3,672,762	6,916,875	2,559,567	3,674,836
Public works	7,380,662	6,774,320	5,571,409	5,196,487	5,189,466	5,399,149	6,929,289	6,300,014	8,118,733	6,214,676
Interest and charges on long-term debt	875,043	1,176,136	1,332,532	1,528,235	1,560,195	1,606,771	1,728,474	1,783,112	1,720,794	1,457,941
Total governmental activities expenses	26,317,382	26,728,674	25,360,370	27,806,086	25,812,275	27,482,587	28,256,732	30,029,883	27,406,261	26,593,474
Business-type activities:										
Sewer	5,557,669	5,554,853	5,227,835	5,305,037	4,802,320	4,709,385	4,511,560	4,187,831	4,240,121	4,194,161
Solid waste	1,412,017	1,361,538	1,320,290	1,396,653	1,401,404	1,368,098	1,213,741	1,171,645	1,163,318	1,111,637
Recplex	634,184	641,722	675,862	672,695	661,996	659,849	653,524	632,083	618,287	595,717
Parking	137,659	130,284	122,102	123,061	133,062	130,902	127,429	131,822	162,354	164,361
Flint Hills golf course	555,351	520,003	504,482	458,246	509,546	485,277	463,066	479,613	456,565	480,494
Total business-type activities expenses	8,296,880	8,208,400	7,850,571	7,955,692	7,508,328	7,353,511	6,969,320	6,602,994	6,640,645	6,546,370
Total primary government expenses	\$ 34,614,262	\$ 34,937,074	\$ 33,210,941	\$ 35,761,778	\$ 33,320,603	\$ 34,836,098	\$ 35,226,052	\$ 36,632,877	\$ 34,046,906	\$ 33,139,844
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 14,295	\$ 14,717	\$ 13,535	\$ 8,364	\$ 7,044	\$ 7,005	\$ 10,697	\$ 11,090	\$ 18,824	\$ 171,294
Culture and recreation	655,443	657,442	606,923	624,453	595,691	585,441	602,282	569,138	561,058	142,746
Public Safety	1,781,725	1,679,061	1,717,586	1,678,596	1,571,740	1,462,616	1,780,131	1,252,305	1,379,173	1,096,761
Community and Econ. Development	-	-	-	-	-	-	-	-	-	-
Public works	554,160	497,691	371,764	146,888	438,644	585,257	2,667,977	2,222,313	3,523,969	1,883,189
Operating Grants and Contributions	5,112,680	4,976,287	4,562,462	4,028,486	3,984,689	5,699,128	3,856,539	3,192,005	3,135,254	2,832,876
Capital grants and contributions	2,379,332	904,449	1,599,378	1,444,299	1,383,862	447,239	3,688,661	1,532,159	1,980,230	4,539,926
Total governmental activities program revenue	10,497,635	8,729,647	8,871,648	7,931,086	7,981,670	8,786,686	12,606,287	8,779,010	10,598,508	10,666,792
Business type activities:										
Charges for services:										
Sewer	6,797,723	6,462,326	6,173,454	5,441,107	5,131,396	4,794,049	4,498,611	4,094,765	3,952,836	3,790,159
Solid Waste	1,801,431	1,741,356	1,685,195	1,589,156	1,460,237	1,406,400	1,285,986	1,226,281	1,218,442	1,146,690
Recplex	495,814	557,775	557,433	550,311	545,100	511,104	488,979	465,324	457,403	123,916
Parking	95,619	97,360	99,288	76,288	57,648	53,299	57,546	54,752	63,771	36,573
Flint Hills golf course	487,025	475,456	458,772	452,432	497,480	438,441	424,317	425,870	414,011	200,303
Capital grants and contributions	-	-	-	18,305	35,150	97,551	59,454	11,238	386,000	292,049
Total business type activities program revenues	9,677,612	9,334,273	8,974,142	8,127,599	7,727,011	7,300,844	6,814,893	6,278,230	6,492,463	5,589,690
Total primary government program revenues	\$ 20,175,247	\$ 18,063,920	\$ 17,845,790	\$ 16,058,685	\$ 15,708,681	\$ 16,087,530	\$ 19,421,180	\$ 15,057,240	\$ 17,090,971	\$ 16,256,482

Net (expense)/revenues											
Governmental Activities	\$ (15,819,747)	\$ (17,999,027)	\$ (16,488,722)	\$ (19,875,000)	\$ (17,830,605)	\$ (18,695,901)	\$ (15,650,445)	\$ (21,250,873)	\$ (16,807,753)	\$ (15,926,682)	
Business-type activities	1,380,732	1,125,873	1,123,571	171,907	218,683	(52,667)	(154,427)	(324,764)	(148,182)	(956,680)	
Total primary government net expense	<u>\$ (14,439,015)</u>	<u>\$ (16,873,154)</u>	<u>\$ (15,365,151)</u>	<u>\$ (19,703,093)</u>	<u>\$ (17,611,922)</u>	<u>\$ (18,748,568)</u>	<u>\$ (15,804,872)</u>	<u>\$ (21,575,637)</u>	<u>\$ (16,955,935)</u>	<u>\$ (16,883,362)</u>	
General Revenues and Other Change in Net Position											
Governmental activities:											
Taxes											
Property taxes	\$ 13,209,249	\$ 12,892,104	\$ 12,579,076	\$ 12,025,225	\$ 11,443,115	\$ 11,082,102	\$ 10,614,886	\$ 10,068,175	\$ 9,778,727	\$ 9,603,728	
Other city taxes	6,637,467	5,939,980	5,626,301	5,109,548	5,505,394	5,179,181	4,917,868	5,037,847	5,115,362	4,931,632	
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	45,067	116,944	
Interest	8,710	7,526	6,941	25,930	19,527	28,354	17,778	19,569	21,534	24,897	
Other	2,572,247	1,761,404	1,778,620	2,263,646	1,196,250	930,599	742,179	636,075	464,153	1,908,950	
Gain(loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	
Transfers	236,992	631,439	410,064	(418,910)	490,078	674,224	656,774	424,905	484,760	496,126	
Total Governmental revenues and transfers	<u>\$ 22,664,665</u>	<u>\$ 21,232,453</u>	<u>\$ 20,401,002</u>	<u>\$ 19,005,439</u>	<u>\$ 18,654,364</u>	<u>\$ 17,894,460</u>	<u>\$ 16,949,485</u>	<u>\$ 16,186,571</u>	<u>\$ 15,909,603</u>	<u>\$ 17,082,277</u>	
Business-type activities											
Interest	\$ 78,223	\$ 61,867	\$ 40,580	\$ 23,471	\$ 28,500	\$ 7,072	\$ 5,755	\$ 10,599	\$ 17,776	\$ 13,322	
Other	64,297	66,522	68,725	72,771	77,640	78,939	-	-	6,857	562,264	
Gain(loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	
Transfers	(236,992)	(631,439)	(410,064)	418,910	(490,078)	(674,224)	(656,774)	(424,905)	(484,760)	(496,126)	
Total business-type activities	<u>\$ (94,472)</u>	<u>\$ (503,050)</u>	<u>\$ (300,759)</u>	<u>\$ 515,152</u>	<u>\$ (383,938)</u>	<u>\$ (588,213)</u>	<u>\$ (651,019)</u>	<u>\$ (414,306)</u>	<u>\$ (460,127)</u>	<u>\$ 79,460</u>	
Total Primary Government	<u>\$ 22,570,193</u>	<u>\$ 20,729,403</u>	<u>\$ 20,100,243</u>	<u>\$ 19,520,591</u>	<u>\$ 18,270,426</u>	<u>\$ 17,306,247</u>	<u>\$ 16,298,466</u>	<u>\$ 15,772,265</u>	<u>\$ 15,449,476</u>	<u>\$ 17,161,737</u>	
Change in Net Position											
Governmental activities	\$ 6,844,918	\$ 3,323,426	\$ 3,912,280	\$ (869,561)	\$ 823,759	\$ (801,441)	\$ 1,299,040	\$ (5,064,302)	\$ (898,150)	\$ 1,155,595	
Business-type activities	1,286,260	622,823	822,812	687,059	(165,255)	(640,880)	(805,446)	(739,070)	(608,309)	(877,220)	
Total primary government	<u>\$ 8,131,178</u>	<u>\$ 3,946,249</u>	<u>\$ 4,735,092</u>	<u>\$ (182,502)</u>	<u>\$ 658,504</u>	<u>\$ (1,442,321)</u>	<u>\$ 493,594</u>	<u>\$ (5,803,372)</u>	<u>\$ (1,506,459)</u>	<u>\$ 278,375</u>	

**City of Burlington, Iowa
Governmental Funds Fund Balance
Last Ten Fiscal Years**

Fund	Fiscal Year End June 30					
	2016	2015	2014	2013	2012	2011
General						
Reserved for Encumbrances (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-
Nonspendable (2)	116,830	100,698	93,903	515,754	86,938	83,404
Restricted	319,125	235,676	139,844	129,909	-	-
Assigned	20,385	11,399	12,115	6,538	13,576	13,108
Unassigned	<u>2,414,225</u>	<u>1,951,311</u>	<u>1,034,620</u>	<u>439,410</u>	<u>279,212</u>	<u>423,305</u>
Total General Fund	<u>2,870,565</u>	<u>2,299,084</u>	<u>1,280,482</u>	<u>1,091,611</u>	<u>379,726</u>	<u>519,817</u>
All Other Governmental Funds						
Reserved for Encumbrances (1)	-	-	-	-	-	-
Unreserved In:						
Debt service Fund	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-
Nonspendable (2)	92,760	73,445	51,011	77,089	17,475	16,681
Restricted	7,648,890	7,034,011	5,168,256	4,342,809	12,396,270	7,199,121
Assigned	447,593	1,357,282	1,368,266	925,411	-	-
Unassigned	<u>(41,960)</u>	<u>(70,472)</u>	<u>(303,908)</u>	<u>(423,457)</u>	<u>(5,991,431)</u>	<u>(4,477,570)</u>
Total All Other Governmental Funds	<u>8,147,283</u>	<u>8,394,266</u>	<u>6,283,625</u>	<u>4,921,852</u>	<u>6,422,314</u>	<u>2,738,232</u>
Total All Governmental Funds	<u>\$ 11,017,848</u>	<u>\$ 10,693,350</u>	<u>\$ 7,564,107</u>	<u>\$ 6,013,463</u>	<u>\$ 6,802,040</u>	<u>\$ 3,258,049</u>

(1) Reserve for encumbrances eliminated in fiscal year 2008.

(2) The City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ -	\$ -	\$ -	\$ 31,345
-	574,305	610,706	857,630
77,280	-	-	-
-	-	-	-
12,720	-	-	-
375,625	-	-	-
<u>465,625</u>	<u>574,305</u>	<u>610,706</u>	<u>888,975</u>
-	-	-	17,602
-	95,677	(1,000)	59,911
-	981,955	190,141	706,657
-	(1,219,316)	2,276,237	1,442,283
16,262	-	-	-
3,792,438	-	-	-
(7,205,671)	-	-	-
<u>(3,396,971)</u>	<u>(141,684)</u>	<u>2,465,378</u>	<u>2,226,453</u>
<u>\$ (2,931,346)</u>	<u>\$ 432,621</u>	<u>\$ 3,076,084</u>	<u>\$ 3,115,428</u>

City of Burlington
Change in Fund Balance-Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Property taxes	\$ 13,209,249	\$ 12,982,104	\$ 12,579,076	\$ 12,025,225	\$ 11,443,115	\$ 11,082,102	\$ 10,625,143	\$ 10,057,918	\$ 9,798,256	\$ 9,585,099
Other taxes and assessments	6,351,560	5,904,853	5,477,791	5,281,294	5,705,525	5,401,120	5,064,691	4,995,182	5,130,107	4,685,584
Licenses and permits	791,182	725,913	780,137	747,984	660,454	624,937	742,564	561,608	786,634	310,543
Fines and forfeitures	82,167	117,944	157,457	163,750	155,293	159,122	125,483	129,262	123,896	108,916
Intergovernmental	7,610,998	5,903,443	5,892,909	4,881,159	5,332,894	4,361,254	6,885,070	3,917,695	4,293,553	4,805,047
Charges for services	1,766,739	1,612,179	1,367,578	1,457,554	1,504,392	1,618,526	1,643,967	1,567,066	1,469,105	1,517,622
Use of money and property	204,414	210,304	182,108	225,513	167,834	172,701	187,579	171,242	200,578	329,962
Other	2,963,124	2,134,556	2,269,367	2,779,498	1,475,792	1,308,001	1,292,933	949,163	430,630	1,127,200
Total revenues	32,979,433	29,591,296	28,706,423	27,561,977	26,445,299	24,727,763	26,567,430	22,349,136	22,232,759	22,469,973
Expenditures:										
Current operating:										
Public Safety	10,826,121	10,339,989	10,347,281	10,096,728	10,032,889	9,558,168	9,307,639	8,622,210	8,900,098	8,515,122
Culture and Recreation	3,874,190	3,741,529	3,919,425	3,592,934	3,859,804	3,869,042	3,764,134	3,809,686	3,490,816	3,443,628
Public Works	4,168,778	4,157,332	4,315,607	3,863,563	3,838,322	4,025,977	4,589,875	4,039,784	3,860,364	3,626,934
Community and Economic Development	1,896,904	1,333,734	1,062,953	494,735	521,153	377,499	811,015	405,557	454,933	303,682
Health and Social Services	719	451	637	977	490	2,185	2,143	2,223	2,420	3,470
General Government	1,733,989	1,551,499	1,594,749	1,605,045	1,548,995	1,305,088	1,334,200	1,283,283	1,293,138	1,242,467
Debt service:										
Principal	4,996,178	4,623,557	3,931,685	3,762,642	3,339,446	3,079,936	4,310,041	2,349,849	2,016,234	2,357,602
Interest and other charges	902,732	1,178,988	1,329,911	1,418,960	1,557,006	1,569,278	1,775,423	1,731,934	1,802,276	1,183,286
Capital outlay	5,976,782	2,209,920	2,303,681	4,799,874	3,447,331	4,291,098	6,156,766	6,916,875	4,288,778	6,641,559
Total expenditures	34,376,393	29,136,999	28,805,929	29,635,458	28,145,436	28,078,271	32,051,236	29,161,401	26,109,057	27,317,750
Excess (deficiency) of revenues over (under) expenditures	(1,396,960)	454,297	(99,506)	(2,073,481)	(1,700,137)	(3,350,508)	(5,483,806)	(6,812,265)	(3,876,298)	(4,847,777)
Other financing sources (uses):										
Proceeds from notes payable	-	-	-	-	-	-	-	-	1,000,000	-
Proceeds from general obligation refunding bonds net of bond discount/bond premium	2,312,500	3,845,000	3,980,535	6,193,822	4,207,000	-	-	3,545,000	-	-
Proceeds from general obligation bonds net of bond discount/bond premium	1,321,398	4,573,242	1,327,999	2,225,000	5,039,714	8,910,000	1,775,092	2,699,020	3,361,718	6,454,800
Refunding payment for general obligation bonds	(2,275,864)	(6,068,349)	(4,035,410)	(6,110,000)	(4,195,000)	-	-	(3,485,000)	-	-
Impairment of land value	173,250	-	-	(1,275,945)	-	-	-	-	-	-
Transfers in	13,214,750	11,412,707	10,240,456	10,189,222	9,580,834	8,535,980	9,990,370	8,526,118	7,608,995	8,152,912
Transfers out	(13,024,576)	(11,087,654)	(9,863,430)	(9,937,195)	(9,388,420)	(7,906,077)	(9,347,464)	(8,116,336)	(7,133,759)	(7,670,366)
Total other financing sources and uses	1,721,458	2,674,946	1,650,150	1,284,904	5,244,128	9,539,903	2,417,998	3,168,802	4,836,954	6,937,346
Net change in fund balance	\$ 324,498	\$ 3,129,243	\$ 1,550,644	\$ (788,577)	\$ 3,543,991	\$ 6,189,395	\$ (3,065,808)	\$ (3,643,463)	\$ 960,656	\$ 2,089,569
Debt service as a percentage of noncapital expenditures	19.18%	20.69%	19.88%	18.77%	19.83%	19.55%	23.50%	18.35%	17.50%	17.13%

City of Burlington, Iowa

**General Governmental Revenues by Source (1)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

Fiscal Year	Property Taxes	Tax Increment Revenues	Local Option Sales Tax	Hotel/Motel Tax	Total All Taxes
2007	8,296,663	1,288,436	3,492,988	496,684	13,574,771
2008	8,432,783	1,365,473	3,671,507	663,900	14,133,663
2009	8,684,020	1,373,898	3,564,857	632,740	14,255,515
2010	9,165,850	1,459,293	3,691,986	598,231	14,915,360
2011	9,428,724	1,653,377	4,005,732	666,127	15,753,960
2012	9,290,014	2,153,101	4,103,077	737,052	16,283,244
2013	9,842,972	2,182,253	3,819,826	700,883	16,545,934
2014	10,413,810	2,165,266	3,771,981	806,151	17,157,208
2015	10,642,350	2,339,754	4,177,362	833,740	17,993,206
2016	10,755,109	2,454,140	4,441,514	991,879	18,642,642

(1) Includes General, Special Revenue, and Debt Service Funds.

City of Burlington, Iowa

Actual and Taxable Valuation
Last Ten Fiscal Years

Actual Valuation

	As of January 1:				
	2014	2013	2012	2011	2010
Residential	\$ 779,969,591	\$ 759,471,901	\$ 756,868,479	\$ 753,141,375	\$ 757,629,741
Agricultural land	3,786,352	3,895,276	2,932,678	3,006,944	2,972,374
Agricultural buildings	31,400	32,000	32,900	32,900	38,360
Commercial	204,647,711	203,627,129	197,066,606	203,346,577	195,419,838
Industrial	41,289,186	45,697,480	45,998,096	47,852,099	49,264,944
Railroad	4,586,857	4,468,996	4,262,813	-	2,849,604
Utilities	3,453,663	3,987,933	4,517,704	8,290,770	4,383,507
Utility Reimburse	55,749,661	51,952,918	48,600,896	46,690,118	44,529,685
Gross valuation	\$ 1,093,514,421	\$ 1,073,133,633	\$ 1,060,280,172	\$ 1,062,360,783	\$ 1,057,088,053
Less: Military exemption	2,929,864	3,024,316	3,155,808	3,266,928	3,362,306
Net valuation	\$ 1,090,584,557	\$ 1,070,109,317	\$ 1,057,124,364	\$ 1,059,093,855	\$ 1,053,725,747
Incremental value	90,223,204	80,574,149	73,217,851	66,764,882	55,867,807
Actual valuation	\$ 1,180,807,761	\$ 1,150,683,466	\$ 1,130,342,215	\$ 1,125,858,737	\$ 1,109,593,554
Percent change	2.618%	1.800%	0.398%	1.466%	0.524%

Taxable Valuation

	As of January 1:				
	2014	2013	2012	2011	2010
Residential	\$ 434,715,981	\$ 413,166,985	\$ 399,752,325	\$ 382,232,782	\$ 362,049,069
Agricultural land	1,692,584	1,690,542	1,757,655	1,730,230	1,784,615
Agricultural buildings	14,036	13,887	19,719	18,931	21,257
Commercial	184,182,941	193,445,774	197,066,606	203,346,577	195,419,838
Industrial	37,160,267	43,412,606	45,998,096	47,852,099	49,264,944
Railroad	4,128,172	4,245,546	4,262,813	-	2,849,604
Utilities	3,453,663	3,987,933	4,517,704	8,290,770	4,383,507
Utility Reimburse	16,594,636	17,911,651	16,913,241	17,877,352	17,394,745
Gross valuation	\$ 681,942,280	\$ 677,874,924	\$ 670,288,159	\$ 661,348,741	\$ 633,167,579
Less: Military exemption	2,929,864	3,024,316	3,155,808	3,266,928	3,341,344
Net valuation	\$ 679,012,416	\$ 674,850,608	\$ 667,132,351	\$ 658,081,813	\$ 629,826,235
Incremental value	73,461,942	67,352,341	63,001,076	57,518,069	55,849,287
Taxable valuation	\$ 752,474,358	\$ 742,202,949	\$ 730,133,427	\$ 715,599,882	\$ 685,675,522
Percent change	1.384%	1.653%	2.031%	4.364%	1.595%

Total Direct Tax Rate \$ 15.9363 \$ 15.9363 \$ 15.8043 \$ 15.0573 \$ 15.0192

Taxable Valuation as a
percentage of Actual
Valuation

63.73% 64.50% 64.59% 63.56% 61.80%

Note: Property in Des Moines County is assessed by the Des Moines County Assessors Office. By law property is assessed at it's market value(Actual Valuation). Annually, the Iowa Department of Revenue issues rollback orders to be applied to Actual Valuation to determine taxable valuation. The rollback is intended to keep the Property tax burden from shifting between residential and agricultural property owners.

2009	2008	2007	2006	2005
\$ 755,175,191	\$ 753,231,209	\$ 744,730,429	\$ 670,546,753	\$ 661,281,405
3,522,066	2,235,266	2,213,041	1,440,510	1,619,367
55,200	104,200	104,200	103,765	103,780
208,426,151	206,130,311	192,506,454	190,687,821	192,116,644
51,985,261	52,080,624	50,107,443	55,113,390	52,276,172
2,486,839	2,119,074	2,210,969	2,064,419	1,792,442
4,173,976	4,058,479	4,279,674	3,943,387	5,149,950
39,466,851	35,255,739	34,042,228	34,776,945	34,912,231
\$ 1,065,291,535	\$ 1,055,214,902	\$ 1,030,194,438	\$ 958,676,990	\$ 949,251,991
3,478,056	3,568,804	3,681,776	3,760,484	3,838,452
\$ 1,061,813,479	\$ 1,051,646,098	\$ 1,026,512,662	\$ 954,916,506	\$ 945,413,539
41,991,662	38,731,464	37,385,413	36,554,199	34,468,312
\$ 1,103,805,141	\$ 1,090,377,562	\$ 1,063,898,075	\$ 991,470,705	\$ 979,881,851
1.231%	2.489%	7.305%	1.183%	2.405%

2009	2008	2007	2006	2005
\$ 349,989,812	\$ 340,312,409	\$ 324,480,255	\$ 302,344,999	\$ 300,555,797
2,203,669	2,081,910	1,967,598	1,440,510	1,619,367
36,583	97,799	93,886	103,765	103,780
208,426,151	206,130,311	191,920,964	190,687,821	190,280,895
51,985,261	52,080,624	50,107,443	55,113,390	52,276,172
2,486,839	2,119,074	2,205,026	2,064,419	1,777,223
4,173,976	4,058,479	4,279,674	3,943,387	5,142,950
17,097,426	19,451,004	21,834,155	20,925,681	21,809,175
\$ 636,399,717	\$ 626,331,610	\$ 596,889,001	\$ 576,623,972	\$ 573,565,359
3,470,711	3,568,804	3,668,812	3,760,484	3,827,340
\$ 632,929,006	\$ 622,762,806	\$ 593,220,189	\$ 572,863,488	\$ 569,738,019
41,984,317	38,731,464	37,372,449	36,554,199	34,457,200
\$ 674,913,323	\$ 661,494,270	\$ 630,592,638	\$ 609,417,687	\$ 604,195,219
2.029%	4.900%	3.475%	0.864%	-1.854%

\$ 15.0192	\$ 14.9278	\$ 14.9278	\$ 14.9835	\$ 14.8937
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61.14%	60.67%	59.27%	61.47%	61.66%
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City of Burlington, Iowa

**Property Tax Rates - All Direct and Overlapping Governments
Per \$1,000 Assessed Valuation
Last Ten Fiscal Years**

Fiscal Year	City Direct Rates				Overlapping Rates*			Percent of City of Burlington Levy to Total Levy
	General Fund	City of Burlington Debt Service	Other Levies	Total	Burlington School District Levy	Des Moines County Levies	Total Levy	
2007	8.1000	2.7343	4.0594	14.8937	16.7898	9.7491	41.4326	35.95%
2008	8.1000	2.8522	4.0313	14.9835	16.4811	9.7551	41.2197	36.35%
2009	8.1000	2.8880	3.9398	14.9278	16.3269	9.4329	40.6876	36.69%
2010	8.1000	2.8880	3.9398	14.9278	16.3564	10.1954	41.4797	35.99%
2011	8.1000	2.8880	4.0312	15.0192	17.8346	10.3847	43.2386	34.74%
2012	8.1000	2.8880	4.0312	15.0192	16.9731	10.2140	42.2063	35.59%
2013	8.1000	2.7573	4.2000	15.0573	16.2457	10.1502	41.4532	36.32%
2014	8.1000	3.6891	4.0151	15.8043	15.0797	10.1600	41.0440	38.51%
2015	8.1000	3.7945	4.0418	15.9363	15.4322	10.1435	41.5120	38.39%
2016	8.1000	3.7945	4.0418	15.9363	15.8572	9.5868	41.3803	38.51%

Source: Des Moines County Auditor's Office

Note: The General Fund Levy is established by State Code and may only be exceeded by a vote of the people. The City is allowed to levy for specific items outside of the \$8.10 limit. Some of those levies may be levied upon approval of the City Council, others require a vote of the public.

* Overlapping rates are those of the Burlington Community School District and Des Moines County, which are paid by citizens of Burlington.

City of Burlington, Iowa

Principal Taxpayers
Current Year and Nine Years Prior

Taxpayer	2016			2007		
	January 1, 2014 Taxable Valuation	Rank	Percent of Total Taxable Value	January 1, 2005 Taxable Valuation	Rank	Percent of Total Taxable Value
Huckleberry Holdings LLC	\$ 25,133,941	1	3.34%			
Interstate Power and Light	15,315,024	2	2.04%	21,809,175	1	3.61%
Case New Holland (CNH)	9,900,000	3	1.32%	14,602,800	2	2.42%
Winegard Realty Company	8,319,630	4	1.11%			
Shearer's Foods	6,818,670	5	0.91%	7,198,400	4	1.19%
Two Rivers Bank & Trust	6,729,840	6	0.89%			
Sunrise West Inc	6,318,045	7	0.84%			
Lowe's Home Centers, Inc	5,348,610	8	0.71%	5,892,438	7	0.98%
US Bank	4,984,380	9	0.66%			
Dr Steam LLC dba Dresser Rand	4,898,070	10	0.65%	4,669,400	10	0.77%
FunCity LLC				10,646,462	3	1.76%
Carlisle Real Estate Group				6,447,309	5	1.07%
Federal Mogul Company				6,000,000	6	0.99%
Bradley Operating Limited				5,084,557	8	0.84%
Qwest Communications				4,957,848	9	0.82%
	<u>\$ 93,766,210</u>		<u>12.46%</u>	<u>\$ 87,308,389</u>		<u>14.45%</u>

Source: Des Moines County Auditor

City of Burlington, Iowa

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Property Taxes Collected</u>	<u>Delinquent Property Tax Collections</u>	<u>Total Property Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2007	8,307,683	8,291,334	99.80%	5,329	8,296,663	99.87%
2008	8,420,461	8,419,123	99.98%	1,422	8,420,545	100.00%
2009	8,677,890	8,667,634	99.88%	934	8,668,568	99.89%
2010	9,156,917	9,156,772	100.00%	-	9,156,772	100.00%
2011	9,408,434	9,404,639	99.96%	3,558	9,408,197	100.00%
2012	9,401,924	9,126,007	97.07%	5,094	9,131,101	97.12%
2013	9,841,979	9,621,741	97.76%	3,153	9,624,894	97.79%
2014	10,549,692	10,201,715	96.70%	5,178	10,206,893	96.75%
2015	10,762,724	10,347,253	96.14%	3,735	10,350,988	96.17%
2016	10,869,031	10,364,482	95.36%	-	10,364,482	95.36%

City of Burlington, Iowa

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Population (1)	General Government			Business Type Activities			Total Primary Government	Debt Per Capita
		General Obligation Bonds	Notes Payable	Tax Increment	General Obligation Bonds	Sewer Revenue Bonds	Leases Payable		
2007	26,839	\$ 25,177,377	\$ 148,800	\$ 6,520,000	\$ 6,078,679	\$ 2,195,000	\$ -	\$ 40,119,856	1,494.83
2008	26,839	26,549,597	1,016,411	6,520,000	5,936,188	1,900,000	-	41,922,196	1,561.99
2009	26,839	27,137,406	894,218	6,470,000	5,793,472	4,491,837	-	44,786,933	1,668.73
2010	26,839	24,782,291	754,757	6,420,000	5,660,640	9,244,404	-	46,862,092	1,746.04
2011	25,663	31,214,240	896,401	5,985,000	5,527,808	8,654,000	-	52,277,449	2,037.07
2012	25,663	33,416,538	798,420	5,525,000	5,398,834	18,299,000	-	63,437,792	2,471.96
2013	25,663	33,836,005	238,551	5,040,000	4,330,000	18,149,131	-	61,593,687	2,400.10
2014	25,663	31,825,067	238,637	4,525,000	4,257,000	17,467,989	-	58,313,693	2,272.29
2015	25,663	34,032,645	238,722	-	4,116,158	17,007,882	-	55,395,407	2,158.57
2016	25,410	30,589,356	-	-	3,684,666	16,731,646	-	51,005,668	2,007.31

(1) Source: U.S. Census Bureau.

City of Burlington, Iowa

Ratio of Net General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population (1)	Taxable Valuation	Gross General Obligation Bonded Debt	Less Debt Service Fund	Debt Payable from Proprietary Funds	Debt Payable from TIF Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Valuation	Net Bonded Debt Per Capita
2007	26,839	604,195,219	31,256,055	59,911	6,078,679	3,040,000	22,077,465	3.6540%	822.59
2008	26,839	607,873,412	32,485,785	(1,000)	5,936,188	5,568,483	20,982,114	3.4517%	781.78
2009	26,839	628,531,154	32,930,878	95,677	5,793,472	5,948,315	21,093,414	3.3560%	785.92
2010	26,839	659,314,561	30,442,931	137,303	5,660,640	5,769,853	18,875,135	2.8628%	703.27
2011	25,663	672,673,071	36,742,048	67,605	5,527,808	5,117,531	26,029,104	3.8695%	1,014.27
2012	25,663	683,869,650	38,815,372	192,177	5,398,834	8,252,765	24,971,596	3.6515%	973.06
2013	25,663	713,850,721	38,166,005	17,260	4,330,000	8,534,960	25,283,785	3.5419%	985.22
2014	25,663	728,356,053	36,082,067	262,803	4,257,000	14,825,785	16,736,479	2.2978%	652.16
2015	25,663	740,498,520	38,148,803	571,027	4,116,158	11,847,329	21,614,289	2.9189%	842.24
2016	25,410	750,767,738	34,274,022	(40,922)	3,684,666	10,296,076	20,334,202	2.7085%	800.24

(1) Source: U.S. Census Bureau.

City of Burlington, Iowa

**Computation of Direct and Overlapping Bonded Debt
June 30, 2016**

	<u>Net Bonded Debt June 30, 2016</u>	<u>Percent Applicable to City</u>	<u>Direct and Overlapping Bonded Debt</u>
City of Burlington direct debt	\$ 20,334,202 (1)	100.00%	<u>\$ 20,334,202</u>
Great Prairie Education Agency	575,000	8.00%	46,000
Southeastern Community College	8,705,000	18.99%	1,653,080
West Burlington Community School District	-	10.41%	-
Des Moines County	2,155,000	47.86%	1,031,383
Burlington Community School District	-	74.87%	-
Subtotal	<u>11,435,000</u>		<u>2,730,463</u>
Total direct and overlapping bonded debt	<u>\$ 31,769,202</u>		<u>\$ 23,064,665</u>

(1) Excludes general obligation bonds reported in proprietary funds and general obligation bonds payable from TIF revenues.

Note: The percent applicable is calculated based upon the amount of assessed valuation within the city limits of Burlington as a percent of that entity's total assessed valuation. The assessed valuation utilized is provided by the Des Moines County Assessor's Office.

City of Burlington, Iowa

**Computation Of Legal Debt Margin
June 30, 2016**

Total assessed valuation as of January 1, 2014	<u>\$ 1,180,807,761</u>
Debt limit - 5% of assessed valuation	<u>59,040,388</u>
Amount of debt applicable to limit:	
General obligation bonds	33,834,915
Urban Renewal Rebate Agreements Appropriated	<u>160,000</u>
Total Applicable to Limit	<u>33,994,915</u>
Legal debt margin	<u>\$ 25,045,473</u>
Percent of debt limit	42.42%

**City of Burlington, Iowa
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year					
	2016	2015	2014	2013	2012	2011
Debt Limit	\$ 59,040,388	\$ 57,365,508	\$ 56,368,832	\$ 56,140,945	\$ 55,329,141	\$ 55,011,394
Total Net Debt Applicable to Limit	<u>33,994,915</u>	<u>38,387,525</u>	<u>40,647,702</u>	<u>43,350,551</u>	<u>44,570,450</u>	<u>42,965,112</u>
Legal Debt Margin	<u>\$ 25,045,473</u>	<u>\$ 18,977,983</u>	<u>\$ 15,721,130</u>	<u>\$ 12,790,394</u>	<u>\$ 10,758,691</u>	<u>\$ 12,046,282</u>
Total debt applicable to the limit as a percentage of debt limit	57.58%	66.92%	72.11%	77.22%	80.56%	78.10%

2010	2009	2008	2007
\$ 54,401,905	\$ 53,194,904	\$ 49,573,535	\$48,994,093
<u>41,362,931</u>	<u>43,938,078</u>	<u>39,085,765</u>	<u>31,404,855</u>
<u>\$ 13,038,974</u>	<u>\$ 9,256,826</u>	<u>\$ 10,487,770</u>	<u>\$ 17,589,238</u>
76.03%	82.60%	78.84%	64.10%

City of Burlington, Iowa

Revenue Bond Coverage
Sewer Fund
Last Ten Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Maximum Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2007	3,807,777	2,552,565	1,255,212	370,000	100,273	470,273	2.669
2008	3,975,408	2,604,768	1,370,640	340,000	59,088	399,088	3.434
2009	4,105,364	2,525,815	1,579,549	493,000	174,618	667,618	2.366
2010	4,504,366	2,740,974	1,763,392	658,000	400,158	1,058,158	1.666
2011	4,801,121	2,704,402	2,096,719	678,000	376,340	1,054,340	1.989
2012	5,159,896	2,677,404	2,482,492	793,000	604,925	1,397,925	1.776
2013	5,464,474	2,917,619	2,546,855	1,160,000	296,050	1,456,050	1.749
2014	6,214,034	2,968,279	3,245,755	973,401	549,280	1,522,681	2.132
2015	6,524,193	3,317,008	3,207,185	1,379,528	549,280	1,928,808	1.663
2016	6,875,946	3,339,199	3,536,747	1,520,357	566,700	2,087,057	1.695

(1) Total revenues (including interest) exclusive of tap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

City of Burlington, Iowa

**Major Area Employers
Current and Nine Years Ago**

2016		2007	
Name	Approximate Number of Employees	Name	Approximate Number of Employees
		Aldi, Inc	100-200
Alfa Gomma America	Under 100	Alfa Gomma America	Under 100
American Ordinance	500-1,000	American Ordinance	Over 1,000
Antennacraft, Division of RadioShack Corporation	Under 100	Antennacraft, Division of RadioShack Corporation	Under 100
Big River Resources, LLC	100-200		
Borgho International	100-200	Borgho International	Under 100
		Burlington Basket Company	100-200
Burlington Northern Santa Fe, Inc.	Under 100	Burlington Northern Santa Fe, Inc.	Under 100
Case New Holland	500-1,000	Case New Holland	200-500
Cobo International	100-200	Cobo International	Under 100
Federal Mogul Ignition Products	500-1,000	Champion Spark Plug, Division of Federal Mogul	500-1,000
CSI Employment	Under 100	CSI Employment	200-500
Diamond Vogel Paint Company	Under 100	Diamond Vogel Paint Company	Under 100
		ESCP Corporation	Under 100
Dresser Rand	100-200	Tuthill Corporation, Murray Turbo Division	100-200
Flint Cliffs Mfg.	Under 100	Flint Cliffs Mfg.	Under 100
General Electric Company	200-500	General Electric	500-1,000
Great River Entertainment	500-1,000		
Great River Medical Center	Over 1,000	Great River Medical Center	Over 1,000
Hawk Eye, The	100-200	Hawk Eye, The	100-200
Hawkeye Concrete Products	100-200	Hawkeye Concrete Products	100-200
Hope Haven	100-200	Hope Haven	100-200
Industrial Service Corp	100-200	Industrial Service Corp	100-200
Lamont Limited	200-500	Lamont Limited	200-500
Shearer's Foods	500-1,000	Vista Bakery	500-1000
Manpower Temporary Services	100-200	Manpower Temporary Services	100-200
Modern Welding Company	Under 100	Modern Welding Company	Under 100
P.P.G. Industries	Under 100	P.P.G. Industries	Under 100
Precision Resistive Products	Under 100	Precision Resistive Products	Under 100
PCI	Under 100	Raider Precast Concrete	200-500
		Ron Weber & Associates	Under 100
Sterzing Food Company	Under 100	Sterzing Food Company	Under 100
The Baking Company	100-200		
U.S. Gypsum Company	200-500	U.S. Gypsum Company	200-500
Winegard Company	200-500	Winegard Company	200-500

Source: Grow Greater Burlington

Note: Since the only information available is estimated ranges, we are unable to calculate the percentages of total employment for each employer.

City of Burlington, Iowa

**Historical Economic Data
Last Ten Years**

Employment				Retail Sales (3)		
Calendar Year	Population (1)	Labor Force (2)	Unemployment Rate (2)	Fiscal Year	Retail Permits	Retail Sales
2007	26,839	12,847	4.4%	2007	686	282,230,876
2008	26,839	12,685	6.1%	2008	696	289,150,021
2009	26,839	12,841	7.4%	2009	724	297,807,457
2010	26,839	12,740	8.9%	2010	709	293,256,724
2011	25,663	12,530	8.1%	2011	741	295,246,223
2012	25,663	13,350	6.5%	2012	742	308,393,605
2013	25,663	13,050	6.3%	2013	738	300,384,103
2014	25,663	13,480	5.6%	2014	713	309,351,402
2015	25,663	13,100	4.9%	2015	717	335,529,598
2016	25,410	13,100	5.2%	2016	Not available	

(1) U.S. Census Bureau

(2) Iowa Workforce Development

(3) Iowa Department of Revenue

(4) Bureau of Economic Analysis; Des Moines County

Buliding Permits			Personal Income (4)	
Fiscal Year	Number of Permits Issued	Dollar Value of Permits Issued	Calendar Year	Per Capita Income
2007	237	26,498,176	2005	31,605
2008	226	41,092,033	2006	35,172
2009	184	9,085,283	2007	37,965
2010	222	31,908,276	2008	43,331
2011	222	17,305,279	2009	41,032
2012	292	18,489,664	2010	40,504
2013	244	26,828,640	2011	51,899
2014	284	26,973,402	2012	47,466
2015	142	22,384,000	2013	46,446
2016	199	31,626,176	2014	48,755

City of Burlington, Iowa
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of June 30					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government						
Executive Administration	2.43	2.43	2.65	2.75	4.35	4.35
Finance	6	6	6	6	5	5
City Clerk	1.6	1.6	1.6	1.6	1.75	2
Public Safety						
Police Officers	42	41	42	39	42	42
Firefigthers and Officers	45	44	42.5	44	46	46
Civilian Employees	6.46	6.73	16.52	18.45	16.8	16.8
Building Code	5	5	5	5	4.6	5.6
Public Works						
Administration/Engineering	9	7	8	8	8.75	9
Streets	15.23	14.23	13.72	13	14.07	15.07
Property Maintenance	5.73	5.73	5.75	5.73	5.75	5.75
Vehicle Maintenance	3.73	3.73	3.8	3.73	3.8	3.8
Transit	11.16	10.55	10.75	9.46	9	9
Other	0.1	0.1	5.17	5.18	6.07	6.27
Culture and Recreation						
Parks	12.33	12.01	13.15	13.02	13.02	14.02
Recreation/Pool	3.68	3.68	3.9	3.9	4.7	4.7
Library	16.94	17.02	17.83	17.35	19.68	19.68
Community and Economic Development	2	2	2	2	3	3.8
Business Type Activities						
Sewer	22	24	18.07	24.95	24.57	23.57
Solid Waste	6.73	6.73	7.8	7.73	7.8	7.8
Parking	0.73	0.73	0.8	0.73	0.8	0.8
Flint Hills Golf	5.64	5.64	5.71	6.32	6.64	6.64
RecPlex	6.05	6.05	6.05	6.05	6.05	6.05
Total	229.54	225.96	238.77	243.95	254.2	257.7

Information obtained from City of Burlington Budgets.

Full-time equivalent employment is calculated by dividing total part-time and temporary labor hours available by 2080.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
4	4	3	3
5	5	6	6
2	2	2	2
42	42	42	42
46	46	46	46
17	16.5	16.5	16.5
5.25	5.25	5.25	5.25
8.8	8.8	8.8	8.8
15.55	15.55	15.55	15.55
5	5	5	5
4	4	4	4
9	9	9	9
4.5	4.5	4.5	5.2
13.1	13.1	13.1	13.1
3.25	3.25	3.25	3.25
20.27	20.27	20.27	20.27
4	4	4	4
23.8	23.8	23.8	24.8
7.75	7	7	7.75
1.15	1.15	1.15	1.15
6.15	6.15	6.15	6.4
9.25	9.25	9.25	9.25
256.82	255.57	255.57	258.27

**City of Burlington, Iowa
Miscellaneous Statistical Data
Last Ten Fiscal Years**

	2016	2015	2014	2013	2012	2011
Police						
Number of Stations	1	1	1	1	1	1
Number of Officers	41	41	42	39	42	42
Fire						
Number of Stations	2	2	2	2	2	2
Number of Firefighting Personnel	44	44	42.5	44	46	46
Parks						
Number of parks	13	13	13	13	13	13
Acres	220	220	220	220	220	220
Golf Courses	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1
Building Code						
Number of permits Issued	199	142	284	244	292	222
Permit Value	31,626,176	22,384,000	26,973,402	26,828,640	18,489,664	17,305,279
Wastewater Treatment Facility						
Number of Facilities	1	1	1	1	1	1
Major Pumping Stations	3	3	3	3	3	3
Minor Pumping Stations	11	11	11	11	11	11

2010	2009	2008	2007
1	1	1	1
42	42	42	42
2	2	2	2
46	46	46	46
13	13	13	13
220	220	220	220
1	1	1	1
1	1	1	1
222	184	237	237
31,908,276	9,085,283	41,092,033	26,498,176
1	1	1	1
3	3	3	3
11	11	11	11

COMPLIANCE SECTION



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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members
of the City Council
City of Burlington, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Burlington, Iowa's basic financial statements and have issued our report thereon dated December 27, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

City of Burlington, Iowa's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 Burlington, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Anderson Larkin & CO PC

Ottumwa, Iowa
December 27, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members
of the City Council
The City of Burlington, Iowa

Report on Compliance for Each Major Federal Program

We have audited the City of Burlington, Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Burlington, Iowa's major federal programs for the year ended June 30, 2016. The City of Burlington, Iowa's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Burlington, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Burlington, 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 Burlington, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Burlington, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the City of Burlington, 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 Burlington, 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 Burlington, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin + CO PC

Ottumwa, Iowa
December 27, 2016

CITY OF BURLINGTON, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through Iowa Department of Economic Development:			
State-Administered CDBG Cluster:			
Neighborhood Stabilization Program	14.228	08-NSP-003	\$ 13,695
Neighborhood Stabilization Program	14.228	11-NSP-003	6,909
Community Development Block Grant	14.228	12-DTR-001	<u>10,026</u>
Total U.S. Department of Housing and Urban Development			<u>30,630</u>
U.S. Department of Justice			
Direct:			
Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0304	4,110
JAG Cluster, Storage Appliances	16.738	2015-DJ-BX-0480	18,719
Passed through Governor's Office of Drug Control Policy:			
Byrne Justice Assistance Grant Program	16.738	13-JAG-114133	<u>44,226</u>
Subtotal			<u>62,945</u>
Total U.S. Department of Justice			<u>67,055</u>
U.S. Department of Transportation			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction, Flint River Recreational Trail	20.205	STP-ES-0977(636)-8T-29	8,324
Highway Planning and Construction, 2015 Division Street HMA Resurfacing	20.205	STP-U-0977(640)-70-29	<u>306,311</u>
Subtotal			<u>314,635</u>
Formula Grants for Rural Areas, Federal Transit Assistance	20.509	18-0030-097-16	<u>389,004</u>
Passed through Governor's Traffic Safety Bureau:			
Traffic Safety Grant	20.600	16-042-MOPT	6,449
Traffic Safety Grant	20.600	15-402-MOPT	<u>1,508</u>
Subtotal			<u>7,957</u>
Total U.S. Department of Transportation			<u>711,596</u>
U.S. Department of Homeland Security			
Direct:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.044	EMW-2014-FO-03561	21,520
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00089	213,842
Passed through Iowa Department of Homeland Security:			
Disaster Grant	97.036	IA-DR-4234	<u>101,112</u>
Total U.S. Department of Homeland Security			<u>336,474</u>
Total Expenditures of Federal Awards			<u>\$ 1,145,755</u>

See Notes to Schedule of Expenditures of Federal Awards

CITY OF BURLINGTON, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR END JUNE 30, 2016

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Burlington, Iowa under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Burlington, Iowa, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Burlington, Iowa.

Summary of Significant Accounting Policies – Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. In the governmental funds, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, revenue from federal grants is recognized when they are earned.

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. The City of Burlington, Iowa has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF BURLINGTON, IOWA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR END JUNE 30, 2016

<u>Number</u>	<u>Comment</u>	<u>Status</u>	<u>Corrective Action or Other Explanation</u>
15-IV-I	Several funds with deficit balances as of June 30, 2015	In process of investigating alternatives to eliminate these deficits in order to return the finds to sound financial position.	See corrective action plan at IV-G-16

CITY OF BURLINGTON, IOWA

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

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. No 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 200.515.
- g. The major program was as follows:

CFDA Number

20.509 Formula Grants for Rural Areas
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. The City of Burlington, Iowa qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control over financial reporting were noted.

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 was noted.

CITY OF BURLINGTON, IOWA

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

IV-B-16 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

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

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

IV-G-16 Financial Condition – Note X to the financial statements reported deficit fund balances at June 30, 2016.

Recommendation – The City should investigate alternatives to the eliminate fund deficits in order to return these funds to a sound financial position.

Response – We are aware of the deficit balances. See Note X for further explanation.

Conclusion – Response accepted.

IV-H-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-16 Revenue Bonds/Notes – No instances of non-compliance with the revenue bond/note provisions were noted.

IV-J-16 Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

CITY OF BURLINGTON, IOWA

CORRECTIVE ACTION PLAN

YEAR END JUNE 30, 2016

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
IV-G-16	Several funds with deficit balances as of June 30, 2015	See corrective action plan at IV-G-16.	June 2017	Director of Administrative Services