

City of Muscatine, Iowa



Comprehensive Annual Financial Report

For the Year Ended June 30, 2009

CITY OF MUSCATINE, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

SUBMITTED BY:
FINANCE DEPARTMENT
CITY OF MUSCATINE, IOWA

Nancy A. Lueck
Finance Director

COVER:

Muscatine City Hall

PHOTO BY:

Dan Beenen

CITY OF MUSCATINE, IOWA

Comprehensive Annual Financial Report For the Year Ended June 30, 2009

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FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 20, 2009

Iowa law requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Muscatine for the fiscal year ended June 30, 2009.

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

McGladrey & Pullen, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Muscatine's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of the Government

The City of Muscatine was incorporated in 1851 by a special act of the Iowa State Legislature and is located on the Mississippi River, which is the eastern boundary of the state of Iowa. The City is located 160 miles east of Des Moines, 200 miles west of Chicago, and is the county seat of Muscatine County. The City occupies a land area of approximately 17 square miles and serves a population of 22,697 people. The City is empowered to levy a tax on all property located within its boundaries.

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

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

The City Council is required to hold a public hearing on and adopt a budget for each fiscal year no later than March 15th of the preceding year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function, fund and department. The legal level of control is at the function level. The budget may be amended by resolution of City Council following a required public hearing.

The City's government-wide financial statements include two discretely presented component units. These component units are those entities for which the City is considered to be financially accountable. These entities are the Muscatine County Solid Waste Management Agency (Agency) and Muscatine Power and Water (MP&W). The Agency is comprised of eight governmental entities in Muscatine County and based on the City of Muscatine population, the City accounts for 56% of the board's voting authority. The City Council also approves the Agency's budget, sets its rate and approves any debt issuance. MP&W is a municipal utility which provides water, electric and communications services within the City of Muscatine and in other areas within Muscatine County. MP&W's governing board is appointed by the Mayor and approved by Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City. These entities are reported in separate columns in the government-wide statements to emphasize that they are legally separate from the City.

Local Economy

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include H.J. Heinz LP, food processing; Bandag, makers of pre-cured tire tread rubber, Monsanto Company, herbicides and plastics; Raymond-Muscatine, front-end loaders, etc.; Muscatine Foods Corporation, corn distillates and feed; Stanley Consultants Inc., consulting engineers and architects; and Musco Sports Lighting LLC, sports lighting systems. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten years ranged from 2.7% to 4.5% with the rate for 2008 at 4.3%. The unemployment rate for the first six months of 2009, however, increased to 7.9% due to the local effect from the national economy. Muscatine Power and Water, the City of Muscatine's municipal light, water and communications utility, operates the largest municipal power plant in the State of Iowa. This plant provides for abundant supplies of low cost electricity. The City's Water Pollution Control Plant has undergone renovation over the years

and currently has the capacity to triple the volume of wastewater it treats with only marginal increases in operating expenditures. The City operates a general aviation airport and has excellent railroad service provided by the Canadian Pacific Railroad.

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

Long-term Financial Planning

On May 10, 1994, the citizens of Muscatine first voted to implement a 1% local option sales tax for the purpose of funding storm and sanitary sewer renovation and extension projects. The tax was imposed effective July 1, 1994, for a five-year period. On August 4, 1998, Muscatine voters overwhelmingly approved the renewal of the 1% local option sales tax for another five years to continue funding sewer projects. In January 2003, voters approved using up to 10% of the local option tax for the Pearl of the Mississippi Project effective April 30, 2003. On January 27, 2004, voters again approved extending the local option sales tax for an additional five years with the proceeds continued to be allocated 90% for sewer projects and the remaining 10% for the Pearl of the Mississippi Project. The 1% local option sales tax generated over \$2.7 million in the most recent year.

In 2008 the City held an election for the continuation of this tax. The ballot question approved by voters will extend this tax for an additional ten years (though June 30, 2019) with up to 20% of the proceeds to be used for the City's Pavement Management Program with the remaining 80% to be used for storm and sanitary sewer improvement projects. Future sewer projects have been identified including those required by an Order for Compliance on Consent issued by the United States Environmental Protection Agency. Provisions of the Order require the City to complete separation of the combined sewers in the Hershey Avenue area by December 31, 2011, and separation for the remaining combined portions of the sewer system including the West Hill area by December 31, 2024. The election to continue the local option tax was held on August 12, 2008 and again it received strong support by voters.

The City began a comprehensive Pavement Management Program in 2007. Allocations of over \$1 million in calendar year 2007 and \$2 million each in 2008 and 2009 will complete the initial upgrade of streets throughout the City. These initial costs will be funded with general obligation bond proceeds. Annual allocations to maintain all streets at this higher level will begin in 2010 with funding from the 20% allocation of local option sales tax funds.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. Construction of a parallel taxiway for the crosswind runway was completed in 2008/2009. Future projects in the plan include equipment purchases and construction of a hangar access road.

In recent years the City of Muscatine was required to address funding reductions to the City's General Fund as a result of reductions in funding from the State of Iowa which began in 2003/2004 and continued in 2004/2005. The state eliminated approximately \$360,000 in annual funding to the City of Muscatine beginning in 2003/2004 and an additional \$70,000 annually was eliminated in 2004/2005.

In response to these factors, the City made a number of significant budget changes which included personnel reductions, funding transfers and consolidation of services. Full-time equivalent employees of the City are fifteen (15) less than what was included in the original 2003/2004 budget. As directed by Council these reductions were done, when possible, by not filling a number of positions as they became vacant either by retirement or attrition. Nine (9) of these positions were eliminated when the City of Muscatine and Muscatine County combined their emergency dispatch services effective in September, 2004. City dispatcher positions were transferred to Muscatine County positions and the City paid 45% and the County paid 55% of the operating costs of the combined system through the 2008/2009 year. This change resulted in an annual savings of \$140,000 in City General Fund expenditures. Beginning in 2009/2010 costs of this combined system will be funded 100% from a County-wide tax levy. This will result in a savings to the City of over \$400,000 annually. Both entities have and will continue to benefit both financially and operationally by combining their dispatch services.

Relevant Financial Policies

The City's budget policies provide that the City's unreserved General Fund balance be at least 10% of budgeted General Fund expenditures. The unreserved General Fund balance at June 30, 2009 was \$1,642,606 which was 11.2% of General Fund expenditures. This unreserved balance was \$91,204 less than the prior year unreserved balance; however, this ending balance was \$50,822 higher than the budget estimate. This increase is attributed to strong General Fund revenues and most General Fund departments operating under their budget allocations.

For the 2009/2010 budget taxable property values increased by 3.8% which will provide \$215,203 more in tax funding from the general fund tax levy which has been at the maximum rate of \$8.10 per \$1,000 of valuation in all recent years. There was growth in all categories of property including residential, commercial and industrial property.

As noted in the previous section, beginning in 2009/2010 the total cost for the City-County joint dispatch operation (MUSCOM) will be funded 100% from a County-wide tax levy. This will replace the previous 45% City and 55% County funding arrangement and will result in a savings to the City of over \$400,000 annually. This change contributed to an overall 3.7% decrease to the City tax rate for 2009/2010. The City's Employee Benefit tax levy was reduced, the City's Emergency Management tax levy was eliminated and there was relief to the City's General Fund.

The City continues to claim less than the full amount of incremental taxes available from the Downtown and Southend Tax Increment Financing (TIF) areas. As growth in valuations in these areas has exceeded original projections, balances have been accumulating in these funds in advance of the debt schedules in effect. Not claiming the full amount allows a portion of the increased values in each area to go back onto regular taxable valuations of all taxing entities affected. Approximately \$300,000 of incremental taxes were not claimed by the City for 2008/2009 and this amount increased to \$497,600 for 2009/2010. This results in increased regular taxable values and increased taxes generated by the \$8.10 General Fund levy.

The effects of the changes implemented by City Council in previous years in reducing the General Fund workforce, combining services with Muscatine County, and claiming less than the full amount of incremental taxes will continue to be realized in future years. These changes have placed the City in a more favorable position to address funding requirements for the provision of General Fund services in future years.

Major Initiatives

The City continues to strive to make significant capital improvements to the City's infrastructure and facilities. Major budget initiatives for 2009/2010 include (1) the completion of the initial upgrade of the City's streets as part of the comprehensive Pavement Management Program; (2) construction on several major sewer projects to be funded from local option sales tax revenues; and (3) continued construction on the comprehensive facilities improvements at the Water Pollution Control Plant (WPCP). The WPCP improvements are estimated at \$18.5 million and are scheduled to be completed by the fall of 2011. These improvements will address plant and process requirements for the next 20-25 years.

In the spring and summer of 2008 there were two Mississippi River flood events which affected the Muscatine riverfront and a portion of the downtown area. On July 21, 2008 a windstorm hit the City downing numerous trees on City streets as well as those in various Park facilities and the Greenwood Cemetery. The events required a significant amount of staff and equipment time. The windstorm cleanup has been completed and the final repairs from the flood are scheduled to be completed in 2009/2010. Assistance from the Federal Emergency Management Agency (FEMA) is expected to fund most of the costs from both the flood and windstorm events.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muscatine for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the 15th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

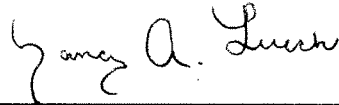
In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2009/2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The award for the 2009/2010 budget was the 25th consecutive year that the City of Muscatine has received the GFOA's Award for Distinguished Budget Presentation. The GFOA's Distinguished Budget Presentation Award is good for a period of one year. The City of Muscatine plans to submit its budget document for the 2010/2011 fiscal year to the GFOA to again be considered for this award.

In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, we would like to express our appreciation to all members of this department for their assistance and contributions for this endeavor. Also appreciated is the continued interest and support by the members of the City Council in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Lastly, we would extend our appreciation to McGladrey & Pullen, Certified Public Accountants, for their assistance and suggestions in regard to the preparation of the Comprehensive Annual Financial Report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Randall E. Hill", positioned above a horizontal line.

Randall E. Hill
Interim City Administrator

A handwritten signature in cursive script, reading "Nancy A. Lueck", positioned above a horizontal line.

Nancy A. Lueck
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Muscatine
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

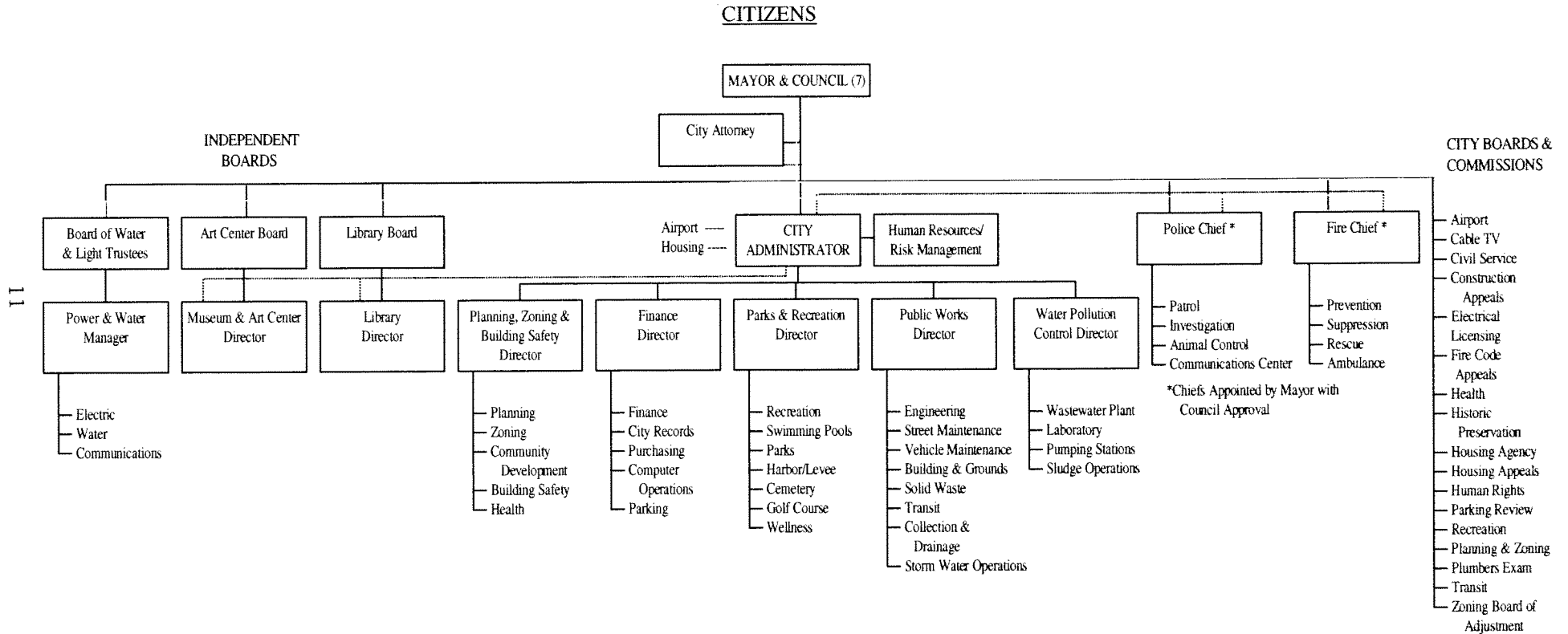


President

Executive Director

CITY OF MUSCATINE, IOWA

ORGANIZATIONAL STRUCTURE



CITY OF MUSCATINE, IOWA

List of Principal Officials June 30, 2009

Richard W. O'Brien, Mayor

CITY COUNCIL

Robert Howard
At Large

Osama Shihadeh
At Large

Philip Fitzgerald
First Ward

Marie Press
Second Ward

Jerry Lange
Third Ward

Bob Bynum
Fourth Ward

Dyann Roby
Fifth Ward

COUNCIL APPOINTED OFFICIALS

Interim City Administrator
Corporation Counsel

Randall E. Hill
Harvey G. Allbee, Jr.

DEPARTMENT DIRECTORS

Art Center Director
Finance Director
Fire Chief
Library Director
Parks & Recreation Director
Planning, Zoning and Building Safety Director
Police Chief
Public Works Director
Water Pollution Control Director

Barbara Longtin
Nancy A. Lueck
Steve Dalbey
Pam Collins
Richard Klimes
Steve Boka
Gary Coderoni
Randall E. Hill
Roger Kirby



McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Muscatine, Iowa
Muscatine, Iowa

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 Muscatine, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Muscatine, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Muscatine Power & Water, which represents 98.6 percent, 100.3 percent and 98.9 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power & Water, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of June 30, 2009, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 11 to the basic financial statements, the City changed its method of accounting for other post employment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009, on our consideration of the City of Muscatine, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 28, budgetary comparison schedule of revenues, expenditures and changes in fund balance budget to GAAP reconciliation and schedule of funding progress for other postemployment benefit plan on pages 67 through 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muscatine, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 19, 2009

Management's Discussion and Analysis

As management of the City of Muscatine, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. This narrative is intended to supplement the letter of transmittal and the financial statements and should provide the reader with contextual information that will advance our goal of full disclosure.

Financial Highlights

- The assets of the City of Muscatine exceeded its liabilities at the close of the most recent fiscal year by \$125,204,889 (net assets). Of this amount, \$14,435,883 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,402,447 during the year. This most significant increase is in the Water Pollution Control Fund where net assets increased by \$2,846,522.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,151,770, a decrease of \$4,341,213 in comparison with the prior year. Of the ending balance, approximately 76% (\$7,682,992) was unreserved and is available for spending within the statutory guidelines pertaining to each fund at the City's discretion. The overall decrease in governmental fund balances is primarily in the capital projects funds. Capital project expenditures during the year included those for projects funded from prior year bond proceeds as well as costs incurred for projects to be funded from bonds to be issued in 2009/2010.
- At the end of the current fiscal year, the City's unreserved fund balance for the general fund was \$1,641,489, or 11.2% of total general fund expenditures.
- The City's total debt increased by \$1,057,585 (6.1%) during the current fiscal year. This increase was due to the issuance of \$3,598,195 in revenue bonds for the Water Pollution Control Plant comprehensive facilities improvement project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works, Health and Social Service, Culture and Recreation, Community and Economic Development, General Government, and Interest and Fees on Long-term Debt. The business-type activities of the City include Water Pollution Control, Refuse Collection, Transfer Station, Airport, Parking, Transit, Golf Course, Boat Harbor, Marina, Ambulance, and Public Housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities, Muscatine Power and Water and the Muscatine County Solid Waste Agency for which the City of Muscatine is considered to be financially accountable. Financial information for these two *component units* is reported separately from the financial information presented for the primary government itself. Muscatine Power and Water issues separate financial statements. The Solid Waste Agency does not issue separate financial statements.

The government-wide financial statements can be found on pages 29-30 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information is useful in evaluating the City's near-term financing requirements and is typically the basis that is used for developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has five major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, the Debt Service Fund and the Street and Sidewalk Improvements Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds are combined into a single aggregated presentation and are referenced under a single column as Other Governmental Funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 31-33 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. While both types of proprietary funds are run in a business-like manner, enterprise funds are included in business-type activities since they serve the entire community, while internal service funds are included in *governmental activities* since they predominantly benefit the City's governmental functions.

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has eleven (11) enterprise funds. Two of the enterprise funds, the Water Pollution Control Fund and the Transfer Station Fund, are considered major funds and are reported individually throughout the report. The other nine (9) non-major enterprise funds are grouped together for reporting purposes and listed under a single heading, Other Enterprise Funds. Detail information for each of the nine (9) non-major enterprise funds is provided in combining statements elsewhere in this report.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among the City's various functions. The City has four internal service funds: Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Individual fund data for the Internal Service Funds is provided in the form of combining statements in the latter section of this report.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has three fiduciary funds, all of which are maintained as agency funds, with no attempt to create ongoing fund balances.

The basic fiduciary funds financial statement can be found on page 37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-66.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes (1) a budgetary comparison schedule on the aggregate basis for the City's budgeted governmental and proprietary funds, and (2) the schedule of funding progress for the City's other post employment benefits plan.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$125,204,889 at the close of the fiscal year ended June 30, 2009.

By far the largest portion of the City's net assets (86%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MUSCATINE'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 25,152,126	\$ 28,037,795	\$ 9,545,079	\$ 9,305,224	\$ 34,697,205	\$ 37,343,019
Capital assets	61,595,984	60,992,585	64,438,439	58,449,811	126,034,423	119,442,396
Total assets	86,748,110	89,030,380	73,983,518	67,755,035	160,731,628	156,785,415
Long-term liabilities outstanding	12,556,488	14,003,429	7,504,533	5,501,480	20,061,021	19,504,909
Other liabilities	13,567,936	12,277,040	1,897,782	1,201,024	15,465,718	13,478,064
Total liabilities	26,124,424	26,280,469	9,402,315	6,702,504	35,526,739	32,982,973
Net assets:						
Invested in capital assets, net of related debt	50,303,012	50,833,005	57,286,029	53,255,999	107,589,041	104,089,004
Restricted	2,989,872	5,644,659	190,093	-	3,179,965	5,644,659
Unrestricted	7,330,802	6,272,247	7,105,081	7,796,532	14,435,883	14,068,779
Total net assets	\$ 60,623,686	\$ 62,749,911	\$ 64,581,203	\$ 61,052,531	\$ 125,204,889	\$ 123,802,442

A portion of the City's net assets (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,435,883) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net assets invested in capital assets net of related debt increased by \$3,500,037 during the year. Restricted net assets decreased by \$2,464,644 since the prior year amount included general obligation bonds issued in the prior year for projects completed in the current year. Unrestricted net assets increased by \$367,104 during the year.

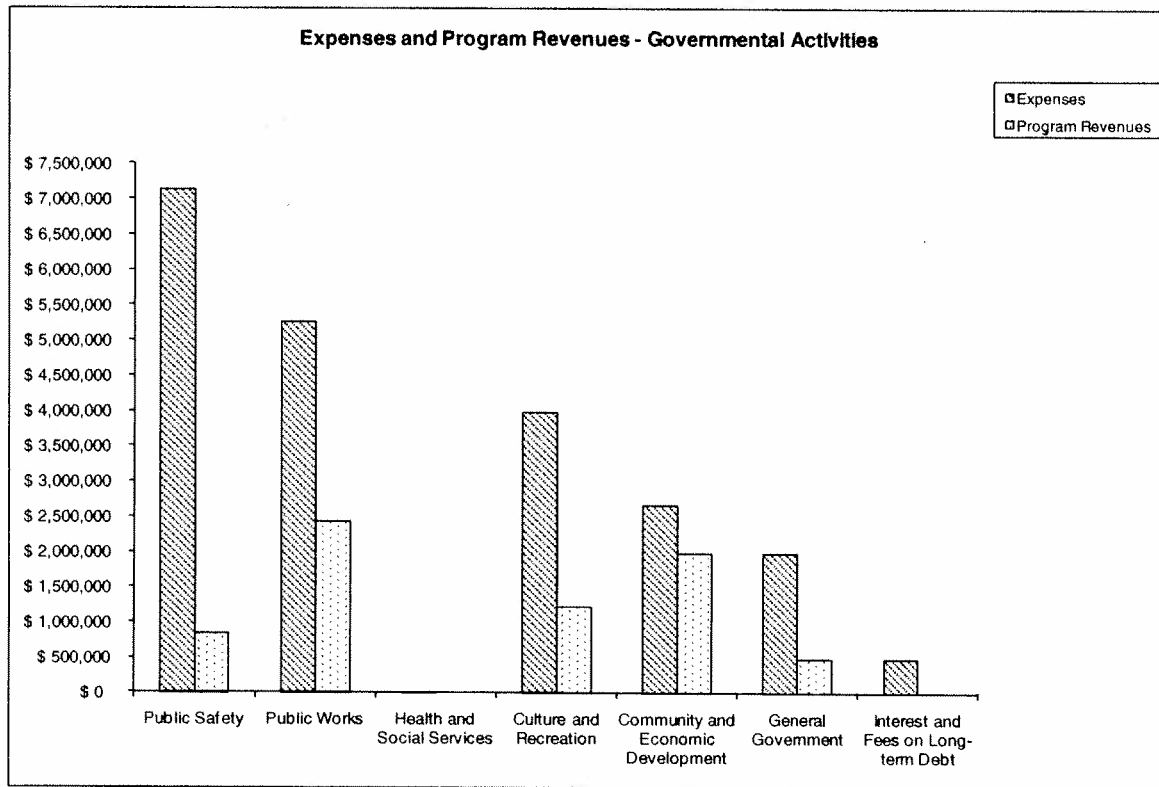
CITY OF MUSCATINE CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 2,084,554	\$ 1,988,344	\$ 10,255,848	\$ 10,388,859	\$ 12,340,402	\$ 12,377,203
Operating grants, contributions and restricted interest	4,736,388	4,229,961	1,008,488	1,017,826	5,744,876	5,247,787
Capital grants and contributions	108,213	963,114	1,317,819	353,324	1,426,032	1,316,438
General revenues:						
Property taxes	12,040,376	12,141,875	-	-	12,040,376	12,141,875
Utility taxes	64,358	67,703	-	-	64,358	67,703
Local option sales tax	2,864,582	2,688,049	-	-	2,864,582	2,688,049
Hotel/motel tax	344,354	366,261	-	-	344,354	366,261
Cable franchise tax	239,039	239,812	-	-	239,039	239,812
Intergovernmental, not restricted to specific programs	149,913	150,424	-	-	149,913	150,424
Unrestricted investment earnings	267,227	399,317	182,286	256,849	449,513	656,166
Other	6,620	7,980	-	-	6,620	7,980
Total revenues	22,905,624	23,242,840	12,764,441	12,016,858	35,670,065	35,259,698
Expenses:						
Public safety	7,136,808	6,972,493	-	-	7,136,808	6,972,493
Public works	5,262,061	3,498,689	-	-	5,262,061	3,498,689
Health and social service	16,660	16,660	-	-	16,660	16,660
Culture and recreation	3,970,285	3,773,895	-	-	3,970,285	3,773,895
Community and economic development	2,656,737	2,757,190	-	-	2,656,737	2,757,190
General government	1,967,161	1,880,724	-	-	1,967,161	1,880,724
Interest and fees on long-term debt	473,916	391,759	-	-	473,916	391,759
Water pollution control	-	-	4,992,317	4,649,437	4,992,317	4,649,437
Transfer station	-	-	2,228,048	2,486,114	2,228,048	2,486,114
Refuse collection	-	-	1,519,980	1,390,113	1,519,980	1,390,113
Airport	-	-	605,009	561,312	605,009	561,312
Parking	-	-	201,409	244,774	201,409	244,774
Transit	-	-	907,562	872,252	907,562	872,252
Golf course	-	-	825,757	778,125	825,757	778,125
Boat harbor	-	-	34,648	33,015	34,648	33,015
Marina	-	-	10,961	12,461	10,961	12,461
Ambulance	-	-	483,223	428,659	483,223	428,659
Public housing	-	-	975,076	924,183	975,076	924,183
Total expenses	21,483,628	19,291,410	12,783,990	12,380,445	34,267,618	31,671,855
Increase (decrease) in net assets before transfers	1,421,996	3,951,430	(19,549)	(363,587)	1,402,447	3,587,843
Transfers in (out)	(3,548,221)	(2,911,195)	3,548,221	2,911,195	-	-
Increase (decrease) in net assets	(2,126,225)	1,040,235	3,528,672	2,547,608	1,402,447	3,587,843
Net assets, beginning of year	62,749,911	61,709,676	61,052,531	58,504,923	123,802,442	120,214,599
Net assets, end of year	\$ 60,623,686	\$ 62,749,911	\$ 64,581,203	\$ 61,052,531	\$ 125,204,889	\$ 123,802,442

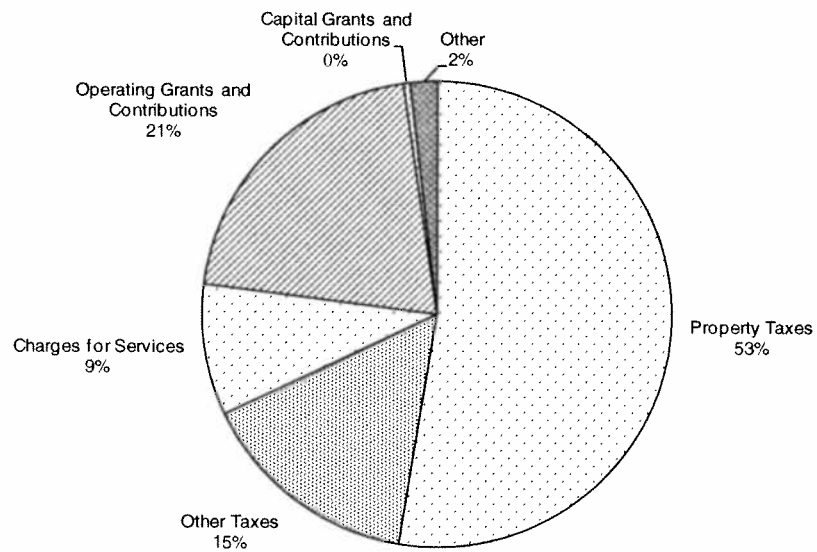
Governmental activities. Governmental activities decreased the City's net assets by \$2,126,225. This overall decrease was in part due to the transfer of \$3,111,171 of local option sales tax funds to the Water Pollution Control enterprise fund for sewer extension and improvement projects. Key elements of the overall decrease are as follows:

- Revenues for governmental activities decreased by \$337,216 or 1.5% from the previous year due primarily to a decrease in capital grants and contributions.

- Charges for services for governmental activities increased by \$96,210 due to increased public safety and public works fees.
- Operating grants and contributions for governmental activities increased by \$506,427 due primarily to FEMA reimbursements for flood and windstorm repairs and cleanup.
- Capital grants and contributions decreased by \$854,901. The prior year amount included two public works capital grants totaling \$200,000 for bridge lighting and trail projects; \$246,315 in final pledge contributions for the Pearl of the Mississippi Project; \$379,589 in insurance reimbursements to replace damaged park structures and lighting destroyed by the June 1, 2007 tornado; and a \$93,196 federal grant for fire equipment
- Property taxes decreased in total by \$101,499 during the year or .8%. This overall decrease was due to claiming \$319,206 less in incremental taxes from the tax increment districts. Regular property taxes (excluding incremental taxes) increased by \$217,707 which reflected a 2.3% decrease in tax rate and an increase of 4.6% in taxable valuation.
- Local option sales tax increased by \$176,533 during the year.
- Unrestricted investment earnings decreased by \$132,090 during the year due to declining interest rates.
- Expenses for governmental activities increased by \$2,192,218 or 11.4% from the previous year.
- The most significant increases in governmental expenses were in the public works (\$1,763,372), public safety (\$164,315), and culture and recreation (\$196,390) functions. There were also increases in the general government function (\$86,437) and interest and fees on long-term debt (\$82,157). Expenses for the community and economic development function decreased by \$100,453. The increase in the public works function included over \$1,073,000 in expenses toward the City's share of the Mad Creek Flood Control Project. Expenses in the various functions also included those for the repairs and cleanup resulting from the 2008 floods and windstorm.

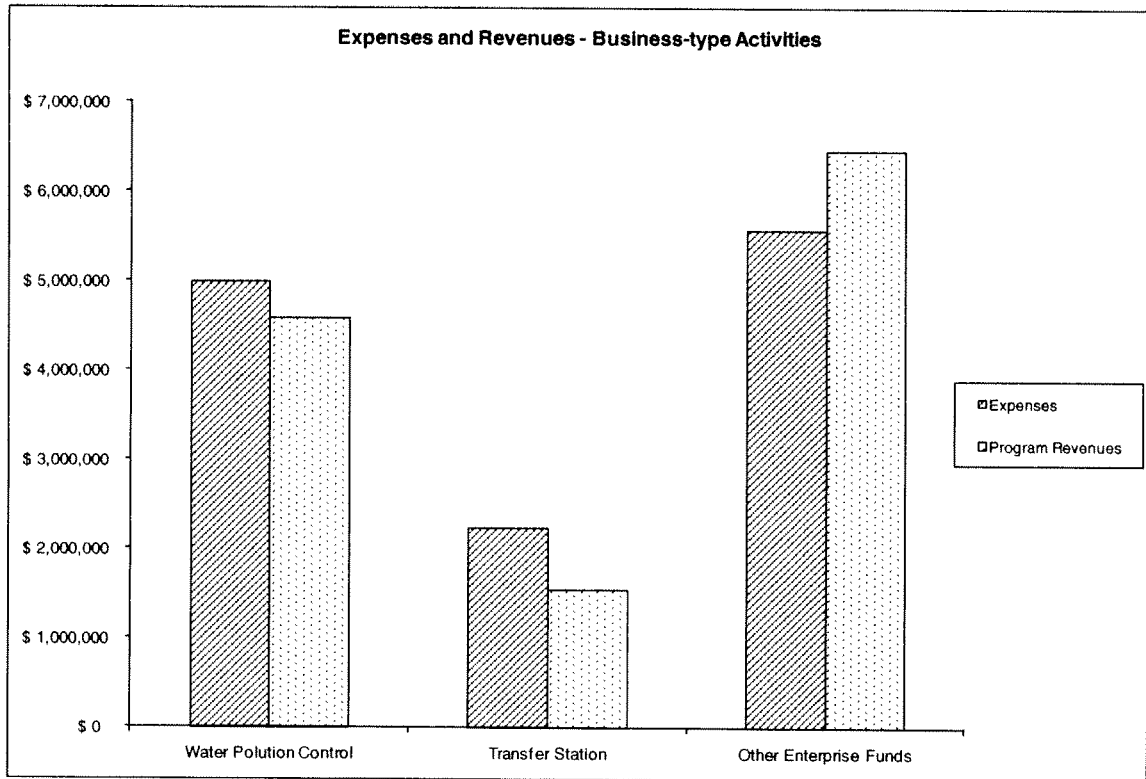


Revenues By Source - Governmental Activities

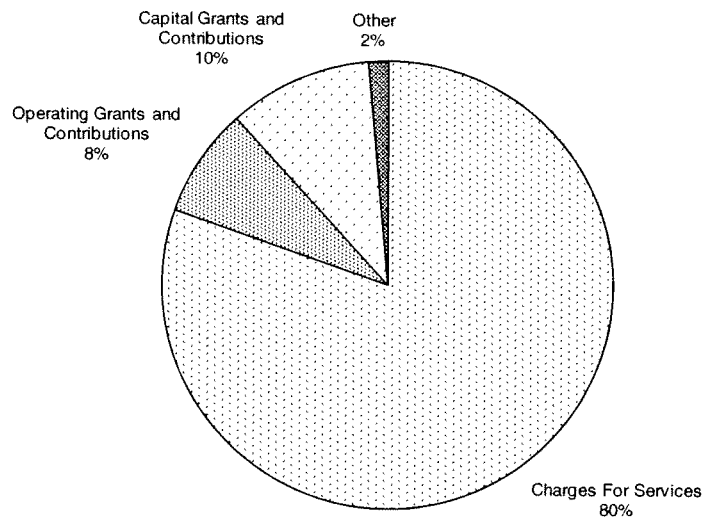


Business-type activities. Business-type activities increased the City's total net assets by \$3,528,672, accounting for 100% of the total increase in the City of Muscatine's net assets during the year. Increases in net assets were reported in the Water Pollution Control, Transfer Station, Refuse Collection, Airport, Parking, and Ambulance funds. Decreases in net assets were reported in the Transit, Golf Course, Boat Harbor and Public Housing funds. Key elements of these changes are as follows:

- Net assets of the Water Pollution Control fund increased by \$2,846,522 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$3,111,171 of sewer-related capital project costs.
- Net assets of the Transfer Station fund increased by \$23,872 during the year. This overall increase is the result of a \$707,894 funding transfer from the debt service fund to fund the Transfer Station debt requirements for the year.
- Revenues for the business-type activities increased in total by \$747,583 (6.2%).
- Charges for services decreased in total by \$133,011. Water Pollution Control Plant service charges increased by \$259,357 and refuse collection charges by \$92,568 due to rate increases. Transfer Station service charges decreased by \$592,091 due to decreased waste volumes and a \$285,000 allowance for uncollectable charges from a waste hauler. Golf fees and charges increased by \$45,398 due to increased play at the course and ambulance charges for service increased by \$80,565 due to increased usage and a fee increase.
- Operating grants and contributions decreased by \$9,338. Increased FEMA reimbursements for operating expenses were offset by a decrease in public housing operating grants.
- Capital grants and contributions increased by \$964,495 due primarily to the Federal Aviation Administration grant for the taxiway to the crosswind runway. Unrestricted interest earning decreased by \$74,563 due to declining interest rates.
- Expenses for the business-type activities increased \$403,545 (3.3%).



Revenues By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,151,770, a decrease of \$4,341,213 in comparison with the prior year. This decrease was primarily due to capital project expenditures including those funded from prior year bond proceeds as well as capital project expenditures which will be funded from bond proceeds in 2009/2010. There was also a decrease of \$451,478 in the balance in the Local Option Sales Tax fund due to funding transfers for sewer extension and improvement projects accounted for in the Water Pollution Control fund.

Approximately 76% of the total combined ending fund balances (\$7,684,109) constitutes unreserved fund balance, which is available for spending within statutory guidelines pertaining to each fund at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Muscatine. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$1,641,489, while total fund balance was \$1,760,711. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved and total general fund balances at the end of the fiscal year represent 11.2% and 12.0%, respectively, of total general fund expenditures. The City of Muscatine's general fund balance increased slightly by \$15,068 during the current fiscal year.

The Employee Benefits fund balance increased during the year by \$117,219. Taxes are levied in this fund for employee benefits for general fund employees. The increase in fund balance is primarily due to actual health insurance rates being less than budgeted and savings in employee benefit costs from vacancies during the year.

The Local Option Sales Tax fund balance decreased during the fiscal year by \$451,478. Funds accumulated in prior years were used to fund sewer improvement costs accounted for in the Water Pollution Control fund.

The Debt Service Fund decreased \$8,438 due to scheduled debt service payments.

The fund balance of the Street and Sidewalk Improvements Fund decreased by \$2,218,614 due to street improvement costs funded from prior year general obligation bond proceeds.

The fund balances in the Other Governmental Funds in total decreased by \$1,794,970. This was primarily due to the expenditure of prior year bond proceeds as well as capital project expenditures which will be funded from bond proceeds in 2009/2010.

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

Total net assets for the City's enterprise funds as of June 30, 2009 was \$64,581,203, an increase of \$3,528,672 from the previous fiscal year. Of the net assets of the enterprise funds, \$57,286,029 is invested in capital assets, net of related debt. Restricted net assets totaled \$190,093. Unrestricted net assets totaled \$7,105,081, a decrease of \$646,451 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance and Dental Insurance. Net assets for the internal service funds totaled \$1,203,655 as of June 30, 2009, an increase of \$256,274 from the previous year. This increase was primarily in the Health Insurance Fund.

General Fund Budgetary Highlights

During the year there was an \$831,900 increase in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund increased by \$689,423 from the original to the amended budget. A significant portion of the increases in both appropriations and revenues was due to costs related to repairs and cleanup from the spring 2008 floods and August 2008 windstorm. Flood and windstorm cleanup and repair costs accounted for in the General Fund resulted in expenditure amendments totaling \$765,000 in the various General Fund departments. Revenue amendments to the General Fund included \$688,500 in FEMA reimbursements for flood and windstorm-related costs. There were also amendments in various enterprise funds as a result of these events. Following are the main components of the overall budget increases during the year:

- The increase in the public safety function of \$60,000 was primarily in the fire department budget. Increases included \$20,000 in overtime related to increased ambulance calls, \$11,000 for the return of grant funds received in the prior year, and \$13,500 in disability-related medical costs for retired firefighters. These medical costs were funded from a transfer from the Employee Benefits fund.
- Increases in the parks and recreation budget totaled \$479,800. This overall increase is primarily related to flood and windstorm repair and cleanup costs with \$428,300 reflected in the Park Maintenance and \$31,500 in the Cemetery amended budgets. Revenues were amended for the FEMA reimbursements which funded these costs.
- Public works department expenditures were amended in total by \$198,500. The Snow and Ice Control budget was amended by \$201,700 for increased personnel, salt, fuel, and equipment repair and maintenance costs. The Engineering budget was amended by \$128,400 with the filling of the City Engineer position. These increases were offset in part with reductions totaling \$131,600 in the remaining public works budgets. The net overall budget increase in the public works activities was funded from increased transfers from the Road Use Tax fund.
- The amended budget included a \$100,200 increase in the general government function. This included \$42,900 in termination pay and benefits for the former City Administrator, \$22,500 in the Buildings and Grounds budget for building repair costs including \$8,800 relating to flood repairs, \$9,700 in the Risk Management budget for increased insurance premiums, and \$9,500 in the Wellness budget to expand this program.

Capital Asset and Debt Administration

Capital assets. The City of Muscatine's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$126,034,423 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Muscatine's investment in capital assets for the current fiscal year increased by \$603,399 for governmental activities compared to the prior year and increased by \$5,988,628 for business-type activities.

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

- Additions to capital assets (net of asset retirements) totaled \$11,142,677.
- Major asset additions included \$2,428,737 for street improvements; \$1,166,821 for Airport improvements and equipment; \$3,561,265 for the Water Pollution Control Plant Comprehensive Facilities Improvement project; \$3,057,904 in sewer system improvements; \$683,429 for a geothermal heating, ventilation, and air conditioning system for the Public Safety Building, and \$245,350 for a new Golf Course maintenance building.
- Depreciation expense totaled \$5,982,414 for the year with \$2,860,915 in the governmental activities and \$3,121,499 in the business-type activities.

City of Muscatine Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land, art work and construction in progress, not being depreciated	\$ 15,504,003	\$ 14,483,257	\$ 8,209,619	\$ 5,400,009	\$ 23,713,622	\$ 19,883,266
Other capital assets net of accumulated depreciation	46,091,981	46,509,328	56,228,820	53,049,802	102,320,801	99,559,130
Total capital assets	<u>\$ 61,595,984</u>	<u>\$ 60,992,585</u>	<u>\$ 64,438,439</u>	<u>\$ 58,449,811</u>	<u>\$ 126,034,423</u>	<u>\$ 119,442,396</u>

Additional information on the City of Muscatine's capital assets can be found in note 6 on pages 52-54 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$18,521,908. Of this amount, \$12,808,713 comprises debt backed by the full faith and credit of the city. Of this amount \$3,554,215 is debt that serves enterprise funds and therefore is reflected as debt of the respective enterprise funds with the remainder of the general obligation bonds \$9,254,498 reflected as debt of the governmental activities. The remainder of the City of Muscatine's debt represents revenue bonds secured solely by specific revenue sources.

City of Muscatine Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 9,254,498	\$ 10,462,294	\$ 3,554,215	\$ 4,587,029	\$ 12,808,713	\$ 15,049,323
Revenue bonds	2,115,000	2,415,000	3,598,195	-	5,713,195	2,415,000
Total	\$ 11,369,498	\$ 12,877,294	\$ 7,152,410	\$ 4,587,029	\$ 18,521,908	\$ 17,464,323

The City's total bonded debt increased by \$1,057,585 during the year. The City issued \$2,991,412 in new sewer revenue debt and \$2,300,000 in general obligation bonds and \$300,000 of tax increment revenue bonds were retired.

State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is \$56,812,100. The amount of debt applicable to the debt limit totals \$15,170,000. The City's debt is significantly less than the maximum debt limit allowed.

The City maintained its A-1 rating from Moody's for general obligation debt.

Additional information on the City's long-term debt can be found in note 7 on pages 55-59 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Muscatine County was 4.3% for calendar year 2008 compared to 3.5% the previous year. The unemployment rate for the first six months of 2009, however, increased to 7.9%. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by 4.6% for the 2008/2009 year and increased by 3.8% for the upcoming 2009/2010 fiscal year.
- The upcoming budget provides funding for capital improvement projects to continue in 2009/2010. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (80%) and also ongoing costs of the City's pavement management program (20%).
- In 2009 the City will complete the third year of a three year Comprehensive Pavement Management Program to upgrade the City's overall street conditions. Funding allocations of over \$1 million for calendar year 2007 and \$2 million each for calendar years 2008 and 2009 will complete the initial upgrade. Thereafter annual allocations to maintain streets at this higher level will be funded from the 20% allocation of local option sales tax.
- In 2009/2010 construction will continue on the comprehensive facilities improvements project at the Water Pollution Control Plant. These improvements are estimated at \$18.5 million and are scheduled to be completed by the fall of 2011.
- The 2009/2010 budget provides for increases in sewer, refuse collection, and transfer station fees.

Requests for Information

This financial report is designed to provide a general overview of the City of Muscatine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 215 Sycamore Street, Muscatine, Iowa, 52761.

City of Muscatine, Iowa

Statement of Net Assets
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
ASSETS					
Cash and pooled investments	\$ 9,588,759	\$ 4,300,712	\$ 13,889,471	\$ -	\$ 7,247,007
Investments	1,744,631	904,653	2,649,284	-	2,435,000
Receivables (net of allowance for uncollectibles):					
Interest	50,516	29,481	79,997	-	1,131,073
Taxes	12,331,778	-	12,331,778	-	-
Accounts	243,054	1,742,387	1,985,441	-	8,783,597
Other	-	-	-	-	324,868
Intergovernmental	1,016,073	314,270	1,330,343	-	-
Loan receivable from component unit	-	1,850,925	1,850,925	-	-
Inventories	122,127	21,752	143,879	-	12,452,109
Prepays	1,117	3,200	4,317	-	575,173
Deferred charges	54,071	187,606	241,677	-	113,299
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	189,681	189,681	927,404	2,264,329
Accrued Interest	-	412	412	-	-
Investments	-	-	-	-	46,334,634
Capital assets:					
Land, art work and construction in progress, not being depreciated	15,504,003	8,209,619	23,713,622	2,164,825	4,631,114
Other capital assets net of accumulated depreciation	46,091,981	56,228,820	102,320,801	516,802	-
Utility plant in service	-	-	-	-	157,969,315
Intangible assets (net of accumulated depreciation)	-	-	-	-	3,092,469
Joint venture rights	-	-	-	-	191,369
Total assets	86,748,110	73,983,518	160,731,628	3,609,031	247,545,356
LIABILITIES					
Accounts payable and accruals	1,196,217	1,314,518	2,510,735	305,866	9,159,210
Retainages payable	152,546	468,284	620,830	54,211	-
Deposits	-	39,245	39,245	-	2,814,600
Matured bonds and interest payable	419	-	419	-	-
Accrued interest payable	35,242	21,852	57,094	-	623,522
Unearned revenue	12,183,512	53,883	12,237,395	-	29,303,164
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	11,305,000
Accrued interest payable	-	-	-	-	1,351,714
Noncurrent liabilities:					
Due within one year	2,202,206	824,330	3,026,536	933	-
Due in more than one year	10,354,282	6,651,108	17,005,390	-	38,727,725
Loan due to primary government	-	-	-	1,850,925	-
Closure/post-closure obligation	-	29,095	29,095	1,826,505	-
Total liabilities	26,124,424	9,402,315	35,526,739	4,038,440	93,284,935
NET ASSETS					
Invested in capital assets, net of related debt	50,303,012	57,286,029	107,589,041	2,681,627	78,351,515
Restricted for:					
Debt service	182,707	160,998	343,705	-	-
Public works	383,577	-	383,577	-	-
Community and economic development	220,663	-	220,663	-	-
Public safety	37,835	-	37,835	-	-
Employee benefits	207,408	-	207,408	-	-
Capital projects	76,526	-	76,526	-	-
Perpetual care, nonexpendable	823,543	-	823,543	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	925,613	-	925,613	-	-
Other purposes	-	29,095	29,095	-	47,247,619
Unrestricted	7,330,802	7,105,081	14,435,883	(3,111,036)	28,661,287
Total net assets	\$ 60,623,686	\$ 64,581,203	\$ 125,204,889	\$ (429,409)	\$ 154,260,421

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

City of Muscatine, Iowa
Statement of Activities
For the Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
					Primary Government		Component Units		
Functions:	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
Primary Government:									
Governmental activities:									
Public safety	\$ 7,136,808	\$ 438,932	\$ 358,616	\$ 37,205	\$ (6,302,055)	\$ -	\$ (6,302,055)		
Public works	5,262,061	319,112	2,049,194	50,000	(2,843,755)	-	(2,843,755)		
Health and social services	16,660	-	-	-	(16,660)	-	(16,660)		
Culture and recreation	3,970,285	494,131	704,601	21,008	(2,750,545)	-	(2,750,545)		
Community and economic development	2,656,737	358,812	1,612,774	-	(685,151)	-	(685,151)		
General government	1,967,161	473,567	11,203	-	(1,482,391)	-	(1,482,391)		
Interest and fees on long-term debt	473,916	-	-	-	(473,916)	-	(473,916)		
Total governmental activities	21,483,628	2,084,554	4,736,388	108,213	(14,554,473)	-	(14,554,473)		
Business-type activities:									
Water pollution control	4,992,317	4,518,700	63,841	-	-	(409,776)	(409,776)		
Refuse collection	1,519,980	1,555,388	46,938	-	-	82,346	82,346		
Transfer station	2,228,048	1,498,300	45,726	-	-	(684,022)	(684,022)		
Airport	605,009	39,523	-	1,109,283	-	543,797	543,797		
Parking	201,409	194,821	-	183,088	-	176,500	176,500		
Transit	907,562	185,653	439,734	-	-	(282,175)	(282,175)		
Golf course	825,757	764,679	27,063	-	-	(34,015)	(34,015)		
Boat harbor	34,648	23,359	-	-	-	(11,289)	(11,289)		
Marina	10,961	6,599	-	-	-	(4,362)	(4,362)		
Ambulance	483,223	1,048,722	-	-	-	565,499	565,499		
Public housing	975,076	420,104	385,186	25,448	-	(144,338)	(144,338)		
Total business-type activities	12,783,990	10,255,848	1,008,488	1,317,819	-	(201,835)	(201,835)		
Total primary government	\$ 34,267,618	\$ 12,340,402	\$ 5,744,876	\$ 1,426,032	(14,554,473)	(201,835)	(14,756,308)		
Component Units:									
Muscatine County Solid Waste Agency	\$ 1,160,646	\$ 1,033,833	\$ 117,177	\$ -				\$ (9,636)	\$ -
Muscatine Power & Water	95,944,143	94,299,902	324,868	354,396				-	(964,977)
Total component units	\$ 97,104,789	\$ 95,333,735	\$ 442,045	\$ 354,396				(9,636)	(964,977)
General revenues:									
Property taxes					12,040,376	-	12,040,376	-	-
Utility taxes					64,358	-	64,358	-	-
Local option sales tax					2,864,582	-	2,864,582	-	-
Hotel/motel taxes					344,354	-	344,354	-	-
Cable franchise taxes					239,039	-	239,039	-	-
Intergovernmental, unrestricted					149,913	-	149,913	-	-
Unrestricted investment income					267,227	182,286	449,513	-	3,686,751
Contributions to endowments					6,620	-	6,620	-	-
Transfers					(3,548,221)	3,548,221	-	-	-
Total general revenues, contributions to endowments and transfers					12,428,248	3,730,507	16,158,755	-	3,686,751
Change in net assets					(2,126,225)	3,528,672	1,402,447	(9,636)	2,721,774
Net assets, June 30, 2008					62,749,911	61,052,531	123,802,442	(419,773)	151,538,647
Net assets, June 30, 2009					\$ 60,623,686	\$ 64,581,203	\$ 125,204,889	\$ (429,409)	\$ 154,260,421

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

City of Muscatine, Iowa

**Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Street and Sidewalk Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:							
Cash and pooled investments	\$ 1,482,378	\$ 157,222	\$ 3,706,866	\$ 142,634	\$ -	\$ 2,863,564	\$ 8,352,664
Investments	-	-	-	-	-	1,744,631	1,744,631
Receivables (net of allowance for uncollectibles):							
Interest	3,952	-	14,331	3,299	987	24,515	47,084
Taxes	6,516,219	2,629,516	-	2,205,369	-	980,674	12,331,778
Accounts	212,745	-	-	-	-	3,468	216,213
Intergovernmental	397,667	-	444,099	-	10,000	164,307	1,016,073
Advances to other funds	-	-	650,500	-	-	131,224	781,724
Prepaid insurance	1,117	-	-	-	-	-	1,117
Total assets	<u>8,614,078</u>	<u>2,786,738</u>	<u>4,815,796</u>	<u>2,351,302</u>	<u>10,987</u>	<u>5,912,383</u>	<u>24,491,284</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable and accruals	327,578	-	-	-	153,463	562,004	1,043,045
Retainages payable	-	-	-	-	121,320	31,226	152,546
Advances from other funds	-	-	-	-	9,809	771,915	781,724
Matured general obligation bond interest payable	-	-	-	419	-	-	419
Deferred revenue	6,525,789	2,579,330	68,000	2,168,176	10,000	1,010,485	12,361,780
Total liabilities	<u>6,853,367</u>	<u>2,579,330</u>	<u>68,000</u>	<u>2,168,595</u>	<u>294,592</u>	<u>2,375,630</u>	<u>14,339,514</u>
Fund balances:							
Reserved for:							
Prepaid items	1,117	-	-	-	-	-	1,117
Encumbrances	118,105	-	-	-	-	127,557	245,662
Advances to other funds	-	-	650,500	-	-	131,224	781,724
Housing assistance payments	-	-	-	-	-	167,349	167,349
Perpetual care	-	-	-	-	-	820,110	820,110
Endowments	-	-	-	-	-	194,421	194,421
Debt service	-	-	-	182,707	-	-	182,707
Capital projects	-	-	-	-	-	75,688	75,688
Unreserved, reported in:							
General fund	1,641,489	-	-	-	-	-	1,641,489
Special revenue funds	-	207,408	4,097,296	-	-	3,301,524	7,606,228
Capital projects funds	-	-	-	-	(283,605)	(1,281,120)	(1,564,725)
Total fund balances	<u>1,760,711</u>	<u>207,408</u>	<u>4,747,796</u>	<u>182,707</u>	<u>(283,605)</u>	<u>3,536,753</u>	<u>10,151,770</u>
Total liabilities and fund balances	<u>\$ 8,614,078</u>	<u>\$ 2,786,738</u>	<u>\$ 4,815,796</u>	<u>\$ 2,351,302</u>	<u>\$ 10,987</u>	<u>\$ 5,912,383</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 61,589,023

Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. 178,268

Unamortized balance of deferred charge for bond issuance costs not reported in the funds 54,071

Internal service funds are used by management to charge the costs of equipment services, central supplies and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 1,203,655

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

Bonds payable	(11,369,498)
Accrued interest payable	(35,242)
Compensated absences	(1,132,009)
Other post-employment benefits	(16,352)

Net assets of governmental activities \$ 60,623,686

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

City of Muscatine, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2009

	<u>General</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Street and Sidewalk Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
Taxes:							
Property	\$ 6,199,911	\$ 2,853,461	\$ -	\$ 2,126,926	\$ -	\$ 860,078	\$ 12,040,376
Utility	35,256	16,241	-	11,785	-	1,076	64,358
Hotel/motel	344,354	-	-	-	-	-	344,354
Cable franchise	239,039	-	-	-	-	-	239,039
Local option sales	-	-	2,796,582	-	-	-	2,796,582
Licenses and permits	324,492	-	-	-	-	-	324,492
Fines and forfeitures	177,324	-	-	-	-	-	177,324
Intergovernmental	997,009	-	-	117,025	190,000	3,526,672	4,830,706
Charges for services	480,659	-	-	-	-	-	480,659
Use of money and property	177,053	-	103,382	18,630	21,960	132,002	453,027
Other	781,838	-	-	-	166,933	225,846	1,174,617
Total revenues	<u>9,756,935</u>	<u>2,869,702</u>	<u>2,899,964</u>	<u>2,274,366</u>	<u>378,893</u>	<u>4,745,674</u>	<u>22,925,534</u>
Expenditures:							
Current:							
Public safety	6,882,339	-	-	-	-	5,654	6,887,993
Public works	2,021,234	-	-	-	-	-	2,021,234
Health and social services	16,660	-	-	-	-	-	16,660
Culture and recreation	2,660,119	-	-	-	-	48,816	2,708,935
Community and economic development	676,826	-	-	-	-	1,970,041	2,646,867
General government	1,869,708	-	-	-	-	-	1,869,708
Debt service:							
Principal	-	-	-	1,220,837	-	300,000	1,520,837
Interest	-	-	-	352,473	-	122,614	475,087
Paying agent	-	-	-	1,600	-	-	1,600
Capital outlay:							
Public safety	70,361	-	-	-	-	107,059	177,420
Public works	78,933	-	-	-	2,676,934	1,214,905	3,970,772
Culture and recreation	335,101	-	-	-	-	318,129	653,230
Community and economic development	1,383	-	-	-	-	35,870	37,253
General government	57,445	-	-	-	-	733,484	790,929
Total expenditures	<u>14,670,109</u>	<u>-</u>	<u>-</u>	<u>1,574,910</u>	<u>2,676,934</u>	<u>4,856,572</u>	<u>23,778,525</u>
Revenues over (under) expenditures	<u>(4,913,174)</u>	<u>2,869,702</u>	<u>2,899,964</u>	<u>699,456</u>	<u>(2,298,041)</u>	<u>(110,898)</u>	<u>(852,991)</u>
Other financing sources (uses):							
Transfers in	5,326,224	-	-	-	80,900	412,614	5,819,738
Transfers out	(397,982)	(2,752,483)	(3,351,442)	(707,894)	(1,473)	(2,096,686)	(9,307,960)
Total other financing sources (uses)	<u>4,928,242</u>	<u>(2,752,483)</u>	<u>(3,351,442)</u>	<u>(707,894)</u>	<u>79,427</u>	<u>(1,684,072)</u>	<u>(3,488,222)</u>
Net change in fund balances	15,068	117,219	(451,478)	(8,438)	(2,218,614)	(1,794,970)	(4,341,213)
Fund balances, June 30, 2008	<u>1,745,643</u>	<u>90,189</u>	<u>5,199,274</u>	<u>191,145</u>	<u>1,935,009</u>	<u>5,331,723</u>	<u>14,492,983</u>
Fund balances, June 30, 2009	<u>\$ 1,760,711</u>	<u>\$ 207,408</u>	<u>\$ 4,747,796</u>	<u>\$ 182,707</u>	<u>\$ (283,605)</u>	<u>\$ 3,536,753</u>	<u>\$ 10,151,770</u>

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

City of Muscatine, Iowa

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

Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (4,341,213)
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:

Capital asset purchases capitalized	3,432,650
Depreciation expense	(2,858,937)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	31,664
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	168,268
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Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	(260,309)
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The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

General obligation bond principal payments	1,220,837
Tax increment bond principal payments	300,000
Net effects of bond issuance costs, premiums and discounts	(23,029)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in compensated absences	(40,427)
Other post-employment benefits	(16,352)
Change in accrued interest payable	4,349

Internal service funds are used by management to charge the costs of equipment services, central office supplies, health and dental insurance to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

256,274

Change in net assets of governmental activities	<u><u>\$ (2,126,225)</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
Assets:					
Current assets:					
Cash and pooled investments	\$ 3,852,831	\$ -	\$ 447,881	\$ 4,300,712	\$ 1,236,095
Investments	-	-	904,653	904,653	-
Receivables (net of allowance for uncollectibles):					
Interest	20,253	-	9,228	29,481	3,432
Accounts	520,504	813,732	408,151	1,742,387	26,841
Intergovernmental:					
Federal	51,188	-	236,389	287,577	-
State	6,384	234	15,274	21,892	-
County	-	-	4,801	4,801	-
Due from other funds	106,313	-	4,151	110,464	12,481
Inventories	-	-	21,752	21,752	122,127
Prepaid items	-	-	3,200	3,200	-
Total current assets	4,557,473	813,966	2,055,480	7,426,919	1,400,976
Noncurrent assets:					
Restricted cash and pooled investments	160,586	29,095	-	189,681	-
Restricted accrued interest	412	-	-	412	-
Deferred charges	172,820	12,997	1,789	187,606	-
Advances to component unit	1,850,925	-	-	1,850,925	-
Advances to other funds	1,088,983	-	-	1,088,983	-
Capital assets:					
Land	474,486	175,000	2,173,659	2,823,145	-
Land improvements	62,346	1,019,897	10,921,245	12,003,488	-
Buildings and building improvements	30,546,549	7,428,336	11,303,637	49,278,522	-
Equipment	3,793,627	258,588	707,440	4,759,655	122,889
Vehicles	940,074	560,263	1,808,051	3,308,388	50,203
Infrastructure	36,447,382	-	-	36,447,382	-
Construction in progress	5,361,026	-	25,448	5,386,474	-
Less accumulated depreciation	(30,286,204)	(3,951,253)	(15,331,158)	(49,568,615)	(166,131)
Total capital assets net of accumulated depreciation	47,339,286	5,490,831	11,608,322	64,438,439	6,961
Total noncurrent assets	50,613,012	5,532,923	11,610,111	67,756,046	6,961
Total assets	55,170,485	6,346,889	13,665,591	75,182,965	1,407,937
Liabilities:					
Current liabilities:					
Accounts payable and accruals	1,057,517	52,403	204,598	1,314,518	153,172
Retainages payable	331,546	-	136,738	468,284	-
Compensated absences payable	88,623	6,981	71,788	167,392	17,843
Due to other funds	-	-	110,464	110,464	12,481
Deposits	-	-	39,245	39,245	-
Accrued interest payable	11,952	8,702	1,198	21,852	-
Unearned revenue	-	-	53,883	53,883	-
General obligation bonds	-	576,581	80,357	656,938	-
Total current liabilities	1,489,638	644,667	698,271	2,832,576	183,496
Noncurrent liabilities:					
Advance from other funds	-	1,088,983	-	1,088,983	-
General obligation bonds	-	2,543,241	354,036	2,897,277	-
State revolving fund loan	3,598,195	-	-	3,598,195	-
Compensated absences	91,714	1,231	56,581	149,526	20,334
Other post-employment benefits	3,261	452	2,397	6,110	452
Transfer station closure obligation	-	29,095	-	29,095	-
Total noncurrent liabilities	3,693,170	3,663,002	413,014	7,769,186	20,786
Total liabilities	5,182,808	4,307,669	1,111,285	10,601,762	204,282
Net assets:					
Invested in capital assets, net of related debt	43,741,091	2,371,009	11,173,929	57,286,029	6,961
Restricted	160,998	29,095	-	190,093	-
Unrestricted	6,085,588	(360,884)	1,380,377	7,105,081	1,196,694
Total net assets	\$ 49,987,677	\$ 2,039,220	\$ 12,554,306	\$ 64,581,203	\$ 1,203,655

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

City of Muscatine, Iowa

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
Operating revenues:					
Charges for sales and services	\$ 4,438,799	\$ 1,450,929	\$ 4,121,177	\$ 10,010,905	\$ 1,046,648
Employer contributions	-	-	-	-	2,267,604
Employee contributions	-	-	-	-	183,895
Other contributions	-	-	-	-	157,749
Other	79,901	47,371	117,671	244,943	16
Total operating revenues	4,518,700	1,498,300	4,238,848	10,255,848	3,655,912
Operating expenses:					
Cost of sales and services:					
Personal services	1,829,867	233,904	2,107,410	4,171,181	269,081
Commodities	225,779	43,131	499,669	768,579	561,083
Contractual services	903,602	1,499,818	1,513,328	3,916,748	2,521,770
Administration	147,700	2,100	274,600	424,400	16,600
Depreciation	1,740,996	287,774	1,092,729	3,121,499	1,978
Total operating expenses	4,847,944	2,066,727	5,487,736	12,402,407	3,370,512
Operating income (loss)	(329,244)	(568,427)	(1,248,888)	(2,146,559)	285,400
Non-operating revenues (expenses):					
Intergovernmental	63,841	45,726	898,921	1,008,488	-
Interest revenue	147,027	-	35,259	182,286	30,873
Interest expense	(99,686)	(158,721)	(20,863)	(279,270)	-
Bond issuance costs	(3,060)	(2,600)	(358)	(6,018)	-
Gain (loss) on sale of capital assets	(41,627)	-	(54,668)	(96,295)	-
Non-operating revenues (expenses), net	66,495	(115,595)	858,291	809,191	30,873
Income (loss) before capital contributions and transfers	(262,749)	(684,022)	(390,597)	(1,337,368)	316,273
Capital contributions - grants	-	-	1,134,731	1,134,731	-
Capital contributions - government	-	-	183,088	183,088	-
Transfers in	3,111,171	707,894	235,456	4,054,521	-
Transfers out	(1,900)	-	(504,400)	(506,300)	(59,999)
Change in net assets	2,846,522	23,872	658,278	3,528,672	256,274
Net assets, June 30, 2008	47,141,155	2,015,348	11,896,028	61,052,531	947,381
Net assets, June 30, 2009	\$ 49,987,677	\$ 2,039,220	\$ 12,554,306	\$ 64,581,203	\$ 1,203,655

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

City of Muscatine, Iowa

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
Cash flows from operating activities					
Receipts from customers and users	\$ 4,516,943	\$ 1,705,252	\$ 4,224,796	\$ 10,446,991	\$ -
Receipts from interfund services provided	-	-	-	-	3,701,241
Payments to suppliers	(1,081,986)	(1,467,410)	(1,608,133)	(4,157,529)	(3,180,974)
Payments to employees	(1,283,658)	(159,655)	(1,583,863)	(3,027,176)	(182,169)
Payments for employee benefits	(520,832)	(73,418)	(491,416)	(1,085,666)	(82,863)
Payments for interfund services used	(175,921)	(73,399)	(711,177)	(960,497)	(16,600)
Net cash provided (used) by operating activities	1,454,546	(68,630)	(169,793)	1,216,123	238,635
Cash flows from noncapital financing activities					
Transfers to other funds	(1,900)	-	(504,400)	(506,300)	(59,999)
Transfers from other funds	3,111,171	707,894	235,456	4,054,521	-
Advances from other funds	-	227,158	110,465	337,623	12,481
Advances to other funds	(333,472)	-	(4,151)	(337,623)	(12,481)
Advance to solid waste component unit	(908,080)	-	-	(908,080)	-
Repayment of advances from other funds	-	-	(8,370)	(8,370)	(27,152)
Repayment of advances to other funds	6,220	-	2,150	8,370	27,152
Subsidies from federal, state and local grants	6,269	45,492	902,598	954,359	-
Net cash provided (used) by noncapital financing activities	1,880,208	980,544	733,748	3,594,500	(59,999)
Cash flows from capital and related financing activities					
Proceeds from capital debt	2,991,412	-	-	2,991,412	-
Capital contributions	-	-	968,418	968,418	-
Purchase of capital assets	(6,568,707)	(204,020)	(1,607,033)	(8,379,760)	-
Principal paid on capital debt	(412,626)	(585,886)	(80,651)	(1,079,163)	-
Interest paid on capital debt	(84,864)	(122,008)	(16,796)	(223,668)	-
State revolving loan issuance cost	(174,228)	-	-	(174,228)	-
Insurance reimbursement for loss of capital assets	-	-	27,602	27,602	-
Net cash provided (used) by capital and related financing activities	(4,249,013)	(911,914)	(708,460)	(5,869,387)	-
Cash flows from investing activities					
Proceeds from sales and maturities of investments	-	-	1,540,125	1,540,125	-
Purchase of investments	-	-	(1,566,538)	(1,566,538)	-
Interest received	154,526	-	38,659	193,185	31,773
Net cash provided (used) by investing activities	154,526	-	12,246	166,772	31,773
Net increase (decrease) in cash and pooled investments	(759,733)	-	(132,259)	(891,992)	210,409
Cash and pooled investments, June 30, 2008	4,773,150	29,095	580,140	5,382,385	1,025,686
Cash and pooled investments, June 30, 2009	\$ 4,013,417	\$ 29,095	\$ 447,881	\$ 4,490,393	\$ 1,236,095
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	\$ (329,244)	\$ (568,427)	\$ (1,248,888)	\$ (2,146,559)	\$ 285,400
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,740,996	287,774	1,092,729	3,121,499	1,978
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(1,757)	206,952	(16,630)	188,565	45,328
Intergovernmental receivable	-	-	(3,799)	(3,799)	-
Inventories	-	-	(5,457)	(5,457)	42,808
Prepaid items	-	-	1,092	1,092	-
Increase (decrease) in:					
Accounts payable and accruals	19,173	4,240	(13,463)	9,950	(140,955)
Compensated absences payable	22,117	379	15,848	38,344	3,624
Other post-employment benefits	3,261	452	2,397	6,110	452
Unearned revenue	-	-	5,226	5,226	-
Deposits	-	-	1,152	1,152	-
Total adjustments	1,783,790	499,797	1,079,095	3,362,682	(46,765)
Net cash provided (used) by operating activities	\$ 1,454,546	\$ (68,630)	\$ (169,793)	\$ 1,216,123	\$ 238,635
Non-cash capital and related financing activities:					
Contribution of capital asset from government	\$ -	\$ -	\$ 183,088	\$ 183,088	\$ -
Change in accounts payable used to purchase capital assets	582,275	-	88,901	671,176	-
Total non-cash capital and related financing activities	582,275	-	271,989	854,264	-

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

City of Muscatine, Iowa

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	Agency Funds
Assets:	
Cash and pooled investments	\$ 492,369
Accounts receivable	52,703
Advances to other funds	<u>52,108</u>
Total assets	<u><u>597,180</u></u>
Liabilities:	
Accounts payable and accruals	545,072
Advances from other funds	<u>52,108</u>
Total liabilities	<u><u>\$ 597,180</u></u>

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



CITY OF MUSCATINE, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The notes to the financial statements contain a summary of significant accounting policies and other information considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Budgets
3. Deposits and Investments
4. Interfund Receivables, Payables, and Transfers
5. Restricted Assets
6. Capital Assets
7. Long-Term Debt
8. Landfill Closure and Postclosure Care Cost
9. Retirement Systems
10. Deficit Fund Equity
11. Other Post Employment Health and Dental Care Benefits (OPEB)
12. Industrial Revenue Bonds
13. Risk Management
14. Commitments and Contingencies
15. New Governmental Accounting Standards Board (GASB) Standards
16. Subsequent Event

CITY OF MUSCATINE, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Discretely Presented Component Units

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

The City of Muscatine appoints a representative to the Agency's governing board whose vote (based on the City's population) accounts for 56% of the board's voting authority. A two-thirds vote is required for board action; therefore, the City does not appoint a voting majority of the Agency's governing board. Nonetheless, the Agency is considered a component unit of the City because of its fiscal dependence on the City. The City Council approves the Agency's budget, sets its rates, and approves any debt issuances.

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

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

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

Joint Venture

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

Jointly Governed Organizations

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

B. Government-wide and fund financial statements

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

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The *local option sales tax fund* accounts for revenue from the 1% local option tax approved by the voters of the City and designated for storm and sanitary sewer improvements. Effective May 1, 2003, voters approved using up to 10% of future local option tax for the Pearl of the Mississippi Project.

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

The *street and sidewalk improvements fund* accounts for annual street resurfacing, curb replacement, and sidewalk construction programs.

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

Agency funds function to account for assets held by the City as an agent for payroll processing, housing programs, and miscellaneous other entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2009, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2008 and March 31, 2009. Any County collections on the 2008-2009 tax levy remitted to the City within sixty days subsequent to June 30, 2009, are recorded as property tax revenues in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2009, are delinquent and have been recorded as receivables and deferred revenue in the governmental fund statements. By statute, the city is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax askings and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in both the governmental fund statements and the government-wide statements.

3. Inventories and Prepaid Items

Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. The City's inventories are valued at cost using the first-in/first-out (FIFO) method. MP&W's inventories are valued at their weighted average cost.

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

4. Restricted Assets

Restricted assets of the Transfer Station fund represents amounts set aside under law to provide for Transfer Station closure costs.

Restricted assets of the Water Pollution Control fund represents amounts set aside as required under the State Revolving Fund loan to pay interest and principal of the bonds and any purity obligations.

Restricted assets of the Muscatine County Solid Waste Agency represent amounts set aside under law to provide for the cost of future landfill closure and post-closure costs.

Restricted assets of Muscatine Power & Water represent amounts set aside under the terms of the bond resolutions relating to the utility's revenue bonds or by the Board.

5. Capital Assets

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

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-50
Buildings	15-40
Building improvements	5-40
Equipment	4-20
Vehicles	4-15
Sewer system	50
Infrastructure	7-75

MP&W's utility plant is stated at original cost, which includes the cost of contracted services, material, labor, overhead and, on significant projects, an allowance for borrowed funds used during construction.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon retirement or termination. Sick pay is payable upon retirement, in which event employees are paid for 40% of all eligible hours. Beginning July 1, 2000, retirement sick pay for non-union employees is paid to a post-employment health plan to be used for health care cost of the retirees. Beginning July 1, 2001, retirement sick pay for Fire bargaining unit and Blue/White Collar bargaining unit employees is also paid to the post employment health plan. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Intangible Asset

On January 3, 2003, MP&W acquired a cable television system and the related assets serving subscribers in and around the cities of Muscatine and Fruitland, Iowa at a price of \$9 million. Of this amount, \$7.7 million was considered an intangible asset and is being amortized over 10 years, ending in 2012.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent bond proceeds. As of June 30, 2009, there were unspent bond proceeds of \$76,526 in the Other Capital Projects Fund. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted through enabling legislation consists of \$383,577 for public works, \$207,408 for employee benefits and \$37,835 for public safety.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2. BUDGETS

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa requires the 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. Preliminary budget review of all operating department requests is conducted by the City Administrator. The budget proposal as presented to the City Council by the City Administrator is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the City Administrator, Finance Director, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts

the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for the operations of the City.

After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. For the year ended June 30, 2009, the budget was amended twice which increased expenditures in total by \$3,708,583. The increase includes costs resulting from the 2008 flood as well as increased costs due to changes in capital project construction schedules.

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

Annual budgets are adopted for all funds, with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. These budgets are presented in a function format. The budget must include the amount to be raised by property taxation, income from sources other than property taxation, and expenditures for each function – Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, business-type activities and non-program. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level.

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances include purchase orders, contracts, and other commitments for the expenditures of resources, which reserve a portion of the appropriation. For financial reporting purposes, encumbrances outstanding at year-end are recognized and reflected as a reserved portion of the fund balance. Actual expenditures are recognized only when the goods or services are actually received.

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 the following year. Unencumbered appropriations lapse at year-end.

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

Actual expenditures for the year did not exceed the budgeted amounts in any of the functional areas.

NOTE 3. DEPOSITS AND INVESTMENTS

The deposits and investments of the Solid Waste Agency are pooled with those of the City. Disclosures referring to deposits and investments of the City include the pooled amounts belonging to the Agency.

As of June 30, 2009, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 72,903
Cash in bank	285,877
Savings accounts	38,911
Money market accounts	8,118,299
Iowa Public Agency Investment Trust	647,219
Certificates of deposit	<u>8,985,000</u>
	<u>\$ 18,148,209</u>

As of June 30, 2009 the carrying amount of the City's deposits with financial institutions totaled \$17,428,087 and the bank balances were \$17,473,148. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The fair value of the City's position in the IPAIT pool is the same as the value of the pool.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment policy provides that City funds may be invested in interest bearing money market accounts, interest bearing checking accounts and certificates of deposit at any approved bank in the City of Muscatine. Approved banks must be on the list of banks approved for public investments by the Treasurer of the State of Iowa and investments must be entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. City funds may also be invested in obligations of the United States government, its agencies and instrumentalities and in the Iowa Public Agency Investment Trust (IPAIT). The City's investment in IPAIT is unrated.

Concentration of credit risk – The City's investment policy is to diversify its investment portfolio. Assets shall be diversified, where possible, to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

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

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

As of December 31, 2008 MP&W's deposits and investments consist primarily of U.S. Treasury obligations and Federal agency obligations as follows:

	<u>Fair Value</u>
Cash	\$ 9,511,336
U.S. government securities	<u>48,769,634</u>
	<u>\$ 58,280,970</u>

As of December 31, 2008 the carrying amount of MP&W's deposits with financial institutions totaled \$8,990,323, and the bank balances were \$9,165,384. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

It is the policy of Muscatine Power & Water to maintain all deposits and investments within category one in accordance with GASB No. 3 which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

Credit Risk

As of December 31, 2008, Muscatine Power & Water's investments were rated as follows:

<i>Investment Type</i>	<i>Standard & Poor's</i>	<i>Moody's</i>
US agencies	AAA	Aaa

It is the policy of Muscatine Power & Water to have securities held by the utility or a third party custodian and rated within the highest or second highest rating category of a nationally recognized rating agency.

Concentration of Credit Risk

At December 31, 2008, Muscatine Power & Water investments held with issuers, each totaling more than 5 percent of the total portfolio, were concentrated as follows:

<i>Issuer</i>	<i>% of Portfolio</i>
Federal Home Loan Bank	89.2%
Federal Home Loan Mortgage Corp.	7%

It is the policy of Muscatine Power & Water to diversify its investment portfolio. Assets are diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. At December 31, 2008, Muscatine Power & Water's investments were as follows:

<i>Investment Type</i>	<i>Maturity In Years</i>			
	<i>Fair Value</i>	<i>Less than 1 Year</i>	<i>1-5 Years</i>	<i>Greater than 5 Years</i>
U.S. agencies	\$ 22,299,634	\$ 10,848,594	\$ 9,260,919	\$ 2,190,121

Muscatine Power & Water's investment policy addresses maturity limitations by requiring operating funds to be invested in instruments that mature within 397 days. Non-operating funds may be invested in instruments with maturities longer than 397 days as long as the maturities are consistent with the needs and use of the utility. One of the investment policy's primary objectives is to maintain the necessary liquidity to match expected liabilities.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2009 consist of the following:

		<i>Due from/Advance to</i>						
		<i>Street and Sidewalk Improvements</i>	<i>Nonmajor Governmental</i>	<i>Transfer Station</i>	<i>Nonmajor Enterprise</i>	<i>Internal Service</i>	<i>Fiduciary</i>	<i>Totals</i>
<i>Due to/Advance from</i>	Nonmajor governmental	\$ 9,809	\$ 121,415	\$ -	\$ -	\$ -	\$ -	\$ 131,224
	Local option sales tax	-	650,500	-	-	-	-	650,500
	Water pollution control	-	-	1,088,983	106,313	-	-	1,195,296
	Nonmajor enterprise	-	-	-	4,151	-	-	4,151
	Internal service	-	-	-	-	12,481	-	12,481
	Fiduciary	-	-	-	-	-	52,108	52,108
Total		\$ 9,809	\$ 771,915	\$ 1,088,983	\$ 110,464	\$ 12,481	\$ 52,108	\$ 2,045,760

The \$1,088,983 balance due from the Transfer Station is the result of a loan for working capital needs resulting from amounts in accounts receivable at year end and reduced waste volumes being received at this facility. It is not expected that this amount will be eliminated in the subsequent year. The Street and Sidewalks Improvements and non-major governmental funds balance due from other funds of \$9,809 and \$771,915, respectively, are primarily due to capital project costs which will be funded from bond proceeds or grants in 2009/2010.

The remaining balances result from (1) working capital for inventory in the enterprise and internal service funds, and (2) the time lag of receipts into the various funds.

In addition, the City has a loan to Muscatine County Solid Waste Agency, a discretely presented component unit of \$1,850,925 as of June 30, 2009. The loan is for capital costs including costs for the development of new cells for disposal of waste at the landfill. The new cells are expected to have a capacity of 300,000 tons of waste or 7.5 years of use based on recent annual waste volumes.

Interfund transfers for the year are as follows:

	Transfers from									Totals
	General	Employee Benefits	Local Option Sales Tax	Debt Service	Street and Sidewalk Improvements	Nonmajor Governmental	Water Pollution Control	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ 2,752,483	\$ -	\$ -	\$ 1,473	\$ 2,007,869	\$ -	\$ 504,400	\$ 59,999	\$ 5,326,224
Street and sidewalk improvements	-	-	-	-	-	80,900	-	-	-	80,900
Nonmajor governmental	162,526	-	240,271	-	-	7,917	1,900	-	-	412,614
Water pollution control	-	-	3,111,171	-	-	-	-	-	-	3,111,171
Transfer station	-	-	-	707,894	-	-	-	-	-	707,894
Nonmajor enterprise	235,456	-	-	-	-	-	-	-	-	235,456
Total	\$ 397,982	\$ 2,752,483	\$ 3,351,442	\$ 707,894	\$ 1,473	\$ 2,096,686	\$ 1,900	\$ 504,400	\$ 59,999	\$ 9,874,259

Transfers are used to move revenues from the fund that State statutes or the budget requires them to be collected in to the fund that State statutes or the budget requires them to be expended.

NOTE 5. RESTRICTED ASSETS

Transfer Station assets of \$29,095 at June 30, 2009 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Water Pollution Control assets of \$160,998 at June 30, 2009 are classified as restricted because their use is restricted under the State Revolving Fund loan.

Solid Waste Agency assets of \$927,404, at June 30, 2009 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

MP&W's restricted assets represent amounts set aside under the terms of the bond resolutions relating to the utility's revenue bonds or by the Board. In accordance with the covenants of the bond resolutions, the amounts have been segregated into various funds or accounts. The rate stabilization fund may be used for capital or other funding requirements, and the extraordinary operation and maintenance account may be used for extraordinary operating expenses and debt service at the discretion of the Board. In accordance with the communications loan agreement, the construction fund may be used for the purpose of paying or reimbursing costs of improvements to the communications utility in accordance with the provisions and requirements of the tax agreement, and the communications system loan repayment sinking fund is used solely for the purpose of paying the interest on the principal of the bank loans.

The composition of the restricted funds as of December 31, 2008 was as follows:

Current accounts:	
Bond sinking fund	\$ 12,654,975
Rate stabilization fund	5,977,828
Extraordinary operation and maintenance account	29,964,791
Construction fund	<u>1,369</u>
Total restricted assets	<u>\$ 48,598,963</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

Primary government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,814,037	\$ 129,550	\$ -	\$ -	\$ 8,943,587
Art work	5,287,276	22,500	-	-	5,309,776
Construction in progress	<u>381,944</u>	<u>1,250,640</u>	<u>(381,944)</u>	<u>-</u>	<u>1,250,640</u>
Total capital assets, not being depreciated	<u>14,483,257</u>	<u>1,402,690</u>	<u>(381,944)</u>	<u>-</u>	<u>15,504,003</u>
Capital assets, being depreciated:					
Land improvements	15,215,468	171,462	-	-	15,386,930
Buildings	7,730,030	-	-	-	7,730,030
Building improvements	1,125,227	11,964	-	-	1,137,191
Equipment	4,718,648	83,718	(146,125)	-	4,656,241
Vehicles	4,338,142	140,475	(114,619)	16,268	4,380,266
Infrastructure	<u>51,907,298</u>	<u>2,057,516</u>	<u>-</u>	<u>-</u>	<u>53,964,814</u>
Total capital assets, being depreciated	<u>85,034,813</u>	<u>2,465,135</u>	<u>(260,744)</u>	<u>16,268</u>	<u>87,255,472</u>
Less accumulated depreciation for:					
Land improvements	(5,862,881)	(667,342)	-	-	(6,530,223)
Buildings	(4,326,796)	(179,796)	-	-	(4,506,592)
Building improvements	(463,112)	(74,422)	-	-	(537,534)
Equipment	(2,655,964)	(282,991)	136,533	-	(2,802,422)
Vehicles	(2,997,459)	(268,592)	102,644	(16,268)	(3,179,675)
Infrastructure	<u>(22,219,273)</u>	<u>(1,387,772)</u>	<u>-</u>	<u>-</u>	<u>(23,607,045)</u>
Total accumulated depreciation	<u>(38,525,485)</u>	<u>(2,860,915)</u>	<u>239,177</u>	<u>(16,268)</u>	<u>(41,163,491)</u>
Total capital assets, being depreciated, net	<u>46,509,328</u>	<u>(395,780)</u>	<u>(21,567)</u>	<u>-</u>	<u>46,091,981</u>
Governmental activities capital assets, net	<u>\$ 60,992,585</u>	<u>\$ 1,006,910</u>	<u>\$ (403,511)</u>	<u>\$ -</u>	<u>\$ 61,595,984</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,823,145	\$ -	\$ -	\$ -	\$ 2,823,145
Construction in progress	<u>2,576,864</u>	<u>6,644,617</u>	<u>(3,835,007)</u>	<u>-</u>	<u>5,386,474</u>
Total capital assets, not being depreciated	<u>5,400,009</u>	<u>6,644,617</u>	<u>(3,835,007)</u>	<u>-</u>	<u>8,209,619</u>
Capital assets, being depreciated:					
Land improvements	10,573,495	1,429,993	-	-	12,003,488
Buildings	46,887,994	362,023	(1,055,972)	-	46,194,045
Building improvements	3,086,396	114,544	(116,462)	-	3,084,478
Equipment	4,638,489	126,676	(5,510)	-	4,759,655
Vehicles	2,700,670	762,527	(138,541)	(16,268)	3,308,388
Sewer system	<u>32,818,730</u>	<u>3,628,652</u>	<u>-</u>	<u>-</u>	<u>36,447,382</u>
Total capital assets, being depreciated	<u>100,705,774</u>	<u>6,424,415</u>	<u>(1,316,485)</u>	<u>(16,268)</u>	<u>105,797,436</u>
Less accumulated depreciation for:					
Land improvements	(7,865,358)	(607,987)	-	-	(8,473,345)
Buildings	(24,927,727)	(1,095,206)	967,014	-	(25,055,919)
Building improvements	(1,627,935)	(148,149)	81,523	-	(1,694,561)
Equipment	(2,013,238)	(321,678)	5,510	-	(2,329,406)
Vehicles	(1,575,345)	(255,818)	138,540	16,268	(1,676,355)
Sewer system	<u>(9,646,369)</u>	<u>(692,661)</u>	<u>-</u>	<u>-</u>	<u>(10,339,030)</u>
Total accumulated depreciation	<u>(47,655,972)</u>	<u>(3,121,499)</u>	<u>1,192,587</u>	<u>16,268</u>	<u>(49,568,616)</u>
Total capital assets, being depreciated, net	<u>53,049,802</u>	<u>3,302,916</u>	<u>(123,898)</u>	<u>-</u>	<u>56,228,820</u>
Business type activities capital assets, net	<u>\$ 58,449,811</u>	<u>\$ 9,947,533</u>	<u>\$ (3,958,905)</u>	<u>\$ -</u>	<u>\$ 64,438,439</u>

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

Governmental activities:	
Public safety	\$ 279,642
Public works	1,539,555
Culture and recreation	995,668
Community and economic development	4,873
General government	39,199
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,978</u>
Total depreciation expense – governmental activities	<u>\$ 2,860,915</u>
Business-type activities:	
Water pollution control plant	\$ 1,740,996
Refuse collection	93,460
Transfer station	287,774
Airport	493,804
Parking	36,920
Transit	75,449
Golf course	87,221
Boat harbor	9,807
Ambulance	25,840
Public housing	<u>270,228</u>
Total depreciation expense – business-type activities	<u>\$ 3,121,499</u>

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Construction in progress	-	1,084,217	-	1,084,217
Total capital assets, not being depreciated	1,080,608	1,084,217	-	2,164,825
Capital assets, being depreciated:				
Land improvements	41,975	54,368	-	96,343
Buildings	37,314	-	-	37,314
Equipment	31,317	-	-	31,317
Leachate collection system	616,835	-	-	616,835
Total capital assets, being depreciated	727,441	54,368	-	781,809
Less accumulated depreciation for:				
Land improvements	(24,118)	(3,539)	-	(27,657)
Buildings	(12,594)	(933)	-	(13,527)
Equipment	(8,589)	(2,396)	-	(10,985)
Leachate collection system	(192,972)	(19,866)	-	(212,838)
Total accumulated depreciation	(238,273)	(26,734)	-	(265,007)
Total capital assets, being depreciated, net	489,168	27,634	-	516,802
Solid Waste Agency capital assets, net	\$ 1,569,776	\$ 1,111,851	\$ -	\$ 2,681,627

Activity for Muscatine Power & Water for the year ended December 31, 2008 was as follows.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land and land rights	\$ 2,926,921	\$ -	\$ -	\$ -	\$ 2,926,921
Construction work in progress	2,268,002	13,101,190	(258,181)	(13,406,818)	1,704,193
Total capital assets, not being depreciated	5,194,923	13,101,190	(258,181)	(13,406,818)	4,631,114
Capital assets, being depreciated:					
Generation plant	316,170,172	31,095	(444,906)	8,810,638	324,566,999
Transmission and distribution plant	52,831,855	581,093	(44,453)	1,054,490	54,422,985
General plant	20,708,321	149,174	(914,034)	1,448,823	21,392,284
Source of supply	1,651,345	-	-	223,528	1,874,873
Pumping equipment	1,358,619	638	(44,325)	221,896	1,536,828
Purification equipment	1,052,164	-	-	-	1,052,164
Distribution system	14,377,164	301,098	(136,033)	593,316	15,135,545
Network operations plant	24,223,387	1,535,573	(55,366)	1,054,127	26,757,721
Total capital assets being depreciated	432,373,027	2,598,671	(1,639,117)	13,406,818	446,739,399
Less accumulated depreciation for:					
Generation plant	(204,024,301)	(10,310,808)	444,906	-	(213,890,203)
Transmission and distribution plant	(34,541,688)	(2,028,948)	51,339	-	(36,519,297)
General plant	(14,172,776)	(1,539,666)	873,843	-	(14,838,599)
Unallocated contribution in aid of construction	(660,488)	-	-	-	(660,488)
Source of supply	(990,271)	(55,044)	-	-	(1,045,315)
Pumping equipment	(478,146)	(44,100)	44,326	-	(477,920)
Purification system	(664,134)	(28,080)	-	-	(692,214)
Distribution system	(5,127,238)	(317,160)	136,033	-	(5,308,365)
Network operations plant and general plant	(13,823,430)	(1,550,952)	36,699	-	(15,337,683)
Total accumulated depreciation	(274,482,472)	(15,874,758)	1,587,146	-	(288,770,084)
Total capital assets, being depreciated, net	157,890,555	(13,276,087)	(51,971)	13,406,818	157,969,315
Muscatine Power & Water capital assets, net	\$ 163,085,478	\$ (174,897)	\$ (310,152)	\$ -	\$ 162,600,429

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The general obligation bonds outstanding as of June 30, 2009 total \$12,808,713. These bonds bear interest at rates ranging from 2.25% to 4.00%. Portions of the general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general obligation debt principal and interest. The liability for those bonds, which are expected to be paid by the enterprise funds, is included in those funds.

General obligation bonds as of June 30, 2009 consist of the following individual issues:

	Issue Date	Amount Issued	Interest Rates	Balance 6/30/2009		Governmental Activities	Business-Type Activities
General obligation bonds							
General corporate	6/1/2003	\$ 1,780,000	2.25-3.00	\$ 820,886	(1)	\$ 820,886	\$ -
General corporate	6/1/2006	2,990,000	3.75-4.00	2,359,117	(2)	2,359,117	-
General corporate	6/1/2008	5,120,000	3.00-3.50	4,972,389	(3)	4,972,389	-
General refunding	6/1/2008	6,560,000	3.00-3.25	4,656,321	(4)	1,102,106	3,554,215
				<u>\$ 12,808,713</u>		<u>\$ 9,254,498</u>	<u>\$ 3,554,215</u>

1. Net of unamortized discount of \$4,114
2. Net of unamortized discount of \$10,883
3. Net of unamortized premium of \$2,389
4. Net of unamortized premium/deferred charges of \$233,679

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

Year Ending June 30	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2010	\$ 1,297,575	\$ 313,974	\$ 656,938	\$ 118,807
2011	1,389,893	273,186	699,621	97,825
2012	1,162,682	229,130	707,553	75,563
2013	1,207,682	191,418	732,552	51,188
2014	923,710	150,506	757,551	26,000
2015-2018	3,272,956	270,043	-	-
	<u>\$ 9,254,498</u>	<u>\$ 1,428,257</u>	<u>\$ 3,554,215</u>	<u>\$ 369,383</u>

Tax Increment Revenue Bonds. The City issued \$1,795,000 of tax increment revenue bonds in June 1997. The proceeds of these bonds were used to pay a portion of the cost of carrying out projects in the Downtown Urban Renewal Area. Repayment of these bonds is to come from the incremental taxes from the Downtown Tax Increment Fund. In April 2004 the City issued an additional \$420,000 of tax increment revenue bonds for property acquisition in the Downtown Urban Renewal Area and in June 2004 \$1,885,000 of tax increment bonds were issued to fund public improvements in the Southend Urban Renewal Area.

TIF Revenues Pledged. The City has pledged a portion of future urban renewal tax increment revenues to repay the Tax Increment Revenue Bonds noted above. The urban renewal tax increment revenues were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are \$2,731,182 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were \$422,615 and \$671,051, respectively.

Tax increment revenue bonds as of June 30, 2009 consist of the following issues:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2009</u>
Tax Increment Revenue Bonds:				
Urban Renewal Tax Increment Revenue Bonds	6/26/1997	\$ 1,795,000	5.55-5.75%	\$ 450,000
Urban Renewal Tax Increment Revenue Bonds	4/23/2004	420,000	3.35-4.25	225,000
Urban Renewal Tax Increment Revenue Bonds	6/24/2004	1,885,000	3.70-5.80	<u>1,440,000</u>
				<u>\$ 2,115,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 310,000	\$ 108,933
2011	325,000	94,173
2012	340,000	78,323
2013	105,000	61,308
2014	110,000	56,320
2015-2019	630,000	191,460
2020-2021	<u>295,000</u>	<u>25,665</u>
	<u>\$ 2,115,000</u>	<u>\$ 616,182</u>

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

<u>Year Ending June 30</u>	<u>Business-Type</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>
2010	\$ -	\$ 107,946	\$ 41,250
2011	525,000	107,946	41,250
2012	542,000	92,196	39,938
2013	560,000	75,936	38,583
2014	578,000	59,136	37,183
2015	597,000	41,796	35,738
2016	616,000	23,886	34,245
2017	180,195	5,406	32,705
	<u>\$ 3,598,195</u>	<u>\$ 514,248</u>	<u>\$ 300,892</u>

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2009 was as follows:

Primary government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 10,509,384	\$ -	\$ (1,220,837)	\$ 9,288,547	\$ 1,310,615
Tax increment revenue bonds	2,415,000	-	(300,000)	2,115,000	310,000
Less issuance discounts	(47,090)	-	13,041	(34,049)	(13,040)
Total bonds payable	12,877,294	-	(1,507,796)	11,369,498	1,607,575
Compensated absences	1,126,135	663,796	(619,745)	1,170,186	594,631
Governmental activity long-term liabilities	<u>\$ 14,003,429</u>	<u>\$ 663,796</u>	<u>\$ (2,127,541)</u>	<u>\$ 12,539,684</u>	<u>\$ 2,202,206</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 4,845,616	\$ -	\$ (1,079,163)	\$ 3,766,453	\$ 699,385
State revolving fund loan	606,783	2,991,412	-	3,598,195	-
Less issuance discounts-general obligation bonds	(258,587)	-	46,349	(212,238)	(42,447)
Total bonds payable	5,193,812	2,991,412	(1,032,814)	7,152,410	656,938
Compensated absences	278,573	231,691	(193,346)	316,918	167,392
Closure/post-closure obligation	29,095	-	-	29,095	-
Business-type activity long-term liabilities	<u>\$ 5,501,480</u>	<u>\$ 3,223,103</u>	<u>\$ (1,226,160)</u>	<u>\$ 7,498,423</u>	<u>\$ 824,330</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$38,177, of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 952	\$ 810	\$ (829)	\$ 933	\$ 933
Closure/post-closure obligation	1,773,718	52,787	-	1,826,505	-
Total liabilities	<u>\$ 1,774,670</u>	<u>\$ 53,597</u>	<u>\$ (829)</u>	<u>\$ 1,827,438</u>	<u>\$ 933</u>

Activity for Muscatine Power & Water Electric Utility for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Series 2001 revenue bonds	\$ 49,090,000	\$ -	\$ -	\$ 49,090,000
Series 2002 revenue bonds	<u>12,595,000</u>	<u>-</u>	<u>(12,595,000)</u>	<u>-</u>
	61,685,000	-	(12,595,000)	49,090,000
Unamortized portion of deferred loss on refundings	(687,175)	-	267,726	(419,449)
Unamortized portion of revenue bond premiums	810,605	-	(336,431)	474,174
Note payable to bank	<u>-</u>	<u>888,000</u>	<u>-</u>	<u>888,000</u>
Total long-term debt	61,808,430	<u>\$ 888,000</u>	<u>\$ (12,663,705)</u>	50,032,725
Less current installments	<u>12,595,000</u>			<u>11,305,000</u>
Long-term debt, net of current portion	<u>\$ 49,213,430</u>			<u>\$ 38,727,725</u>

The revenue bonds, which rank on a parity with each other, are secured by future net revenues of the electric utility as defined in the bond resolutions. At December 31, 2008, they mature and bear interest as follows:

<u>Maturity Date</u>	<u>Series 2001</u>		<u>Bank Loan</u>	
	<u>Principal Amount</u>	<u>Interest</u>	<u>Principal Amount</u>	<u>Interest</u>
January 1,				
2009	\$ 11,305,000	\$ 2,389,063	\$ -	\$ 22,607
2010	11,930,000	1,750,100	-	41,736
2011	12,585,000	1,075,938	-	41,736
2012	13,270,000	364,925	163,725	37,888
2013	-	-	169,275	30,063
2014-2018	<u>-</u>	<u>-</u>	<u>555,000</u>	<u>39,780</u>
	<u>\$ 49,090,000</u>	<u>\$ 5,580,026</u>	<u>\$ 888,000</u>	<u>\$ 213,810</u>

In prior years, the Utility provided for the advance refunding of certain revenue bonds. In connection with these advance refundings, the Utility deposited certain amounts in irrevocable trust funds for the repayment of all principal and interest on the advance refunded bonds. The Utility is contingently liable for repayment of these bonds which in the aggregate amounted to \$60,190,000 at December 31, 2008. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2008 as the outstanding bonds are considered defeased.

All electric utility revenues, net of specified operating expenses, are pledged as security of the electric debt until fully paid. Principal and interest paid in 2008 and electric utility net revenues are as follows:

Principal and interest paid	\$15,544,331
Net revenues	19,167,458

Annual future principal and interest payments are expected to require 17% of electric utility operating revenues.

The bond resolutions contain certain covenants which among others, require the collection, segregation and distribution of utility plant revenue into various segregated funds, place certain restrictions on future borrowing and leasing or disposition of assets, require the maintenance of a minimum debt service coverage ratio and require that minimum insurance coverage be maintained.

In December 2008, the communications utility acquired loans from three local banks to cover the digital transition project and other capital costs. The loan agreement allows the communications utility to draw down a total amount of up to \$4,800,000 through December 31, 2010, at an annual interest rate of 4.7%. Interest will be paid semi-annually beginning July 1, 2009; principal repayment will be paid annually beginning January 1, 2012. As of December 31, 2008, the communications utility has borrowed \$888,000.

NOTE 8. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,826,505 reported as landfill closure and post closure care liability at June 30, 2009, represents the cumulative amount reported to date based on the use of 64.15% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$942,539 as the remaining estimated capacity is filled over the 19 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2009. The Agency expects the currently-permitted landfill property to reach its capacity in 2028. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

NOTE 9. RETIREMENT SYSTEMS

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is 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.

In the current year plan members were required to contribute 4.10% of their annual covered salary and the City was required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$424,711, \$390,058 and \$356,337 respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa, which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes

financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate for the year ended June 30, 2009 was 18.75% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2009, 2008 and 2007 were \$689,566, \$864,972 and \$917,640, respectively, which met the required minimum contribution for each year.

International City Management Association

According to specific provisions of the State Code of Iowa, a police chief or a fire chief of a local participating government may request from the Police Retirement Board or Fire Retirement Board exemption from the retirement system. This exemption allows that such contributions of the City for their retirement may be made to the International City Management Association's (ICMA) retirement program. The amount is not to exceed an amount which would have been made under the provisions of Section 411 of the State Code of Iowa. The police chief of the City has taken this option. Therefore, during the year the City has contributed a total of \$10,092 to this retirement program for the police chief. The City's contribution rate was comparable to the FICA and IPERS rates for other City employees.

Also, the Iowa Public Employees Retirement System regulations exempt the City Administrator from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator in lieu of IPERS. For the year ended June 30, 2009, this contribution totaled \$10,709, which represents a contribution level of 6% plus a lump sum contribution of \$3,500.

NOTE 10. DEFICIT FUND EQUITY

Several funds of the City have a fund balance deficit or have a deficit net assets as of June 30, 2009. These funds and the amount of the deficit are as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Capital projects:	
Street and sidewalk improvements	\$ 283,605
Community development improvements	41,802
Other street improvements	118,280
Riverfront improvements	677,858
Other public improvements	247,630

None of these deficits are considered a violation of any law, and are expected to be eliminated through future operations.

NOTE 11. OTHER POST EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS (OPEB)

Plan description: The City sponsors a single-employer health care plan for its active and retired employees. Upon normal retirement, employees have the option of continuing health and dental insurance coverage at their cost until the age of 65.

The City, additionally, has an employee benefit program for employees laid off as a result of budget reductions. The employee must be at least 55 years of age but no more than 65 years of age except for the case of a police officer or a firefighter who must be at least 50 years of age but no more than 55 years of age. Employees must also have had at least 15 years of continuous service with the City. The City will provide 100% paid single medical insurance for the employee until the employee reaches the age of 65 or until the employee is re-employed in a position where medical insurance is available or obtains medical insurance from another source. The City will pay 90% of the family coverage if such individual had family coverage during the time of employment for a period of one year after termination after which the City will pay 75% the second year, 50% the third year and 25% after the fourth year. Participation by the City will cease in the fifth year. For police officers and firefighters, this provision is effective until the age of 55

In 1986, Congress approved the Consolidated Omnibus Budget Reconciliation Act of 1986 which includes the provision for the continuation of group insurance coverage to either the employee or dependents depending upon the circumstances. For the City, this coverage includes health insurance and dental insurance. The death of a covered employee, a divorce or legal separation of the covered employee from the employee's spouse, the covered employee's commencement of Medicare coverage, the cessation of a dependent child's coverage under the terms of the plan, the termination of employment other than by reason of gross misconduct of the covered employee or the reduction of hours of the employee are events which would allow for such continuation. The continuation period is thirty-six months except for the termination of employment or reduction of hours, which allows for only an eighteen-month period. The premium for coverage during the continuation period is to be paid by the employee or the employee's dependent to the City on a monthly basis. It is the employee's responsibility to notify the employer of any change in status, which might involve the continuation of coverage.

Funding policy: The City establishes and amends contribution requirements. The current funding policy of the City is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2009, the City contributed \$137,681, which was net of retirees premiums received of \$157,749.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the City's net OPEB obligation to the postemployment health plan:

Annual Required contribution	\$ 160,595
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	160,595
Contributions and payments made	137,681
Increase in net OPEB obligation	22,914
Net OPEB obligation – July 1, 2008	-
Net OPEB obligation – June 30, 2009	\$ 22,914

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 (transition year) are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 160,595	85.7%	\$ 22,914

Funded status and funding progress: As of July 1, 2008 the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$1,437,500 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$1,437,500. The covered payroll (annual payroll of active employees covered by the plan) was \$9,070,314 and the ratio of the UAAL to the covered payroll was 15.8 percent.

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 cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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.

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

In the actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses) which is based on the expected long-term investment return of the employer's own investments used to pay plan benefits, and an annual health care cost trend rate of 8 percent reduced by decrements of 1 percent annually to an ultimate rate of 5 percent. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years.

NOTE 12. INDUSTRIAL REVENUE BONDS

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately \$3,820,000 as of June 30, 2009.

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance.

The City has established a Health Insurance Fund for insuring benefits provided to City employees and covered dependents which is included in the Internal Service Funds. Health benefits were self-insured up to a specific stop loss amount of \$75,000, and an aggregate stop loss of approximately \$2,796,000 for 2009. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. The estimated liability does not include any allocated or unallocated claims adjustment expense. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

All funds of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$120,061 in the Health Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2009 and 2008 are summarized as follows:

Liabilities at July 1, 2007	\$ 134,662
Claims and changes in estimates during fiscal year 2008	1,825,902
Claim payments	<u>(1,744,336)</u>
Liabilities at June 30, 2008	\$ 216,228
Claims and changes in estimates during fiscal year 2009	1,922,627
Claim payments	<u>(2,018,794)</u>
Liabilities at June 30, 2009	<u>\$ 120,061</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2009, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control and Public Housing funds. The remaining commitment on these contracts as of June 30, 2009, is \$19,232,500.

As a member of the Muscatine Area Geographic Information Consortium (MAGIC), the City is responsible for one-third of the operating expenses incurred by MAGIC. The City's contribution for fiscal year 2010 is set at \$91,690.

The City has signed an Order for Compliance On Consent issued by the United States Environmental Protection Agency. Provisions of the Order require the City to complete separation of the combined sewers in the Hershey Avenue combined sewer area by December 31, 2011, and separation of the remaining combined portions of the sewer system including the West Hill area by December 31, 2024. Preliminary cost estimates for the projects could reach or exceed \$40 million. Estimates will be re-evaluated as planning progresses. It is anticipated that the majority of the cost of these projects will be funded by the proceeds from the 1% local option sales tax.

The Solid Waste Agency has two outstanding contracts as of June 30, 2009 with a remaining commitment of \$649,400.

The Utility has a coal supply contract for a total contract minimum of 500,000 tons of coal through the year 2009 with a fixed annual price.

The Utility has an energy supply agreement to sell 7 megawatts of annual capacity with an 85% minimum load factor through May 31, 2009, to an unaffiliated utility with a one year extension if mutually agreed to. The contract requires the delivery of energy only if utility capacity is available or energy can otherwise be acquired by Muscatine Power & Water from other sources if requested by the purchaser. Such requests require the purchaser to pay for the cost of the other source plus an administrative adder.

The Utility has contracted to sell steam to a local customer. The ten-year agreement began July 1, 2000. The customer is obligated to take a minimum annual quantity of steam each year (2,338,920 kilopounds). As part of the contract, the Utility made capital improvements of approximately \$12 million, which are expected to be recovered in revenues from the customer under the terms of the agreement. If the customer elects to terminate the agreement before the end of the contract, the customer has agreed to reimburse the Utility for any unrecovered capital improvements. The contract was amended in 2007 to add an additional ten years to the agreement. The amendment obligates the customer to certain environmental capital costs (approximately \$2 million) and ongoing SO₂, NO_x and mercury emission allowance costs. If the contract is cancelled during the amendment period, the customer has agreed to reimburse the Utility for any of the unrecovered environmental capital costs.

The Utility has a rail transportation agreement with two separate companies for the delivery of coal through December 31, 2014 and December 31, 2012. The Utility's first agreement is for coal shipped from Powder River Basin (PRB), Wyoming to an interchange with the local delivery carrier. There are two contracts involved in this movement between now and 2014. The first expires on December 31, 2009. The rate in this agreement is subject to monthly fuel surcharges and quarterly adjustments. The second contract term is from 2010 through 2014 where the rate is firm for the first three years and adjusted quarterly for years 2013 and 2014 plus monthly fuel charges.

The Utility's minimum requirement in both contracts is 100% of the tons shipped, up to the annual tonnage nomination, from the PRB. In the event the Utility does not meet their minimum requirement, the Utility has agreed to pay a per ton penalty for the shortfall. The other rail agreement covers the shipment of coal from the interchange to the Utility's electric generating station by the local delivery carrier. The contract rate is determined by the interchange that the train travels through, and is adjusted quarterly. There is no annual minimum tonnage requirement.

NOTE 15. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STATEMENTS

The City adopted the following statements during the year ended June 30, 2009:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense and related liabilities or assets, note disclosures, and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the City was to record a liability of \$22,914 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$1,437,500 of June 30, 2009.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the City to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The adoption of this Statement had no effect on the City in the current year.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement required endowments to report land and other real estate investments at fair value. The adoption of this Statement had no effect on the City in the current year.

As of June 30, 2009, the GASB had issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the City beginning with its year ending June 30, 2010. This statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the City beginning with its year ending June 30, 2010. This statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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

NOTE 16. SUBSEQUENT EVENT

Subsequent to June 30, 2009, the City drew a total of \$3,835,730 from the State Revolving Fund loan program to be used for the wastewater treatment facility project. The interest rate is 3% and is paid semi-annually with principal being paid annually. The City's intent is to repay the principal and interest using revenues from wastewater customer charges.

On September 1, 2009, Muscatine Power and Water (MP&W) entered into an agreement with Midwest Independent Transmission System Operator, Inc. to sell all the energy produced by MP&W, and then purchase the energy needs of MP&W back.

The Iowa Department of Natural Resources (IDNR) has issued a Notice of Violation (NOV) to MP&W for not obtaining a Prevention of Significant Deterioration (PSD) air quality permit for equipment that was installed in 1999/2000. The equipment was needed in order to sell steam to one of the Utility's customers. MP&W staff is currently addressing the issue with the IDNR.



**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Muscatine, Iowa

**Budgetary Comparison Schedule of
Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary Basis
Budgeted Governmental and Proprietary Funds**

Required Supplementary Information

For the Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final Budget to Actual Variance
				Original	Final	
Revenues:						
Taxes:						
Property	\$ 11,350,093	\$ -	\$ 11,350,093	\$ 11,348,069	\$ 11,348,069	\$ 2,024
Tax increment financing	671,051	-	671,051	690,000	671,086	(35)
Other city tax	3,463,565	-	3,463,565	3,136,726	3,521,661	(58,096)
Licenses and permits	324,491	21,776	346,267	344,600	325,300	20,967
Use of money and property	453,028	922,812	1,375,840	1,502,070	1,310,200	65,640
Intergovernmental	4,713,681	2,248,506	6,962,187	6,089,120	7,997,980	(1,035,793)
Charges for services	480,659	10,363,924	10,844,583	10,948,850	10,956,600	(112,017)
Miscellaneous	1,351,942	2,801,827	4,153,769	4,243,300	4,719,650	(565,881)
Total revenues	22,808,510	16,358,845	39,167,355	38,302,735	40,850,546	(1,683,191)
Expenditures:						
Public safety	7,158,261	-	7,158,261	7,177,300	7,275,700	(117,439)
Public works	2,178,179	-	2,178,179	1,983,700	2,182,200	(4,021)
Health and social service	16,660	-	16,660	16,700	16,700	(40)
Culture and recreation	3,234,585	-	3,234,585	2,908,100	3,648,989	(414,404)
Community and economic development	2,648,250	-	2,648,250	2,482,228	2,740,674	(92,424)
General government	1,972,093	-	1,972,093	1,957,016	2,057,285	(85,192)
Debt service	3,227,870	-	3,227,870	3,301,806	3,229,272	(1,402)
Capital projects	4,806,802	-	4,806,802	3,679,000	6,161,800	(1,354,998)
Business type activities	-	23,118,117	23,118,117	25,373,030	25,274,843	(2,156,726)
Total expenditures	25,242,700	23,118,117	48,360,817	48,878,880	52,587,463	(4,226,646)
Revenues over (under) expenditures	(2,434,190)	(6,759,272)	(9,193,462)	(10,576,145)	(11,736,917)	2,543,455
Other financing sources (uses):						
Proceeds of long term debt	-	2,826,412	2,826,412	7,000,000	4,334,700	(1,508,288)
Transfers in	6,459,215	4,339,729	10,798,944	11,239,541	10,552,254	246,690
Transfers out	(8,600,067)	(2,198,877)	(10,798,944)	(11,239,541)	(10,552,254)	(246,690)
Total other financing sources (uses)	(2,140,852)	4,967,264	2,826,412	7,000,000	4,334,700	(1,508,288)
Net change in fund balances	(4,575,042)	(1,792,008)	(6,367,050)	(3,576,145)	(7,402,217)	1,035,167
Fund balances, June 30, 2008	14,481,151	8,175,128	22,656,279	20,422,035	22,650,633	5,646
Fund balances, June 30, 2009	\$ 9,906,109	\$ 6,383,120	\$ 16,289,229	\$ 16,845,890	\$ 15,248,416	\$ 1,040,813

See notes to Required Supplementary Information.

City of Muscatine, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2009

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	GAAP Basis	Enterprise and Budgeted Internal Service Funds Budget Basis	Adjustments	Enterprise and Internal Service Funds GAAP Basis
Revenues	\$ 22,808,510	\$ 117,024	\$ 22,925,534	\$ 16,358,845	\$ 92,381	\$ 16,451,226
Expenditures/expenses	25,242,700	(1,464,175)	23,778,525	23,118,117	(6,960,887)	16,154,502
Net	(2,434,190)	1,581,199	(852,991)	(6,759,272)	7,053,268	296,724
Other financing sources (uses), net	(2,140,852)	(1,347,370)	(3,488,222)	4,967,264	(1,479,042)	3,488,222
Beginning fund balances/net assets	14,481,151	11,832	14,492,983	8,175,128	53,824,784	61,999,912
Ending fund balances/net assets	<u>\$ 9,906,109</u>	<u>\$ 245,661</u>	<u>\$ 10,151,770</u>	<u>\$ 6,383,120</u>	<u>\$ 59,399,010</u>	<u>\$ 65,784,858</u>

See notes to Required Supplementary Information.

City of Muscatine, Iowa
Other Postemployment Benefit Plan
Required Supplementary Information

Schedule of Funding Progress							
Fiscal Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	7-1-2008	\$ -	\$ 1,437,500	1,437,500	0%	\$ 9,070,314	15.8%

Note - Fiscal year 2009 is the transition year for GASB Statement No. 45.

See notes to Required Supplementary Information.

CITY OF MUSCATINE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2009

NOTE 1. Basis of Budgeting

Annual budgets are adopted following required public notice and hearings for all funds with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances represent commitments related to unperformed contracts for goods or services and include purchase orders, contracts or other commitments for expenditures of resources, which reserve a portion of the appropriation. For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriation in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. In the preceding budget schedules, expenditures include current fiscal year encumbrances and exclude the payment of prior year encumbrances. Additionally, all general obligation bond payments including those which for accounting purposes are accounted for through enterprise funds are budgeted in the debt service fund. The annual budget may be amended during the year following statutorily prescribed procedures.

NOTE 2. Budget Functions

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds and certain Permanent and Internal Service Funds. Although the budget document presents expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements in total by \$3,708,583. This increase is primarily related to (1) flood and windstorm damage recovery from these emergency events in 2008, and (2) increased capital project appropriations due to changes in construction schedules. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009 expenditures in each of the nine functions did not exceed their budgeted amounts.

NOTE 3. Other Postemployment Benefit Plan

The information in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2008. Additional information is as follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rate of 8% to an ultimate rate of 5%, discount rate of 8.0% and investment return rate of 5.0%.
4. The amortization method is open period, level percentage.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are utilized to account for revenues derived from specific sources which are accounted for as separate funds. These funds are as follows:

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

ROAD USE TAX FUND - Accounts for road use tax allocated to the City to be used to maintain and improve the City's street system.

EQUIPMENT REPLACEMENT FUND - Accounts for appropriations for and replacement of capital equipment for general operations of the City.

COMPUTER REPLACEMENT FUND - Accounts for appropriations for and replacement of computer hardware and software for the general operations of the City.

SECTION 8 HOUSING PROGRAM FUND - Accounts for the operations of the City's Section 8 Housing Program which provides rental assistance to low income individuals and families in the City.

EMERGENCY TAX FUND - Accounts for proceeds from the \$.27 per \$1,000 emergency tax levy.

POLICE FORFEITURES FUND - Accounts for funds received by the police department from seized and forfeited properties under guidelines established by the U.S. Department of Justice and the State of Iowa.

DOWNTOWN TAX INCREMENT FUND - Accounts for the incremental taxes from the expanded Downtown Urban Renewal Area and the debt service requirements on the tax increment revenue bonds which financed improvements in the downtown area.

SOUTHEND TAX INCREMENT FUND - Accounts for the incremental taxes from the Southend Urban Renewal Area which funded economic development incentives for expanding businesses in this area, other improvements in the southend area, and the debt requirements on the tax increment revenue bonds which financed improvements in the southend area.

NORTHEAST TAX INCREMENT FUND - Accounts for the incremental taxes from the Northeast Urban Renewal Area.

CEDAR DEVELOPMENT TAX INCREMENT FUND - Accounts for incremental taxes from the Cedar Development Urban Renewal Area.

MUSCATINE MALL TAX INCREMENT FUND - Accounts for incremental taxes from the Muscatine Mall Urban Renewal Area.

ART CENTER SPECIAL FUNDS - Accounts for the Alice Dodge Schaeffer Trust, the principal and interest of which is used for the conservation of furnishings, which accompanied this trust. Also accounts for the General Donations Trust which is used for cash donations to the Art Center either for specific purchases or general donations to be used to fund acquisitions designated by the Board of Trustees of the Art Center. Also accounts for funds received from the estate of Brad Burns.

LIBRARY SPECIAL FUNDS - Accounts for the Library Gift and Memorial Trust used for general donations to the Musser Public Library and the Homebound Delivery Trust used for donations to further the home delivery program.

PARKS DONATIONS FUND – Accounts for funds from the estate of Frank C. Bishop to be used for park improvements.

INSURANCE FUND - Accounts for funds returned to the City for favorable claims experience under the City's general liability and automobile liability policies.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital facilities and other major fixed assets, with the exception of those that are financed by Enterprise and Internal Service Funds. The project funds reflect the nature of the capital projects and are as follows:

COMMUNITY DEVELOPMENT IMPROVEMENTS FUND - Accounts for urban renewal improvements, housing rehabilitation, and building demolition projects in designated areas of the City.

OTHER STREET IMPROVEMENTS FUND - Accounts for other street projects throughout the City.

RIVERFRONT IMPROVEMENT PROJECTS FUND - Accounts for riverfront development and levee improvement projects.

PEARL OF THE MISSISSIPPI PROJECT FUND – Accounts for major improvement projects in the City's parks and on the riverfront.

OTHER PUBLIC IMPROVEMENTS FUND - Accounts for construction and improvements to City buildings, improvements of City park facilities and equipment and technology acquisitions..

PERMANENT FUNDS

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that benefit the City's programs and services.

McWhirter-Gilmore Trust - Accounts for funds received which accompanied the gift of the Musser Mansion museum facility. Interest earnings on this trust are used for the maintenance of the museum building.

Perpetual Care Trust - Accounts for the portion of cemetery lot sales designated for perpetual care.

Perpetual Care Interest Trust – Accounts for interest earned on cemetery perpetual care funds which is required to be used for the operation and maintenance of the cemetery facility.

Cemetery Special Trusts - Accounts for funds received, the interest earnings of which are designated to be used to maintain specific cemetery lots or to provide floral arrangements for these lots.



City of Muscatine, Iowa
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue	Capital Projects	Permanent	Totals
Assets:				
Cash and pooled investments	\$ 2,740,485	\$ 114,766	\$ 8,313	\$ 2,863,564
Investments	739,631	-	1,005,000	1,744,631
Receivables (net of allowance for uncollectibles):				
Interest	13,417	1,743	9,355	24,515
Taxes	980,674	-	-	980,674
Intergovernmental	158,794	5,513	-	164,307
Accounts	941	2,417	110	3,468
Advances to other funds	3,325	119,862	8,037	131,224
Total assets	4,637,267	244,301	1,030,815	5,912,383
Liabilities and fund balances				
Liabilities:				
Accounts payable and accruals	62,637	499,157	210	562,004
Retainages payable	-	31,226	-	31,226
Advances from other funds	3,325	760,553	8,037	771,915
Deferred revenue	971,550	38,935	-	1,010,485
Total liabilities	1,037,512	1,329,871	8,247	2,375,630
Fund balances:				
Reserved for:				
Advances to other funds	3,325	119,862	8,037	131,224
Encumbrances	127,557	-	-	127,557
Housing assistance payments	167,349	-	-	167,349
Perpetual care	-	-	820,110	820,110
Endowments	-	-	194,421	194,421
Capital projects	-	75,688	-	75,688
Unreserved	3,301,524	(1,281,120)	-	2,020,404
Total fund balances	3,599,755	(1,085,570)	1,022,568	3,536,753
Total liabilities and fund balances	\$ 4,637,267	\$ 244,301	\$ 1,030,815	\$ 5,912,383

City of Muscatine, Iowa

**Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009**

	Special Revenue	Capital Projects	Permanent	Totals
Revenues:				
Taxes:				
Property	\$ 860,078	\$ -	\$ -	\$ 860,078
Utility	1,076	-	-	1,076
Intergovernmental	3,463,182	63,490	-	3,526,672
Use of money and property	79,628	18,083	34,291	132,002
Other	207,517	11,709	6,620	225,846
Total revenues	4,611,481	93,282	40,911	4,745,674
Expenditures:				
Current:				
Public safety	5,654	-	-	5,654
Culture and recreation	38,794	-	10,022	48,816
Community and economic development	1,970,041	-	-	1,970,041
Debt service:				
Principal	300,000	-	-	300,000
Interest	122,614	-	-	122,614
Capital outlay:				
Public safety	76,111	30,948	-	107,059
Public works	-	1,214,905	-	1,214,905
Culture and recreation	165,719	152,410	-	318,129
Community and economic development	-	35,870	-	35,870
General government	37,749	695,735	-	733,484
Total expenditures	2,716,682	2,129,868	10,022	4,856,572
Revenues over (under) expenditures	1,894,799	(2,036,586)	30,889	(110,898)
Other financing sources (uses):				
Transfers in	119,663	292,951	-	412,614
Transfers out	(2,050,858)	(17,835)	(27,993)	(2,096,686)
Total other financing sources (uses)	(1,931,195)	275,116	(27,993)	(1,684,072)
Net change in fund balances	(36,396)	(1,761,470)	2,896	(1,794,970)
Fund balances, June 30, 2008	3,636,151	675,900	1,019,672	5,331,723
Fund balances, June 30, 2009	\$ 3,599,755	\$ (1,085,570)	\$ 1,022,568	\$ 3,536,753

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2009

	Community Development Block Grant	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures
Assets:							
Cash and pooled investments	\$ 60,444	\$ 229,927	\$ 171,386	\$ 18,167	\$ 676	\$ -	\$ 37,835
Investments	-	-	-	-	239,631	-	-
Receivables (net of allowance for uncollectibles):							
Interest	-	-	501	-	50	-	-
Taxes	-	-	-	-	-	199,210	-
Accounts	-	-	-	-	941	-	-
Intergovernmental	-	153,650	-	-	5,144	-	-
Advances to other funds	-	-	3,325	-	-	-	-
Total assets	<u>60,444</u>	<u>383,577</u>	<u>175,212</u>	<u>18,167</u>	<u>246,442</u>	<u>199,210</u>	<u>37,835</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable and accruals	-	-	26,099	13,944	22,255	-	-
Advances from other funds	-	-	-	-	-	3,325	-
Deferred revenue	-	-	-	-	3,524	195,885	-
Total liabilities	<u>-</u>	<u>-</u>	<u>26,099</u>	<u>13,944</u>	<u>25,779</u>	<u>199,210</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	127,557	-	-	-	-
Reserved for advances to other funds	-	-	3,325	-	-	-	-
Reserved for housing assistance payments	-	-	-	-	167,349	-	-
Unreserved, undesignated	<u>60,444</u>	<u>383,577</u>	<u>18,231</u>	<u>4,223</u>	<u>53,314</u>	<u>-</u>	<u>37,835</u>
Total fund balances	<u>60,444</u>	<u>383,577</u>	<u>149,113</u>	<u>4,223</u>	<u>220,663</u>	<u>-</u>	<u>37,835</u>
Total liabilities and fund balances	<u>\$ 60,444</u>	<u>\$ 383,577</u>	<u>\$ 175,212</u>	<u>\$ 18,167</u>	<u>\$ 246,442</u>	<u>\$ 199,210</u>	<u>\$ 37,835</u>

<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>	<u>Northeast Tax Increment</u>	<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Parks Donations</u>	<u>Insurance</u>	<u>Total</u>
\$ 529,810	\$ 1,077,154	\$ 175,414	\$ -	\$ -	\$ 112,924	\$ 239,365	\$ 63,541	\$ 23,842	\$ 2,740,485
-	-	-	-	-	300,000	200,000	-	-	739,631
2,044	3,434	527	-	-	2,983	3,655	157	66	13,417
200,000	409,323	-	162,000	10,141	-	-	-	-	980,674
-	-	-	-	-	-	-	-	-	941
-	-	-	-	-	-	-	-	-	158,794
-	-	-	-	-	-	-	-	-	3,325
<u>731,854</u>	<u>1,489,911</u>	<u>175,941</u>	<u>162,000</u>	<u>10,141</u>	<u>415,907</u>	<u>443,020</u>	<u>63,698</u>	<u>23,908</u>	<u>4,637,267</u>
-	-	-	-	-	5	334	-	-	62,637
-	-	-	-	-	-	-	-	-	3,325
<u>200,000</u>	<u>400,000</u>	<u>-</u>	<u>162,000</u>	<u>10,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>971,550</u>
<u>200,000</u>	<u>400,000</u>	<u>-</u>	<u>162,000</u>	<u>10,141</u>	<u>5</u>	<u>334</u>	<u>-</u>	<u>-</u>	<u>1,037,512</u>
-	-	-	-	-	-	-	-	-	127,557
-	-	-	-	-	-	-	-	-	3,325
-	-	-	-	-	-	-	-	-	167,349
<u>531,854</u>	<u>1,089,911</u>	<u>175,941</u>	<u>-</u>	<u>-</u>	<u>415,902</u>	<u>442,686</u>	<u>63,698</u>	<u>23,908</u>	<u>3,301,524</u>
<u>531,854</u>	<u>1,089,911</u>	<u>175,941</u>	<u>-</u>	<u>-</u>	<u>415,902</u>	<u>442,686</u>	<u>63,698</u>	<u>23,908</u>	<u>3,599,755</u>
<u>\$ 731,854</u>	<u>\$ 1,489,911</u>	<u>\$ 175,941</u>	<u>\$ 162,000</u>	<u>\$ 10,141</u>	<u>\$ 415,907</u>	<u>\$ 443,020</u>	<u>\$ 63,698</u>	<u>\$ 23,908</u>	<u>\$ 4,637,267</u>

City of Muscatine, Iowa

**Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009**

	Community Development Block Grant	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,028	\$ -
Utility	-	-	-	-	-	1,076	-
Intergovernmental:							
HUD grants	-	-	-	-	1,565,952	-	-
Road use tax	-	1,881,131	-	-	-	-	-
Federal grants	1,037	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-
Interest	-	-	3,142	87	4,628	-	83
Other:							
Donations	-	-	-	-	-	-	-
Miscellaneous	33,000	-	12,725	-	6,539	-	42,464
Total revenues	34,037	1,881,131	15,867	87	1,577,119	190,104	42,547
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	5,654
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	360	-	-	-	1,735,028	-	-
Capital outlay:							
Public safety	-	-	69,547	-	-	-	6,564
Culture and recreation	-	-	-	-	-	-	-
General government	-	-	-	37,749	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	360	-	69,547	37,749	1,735,028	-	12,218
Revenues over (under) expenditures	33,677	1,881,131	(53,680)	(37,662)	(157,909)	190,104	30,329
Other financing sources (uses):							
Transfers in	-	-	79,663	40,000	-	-	-
Transfers out	(1,037)	(1,829,567)	-	-	-	(190,104)	-
Total other financing sources (uses)	(1,037)	(1,829,567)	79,663	40,000	-	(190,104)	-
Net change in fund balances	32,640	51,564	25,983	2,338	(157,909)	-	30,329
Fund balances, June 30, 2008	27,804	332,013	123,130	1,885	378,572	-	7,506
Fund balances, June 30, 2009	\$ 60,444	\$ 383,577	\$ 149,113	\$ 4,223	\$ 220,663	\$ -	\$ 37,835

Downtown Tax Increment	Southend Tax Increment	Northeast Tax Increment	Art Center Special Funds	Library Special Funds	Parks Donations	Insurance	Total
\$ 267,303	\$ 403,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 860,078
-	-	-	-	-	-	-	1,076
-	-	-	-	-	-	-	1,565,952
-	-	-	-	-	-	-	1,881,131
-	-	-	-	-	-	-	1,037
-	-	-	-	15,062	-	-	15,062
14,119	24,484	3,861	13,298	13,765	1,395	766	79,628
-	-	-	38,529	61,026	-	-	99,555
-	-	-	140	3,233	-	9,861	107,962
<u>281,422</u>	<u>428,231</u>	<u>3,861</u>	<u>51,967</u>	<u>93,086</u>	<u>1,395</u>	<u>10,627</u>	<u>4,611,481</u>
-	-	-	-	-	-	-	5,654
-	-	-	12,252	25,342	1,200	-	38,794
56,668	176,125	1,860	-	-	-	-	1,970,041
-	-	-	-	-	-	-	76,111
-	-	-	137,491	28,228	-	-	165,719
-	-	-	-	-	-	-	37,749
205,000	95,000	-	-	-	-	-	300,000
44,867	77,747	-	-	-	-	-	122,614
<u>306,535</u>	<u>348,872</u>	<u>1,860</u>	<u>149,743</u>	<u>53,570</u>	<u>1,200</u>	<u>-</u>	<u>2,716,682</u>
<u>(25,113)</u>	<u>79,359</u>	<u>2,001</u>	<u>(97,776)</u>	<u>39,516</u>	<u>195</u>	<u>10,627</u>	<u>1,894,799</u>
-	-	-	-	-	-	-	119,663
-	-	-	-	-	-	(30,150)	(2,050,858)
-	-	-	-	-	-	(30,150)	(1,931,195)
(25,113)	79,359	2,001	(97,776)	39,516	195	(19,523)	(36,396)
<u>556,967</u>	<u>1,010,552</u>	<u>173,940</u>	<u>513,678</u>	<u>403,170</u>	<u>63,503</u>	<u>43,431</u>	<u>3,636,151</u>
<u>\$ 531,854</u>	<u>\$ 1,089,911</u>	<u>\$ 175,941</u>	<u>\$ 415,902</u>	<u>\$ 442,686</u>	<u>\$ 63,698</u>	<u>\$ 23,908</u>	<u>\$ 3,599,755</u>

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2009**

	<u>Community Development Improvements</u>	<u>Other Street Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Pearl of the Mississippi Project</u>
Assets:				
Cash and pooled investments	\$ 2,056	\$ -	\$ 11,358	\$ -
Receivables:				
Interest	-	-	761	-
Intergovernmental	-	4,513	-	1,000
Accounts	2,417	-	-	-
Advances to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>4,473</u>	<u>4,513</u>	<u>12,119</u>	<u>1,000</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	-	59,854	39,476	-
Retainages payable	-	162	-	-
Deferred revenue	-	-	-	-
Advances from other funds	46,275	62,777	650,501	1,000
	<u>46,275</u>	<u>62,777</u>	<u>650,501</u>	<u>1,000</u>
Total liabilities	<u>46,275</u>	<u>122,793</u>	<u>689,977</u>	<u>1,000</u>
Fund balances:				
Reserved for advances to other funds	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved, undesignated	(41,802)	(118,280)	(677,858)	-
	<u>(41,802)</u>	<u>(118,280)</u>	<u>(677,858)</u>	<u>-</u>
Total fund balances	<u>(41,802)</u>	<u>(118,280)</u>	<u>(677,858)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,473</u>	<u>\$ 4,513</u>	<u>\$ 12,119</u>	<u>\$ 1,000</u>

Other Public Improvements	Total
\$ 101,352	\$ 114,766
982	1,743
-	5,513
-	2,417
<u>119,862</u>	<u>119,862</u>
<u>222,196</u>	<u>244,301</u>

399,827	499,157
31,064	31,226
38,935	38,935
<u>-</u>	<u>760,553</u>
<u>469,826</u>	<u>1,329,871</u>

119,862	119,862
75,688	75,688
<u>(443,180)</u>	<u>(1,281,120)</u>
<u>(247,630)</u>	<u>(1,085,570)</u>
<u>\$ 222,196</u>	<u>\$ 244,301</u>

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009**

	<u>Community Development Improvements</u>	<u>Other Street Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Pearl of the Mississippi Project</u>
Revenues:				
Intergovernmental:				
Federal grants	\$ -	\$ 23,491	\$ -	\$ -
State grants	-	-	15,225	-
Interest	-	707	7,931	-
Other:				
Contributions	-	-	5,000	1,058
Reimbursement of costs	2,417	-	-	-
Total revenues	<u>2,417</u>	<u>24,198</u>	<u>28,156</u>	<u>1,058</u>
Expenditures:				
Capital outlay:				
Public safety	-	-	-	-
Public works	-	141,260	1,073,645	-
Culture and recreation	-	-	102,174	-
Community and economic development	35,870	-	-	-
General government	-	-	-	-
Total expenditures	<u>35,870</u>	<u>141,260</u>	<u>1,175,819</u>	<u>-</u>
Revenues over (under) expenditures	<u>(33,453)</u>	<u>(117,062)</u>	<u>(1,147,663)</u>	<u>1,058</u>
Other financing sources (uses):				
Transfers in	366	4,788	47,526	240,271
Transfers out	-	(15,072)	-	-
Total other financing sources (uses)	<u>366</u>	<u>(10,284)</u>	<u>47,526</u>	<u>240,271</u>
Net change in fund balances	(33,087)	(127,346)	(1,100,137)	241,329
Fund balances (deficits), June 30, 2008	<u>(8,715)</u>	<u>9,066</u>	<u>422,279</u>	<u>(241,329)</u>
Fund balances (deficits), June 30, 2009	<u>\$ (41,802)</u>	<u>\$ (118,280)</u>	<u>\$ (677,858)</u>	<u>\$ -</u>

Other Public Improvements	Total
\$ -	\$ 23,491
24,774	39,999
9,445	18,083
3,234	9,292
-	2,417
<u>37,453</u>	<u>93,282</u>
30,948	30,948
-	1,214,905
50,236	152,410
-	35,870
<u>695,735</u>	<u>695,735</u>
<u>776,919</u>	<u>2,129,868</u>
<u>(739,466)</u>	<u>(2,036,586)</u>
-	292,951
<u>(2,763)</u>	<u>(17,835)</u>
<u>(2,763)</u>	<u>275,116</u>
(742,229)	(1,761,470)
<u>494,599</u>	<u>675,900</u>
<u>\$ (247,630)</u>	<u>\$ (1,085,570)</u>

City of Muscatine, Iowa

**Non-Major Permanent Funds
Combining Balance Sheet
June 30, 2009**

	McWhirter- Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
Assets:					
Cash and pooled investments	\$ 6,337	\$ -	\$ -	\$ 1,976	\$ 8,313
Investments	100,000	820,000	-	85,000	1,005,000
Receivables:					
Interest	911	-	8,037	407	9,355
Accounts	-	110	-	-	110
Advances to other funds	-	3,433	-	4,604	8,037
Total assets	<u>107,248</u>	<u>823,543</u>	<u>8,037</u>	<u>91,987</u>	<u>1,030,815</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	-	-	-	210	210
Advances from other funds	-	-	8,037	-	8,037
Total liabilities	<u>-</u>	<u>-</u>	<u>8,037</u>	<u>210</u>	<u>8,247</u>
Fund balances:					
Reserved for advances to other funds	-	3,433	-	4,604	8,037
Reserved for perpetual care	-	820,110	-	-	820,110
Reserved for endowments	107,248	-	-	87,173	194,421
Total fund balances	<u>107,248</u>	<u>823,543</u>	<u>-</u>	<u>91,777</u>	<u>1,022,568</u>
Total liabilities and fund balances	<u>\$ 107,248</u>	<u>\$ 823,543</u>	<u>\$ 8,037</u>	<u>\$ 91,987</u>	<u>\$ 1,030,815</u>

City of Muscatine, Iowa

**Non-Major Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009**

	<u>McWhirter- Gilmore Trust</u>	<u>Perpetual Care Trust</u>	<u>Perpetual Care Interest Trust</u>	<u>Cemetery Special Trusts</u>	<u>Total</u>
Revenues:					
Cemetery perpetual care	\$ -	\$ 6,620	\$ -	\$ -	\$ 6,620
Interest	<u>3,629</u>	<u>-</u>	<u>27,993</u>	<u>2,669</u>	<u>34,291</u>
Total revenues	3,629	6,620	27,993	2,669	40,911
Expenditures:					
Current:					
Culture and recreation	<u>6,230</u>	<u>-</u>	<u>-</u>	<u>3,792</u>	<u>10,022</u>
Revenues over (under) expenditures	(2,601)	6,620	27,993	(1,123)	30,889
Other financing uses:					
Transfers out	<u>-</u>	<u>-</u>	<u>(27,993)</u>	<u>-</u>	<u>(27,993)</u>
Net change in fund balances	(2,601)	6,620	-	(1,123)	2,896
Fund balances, June 30, 2008	<u>109,849</u>	<u>816,923</u>	<u>-</u>	<u>92,900</u>	<u>1,019,672</u>
Fund balances, June 30, 2009	<u>\$ 107,248</u>	<u>\$ 823,543</u>	<u>\$ -</u>	<u>\$ 91,777</u>	<u>\$ 1,022,568</u>

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Net Assets
June 30, 2009

	Refuse Collection	Airport Operations	Parking Operations	Transit Operations	Golf Course
Assets:					
Current assets:					
Cash and pooled investments	\$ -	\$ 9,246	\$ 103,225	\$ 181,240	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Interest	381	-	253	485	257
Accounts	221,835	373	1,508	11,317	3,705
Intergovernmental:					
Federal	-	210,941	-	-	-
State	4,694	-	-	10,580	-
County	-	-	-	-	-
Advances to other funds	-	-	4,151	-	-
Inventories	-	-	-	-	16,610
Prepaid items	-	-	-	-	3,200
Total current assets	226,910	220,560	109,137	203,622	23,772
Noncurrent assets:					
Deferred charges	1,789	-	-	-	-
Capital assets:					
Land	-	1,408,973	579,686	-	80,000
Land improvements	-	8,878,166	647,096	-	1,102,678
Buildings and building improvements	1,312,083	1,606,025	-	14,231	785,533
Equipment	160,319	20,694	32,370	6,054	368,629
Vehicles	573,548	117,342	-	598,744	14,784
Construction in progress	-	-	-	-	-
Less accumulated depreciation	(839,184)	(6,890,008)	(416,815)	(305,356)	(1,154,501)
Total capital assets net of accumulated depreciation	1,206,766	5,141,192	842,337	313,673	1,197,123
Total noncurrent assets	1,208,555	5,141,192	842,337	313,673	1,197,123
Total assets	1,435,465	5,361,752	951,474	517,295	1,220,895
Liabilities:					
Current liabilities:					
Accounts payable and accruals	26,464	8,506	902	1,305	38,670
Retainages payable	-	134,193	-	-	-
Compensated absences payable	17,261	-	10,376	21,481	7,223
Advances from other funds	23,064	75,192	-	-	8,057
Deposits	-	-	-	-	-
Accrued interest payable	1,198	-	-	-	-
Unearned revenue	365	2,563	27,543	1,064	6,284
General obligation bonds	80,357	-	-	-	-
Total current liabilities	148,709	220,454	38,821	23,850	60,234
Noncurrent liabilities:					
General obligation bonds	354,036	-	-	-	-
Compensated absences	21,917	-	5,816	4,220	3,123
Other post-employment benefits	1,074	-	181	136	339
Total noncurrent liabilities	377,027	-	5,997	4,356	3,462
Total liabilities	525,736	220,454	44,818	28,206	63,696
Net assets:					
Invested in capital assets, net of related debt	772,373	5,141,192	842,337	313,673	1,197,123
Unrestricted	137,356	106	64,319	175,416	(39,924)
Total net assets	\$ 909,729	\$ 5,141,298	\$ 906,656	\$ 489,089	\$ 1,157,199

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 402	\$ -	\$ 147,764	\$ 6,004	\$ 447,881
-	-	-	904,653	904,653
-	-	724	7,128	9,228
1,989	431	157,115	9,878	408,151
-	-	-	25,448	236,389
-	-	-	-	15,274
-	-	4,801	-	4,801
-	-	-	-	4,151
-	5,142	-	-	21,752
-	-	-	-	3,200
<u>2,391</u>	<u>5,573</u>	<u>310,404</u>	<u>953,111</u>	<u>2,055,480</u>
-	-	-	-	1,789
-	-	-	105,000	2,173,659
196,161	-	-	97,144	10,921,245
-	-	-	7,585,765	11,303,637
-	-	16,269	103,105	707,440
-	-	445,479	58,154	1,808,051
-	-	-	25,448	25,448
(149,208)	-	(359,902)	(5,216,184)	(15,331,158)
<u>46,953</u>	<u>-</u>	<u>101,846</u>	<u>2,758,432</u>	<u>11,608,322</u>
<u>46,953</u>	<u>-</u>	<u>101,846</u>	<u>2,758,432</u>	<u>11,610,111</u>
<u>49,344</u>	<u>5,573</u>	<u>412,250</u>	<u>3,711,543</u>	<u>13,665,591</u>
4,089	1,422	13,242	109,998	204,598
-	-	-	2,545	136,738
455	-	1,676	13,316	71,788
-	4,151	-	-	110,464
-	-	-	39,245	39,245
-	-	-	-	1,198
-	-	10,899	5,165	53,883
-	-	-	-	80,357
<u>4,544</u>	<u>5,573</u>	<u>25,817</u>	<u>170,269</u>	<u>698,271</u>
-	-	-	-	354,036
21	-	1,094	20,390	56,581
-	-	113	554	2,397
<u>21</u>	<u>-</u>	<u>1,207</u>	<u>20,944</u>	<u>413,014</u>
<u>4,565</u>	<u>5,573</u>	<u>27,024</u>	<u>191,213</u>	<u>1,111,285</u>
46,953	-	101,846	2,758,432	11,173,929
(2,174)	-	283,380	761,898	1,380,377
<u>\$ 44,779</u>	<u>\$ -</u>	<u>\$ 385,226</u>	<u>\$ 3,520,330</u>	<u>\$ 12,554,306</u>

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	Refuse Collection	Airport Operations	Parking Operations	Transit Operations	Golf Course
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ 1,551,484	\$ -	\$ -	\$ -	\$ -
Parking fees	-	-	193,173	-	-
Transit fees	-	-	-	185,645	-
Golf course fees	-	-	-	-	715,444
Boat harbor fees	-	-	-	-	-
Management fees	-	8,700	-	-	-
Rents	-	26,255	-	-	-
Other	3,905	4,568	1,648	8	49,235
Total operating revenues	1,555,389	39,523	194,821	185,653	764,679
Operating expenses:					
Cost of sales and services:					
Personal services	600,311	-	137,173	582,322	294,214
Commodities	83,461	4,131	2,240	90,886	180,770
Contractual services	666,927	99,874	7,076	144,305	173,321
Administration	54,600	7,200	18,000	14,600	42,900
Depreciation	93,460	493,804	36,920	75,449	87,221
Total operating expenses	1,498,759	605,009	201,409	907,562	778,426
Operating income (loss)	56,630	(565,486)	(6,588)	(721,909)	(13,747)
Non-operating revenues (expenses):					
Federal, state and local grants	46,938	-	-	439,734	27,063
Interest revenue	2,152	94	1,876	3,429	2,929
Interest expense	(20,863)	-	-	-	-
Bond issuance costs	(358)	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-	(47,331)
Non-operating revenues (expenses), net	27,869	94	1,876	443,163	(17,339)
Income (loss) before capital contributions and transfers	84,499	(565,392)	(4,712)	(278,746)	(31,086)
Capital contributions - grants	-	1,109,283	-	-	-
Capital contributions - government	-	-	183,088	-	-
Transfers in	-	70,906	-	160,188	-
Transfers out	-	-	-	-	-
Change in net assets	84,499	614,797	178,376	(118,558)	(31,086)
Net assets, June 30, 2008	825,230	4,526,501	728,280	607,647	1,188,285
Net assets, June 30, 2009	\$ 909,729	\$ 5,141,298	\$ 906,656	\$ 489,089	\$ 1,157,199

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ -	\$ -	\$ 1,013,627	\$ -	\$ 2,565,111
-	-	-	-	193,173
-	-	-	-	185,645
-	-	-	-	715,444
23,274	-	-	-	23,274
-	-	-	-	8,700
-	-	-	403,575	429,830
84	6,599	35,095	16,529	117,671
<u>23,358</u>	<u>6,599</u>	<u>1,048,722</u>	<u>420,104</u>	<u>4,238,848</u>
12,824	1,077	100,980	378,509	2,107,410
3,496	8,176	59,603	66,906	499,669
4,021	1,708	164,000	252,096	1,513,328
4,500	-	132,800	-	274,600
9,807	-	25,840	270,228	1,092,729
<u>34,648</u>	<u>10,961</u>	<u>483,223</u>	<u>967,739</u>	<u>5,487,736</u>
<u>(11,290)</u>	<u>(4,362)</u>	<u>565,499</u>	<u>(547,635)</u>	<u>(1,248,888)</u>
-	-	-	385,186	898,921
-	-	4,008	20,771	35,259
-	-	-	-	(20,863)
-	-	-	-	(358)
-	-	-	(7,337)	(54,668)
<u>-</u>	<u>-</u>	<u>4,008</u>	<u>398,620</u>	<u>858,291</u>
(11,290)	(4,362)	569,507	(149,015)	(390,597)
-	-	-	25,448	1,134,731
-	-	-	-	183,088
-	4,362	-	-	235,456
-	-	(504,400)	-	(504,400)
<u>(11,290)</u>	<u>-</u>	<u>65,107</u>	<u>(123,567)</u>	<u>658,278</u>
<u>56,069</u>	<u>-</u>	<u>320,119</u>	<u>3,643,897</u>	<u>11,896,028</u>
<u>\$ 44,779</u>	<u>\$ -</u>	<u>\$ 385,226</u>	<u>\$ 3,520,330</u>	<u>\$ 12,554,306</u>

City of Muscatine, Iowa
Non-Major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2009

	Refuse Collection	Airport Operations	Parking Operations	Transit Operations	Golf Course
Cash flows from operating activities					
Receipts from customers and users	\$ 1,539,902	\$ 39,967	\$ 191,003	\$ 185,504	\$ 763,046
Payments to suppliers	(604,900)	(83,229)	(9,526)	(54,883)	(343,688)
Payments to employees	(407,111)	-	(110,463)	(486,047)	(221,340)
Payments for employee benefits	(188,590)	-	(26,044)	(93,653)	(71,288)
Payments for interfund services used	(181,789)	(22,863)	(18,000)	(213,932)	(46,176)
Net cash provided (used) by operating activities	<u>157,512</u>	<u>(66,125)</u>	<u>26,970</u>	<u>(663,011)</u>	<u>80,554</u>
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	-	70,906	-	160,188	-
Advances from other funds	23,064	75,192	-	-	8,058
Advances to other funds	-	-	(4,151)	-	-
Repayment of advances from other funds	(6,220)	-	-	-	-
Repayment of advances to other funds	-	-	2,150	-	-
Subsidies from federal, state and local grants	42,245	-	-	448,104	27,063
Net cash provided (used) by noncapital financing activities	<u>59,089</u>	<u>146,098</u>	<u>(2,001)</u>	<u>608,292</u>	<u>35,121</u>
Cash flows from capital and related financing activities					
Capital contributions	-	968,418	-	-	-
Purchase of capital assets	(121,114)	(1,077,920)	-	-	(245,350)
Principal paid on capital debt	(80,651)	-	-	-	-
Interest paid on capital debt	(16,796)	-	-	-	-
Insurance recoveries for loss of capital assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(218,561)</u>	<u>(109,502)</u>	<u>-</u>	<u>-</u>	<u>(245,350)</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	1,960	94	1,937	3,767	3,007
Net cash provided (used) by investing activities	<u>1,960</u>	<u>94</u>	<u>1,937</u>	<u>3,767</u>	<u>3,007</u>
Net increase (decrease) in cash and pooled investments	-	(29,435)	26,906	(50,952)	(126,668)
Cash and pooled investments, June 30, 2008	-	38,681	76,319	232,192	126,668
Cash and pooled investments, June 30, 2009	<u>\$ -</u>	<u>\$ 9,246</u>	<u>\$ 103,225</u>	<u>\$ 181,240</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	<u>\$ 56,630</u>	<u>\$ (565,486)</u>	<u>\$ (6,588)</u>	<u>\$ (721,909)</u>	<u>\$ (13,747)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	93,460	493,804	36,920	75,449	87,221
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(15,572)	188	1,014	(64)	(1,657)
Intergovernmental receivable	-	-	-	-	-
Inventories	-	-	-	-	(2,477)
Prepaid items	-	-	-	-	-
Increase (decrease) in:					
Accounts payable and accruals	18,398	5,113	(210)	(19,024)	9,604
Compensated absences payable	3,436	-	485	2,485	1,247
Other post-employment benefits	1,074	-	181	136	339
Deferred revenue	86	256	(4,832)	(84)	24
Deposits	-	-	-	-	-
Total adjustments	<u>100,882</u>	<u>499,361</u>	<u>33,558</u>	<u>58,898</u>	<u>94,301</u>
Net cash provided (used) by operating activities	<u>\$ 157,512</u>	<u>\$ (66,125)</u>	<u>\$ 26,970</u>	<u>\$ (663,011)</u>	<u>\$ 80,554</u>
Non-cash capital and related financing activities:					
Contribution of capital asset from government	\$ -	\$ -	\$ 183,088	\$ -	\$ -
Change in accounts payable used to purchase capital assets	-	88,901	-	-	-
Total non-cash capital and related financing activities	<u>-</u>	<u>88,901</u>	<u>183,088</u>	<u>-</u>	<u>-</u>

Boat Harbor	Marina Operations	Ambulance Operations	Public Housing	Total
\$ 21,370	\$ 6,168	\$ 1,060,516	\$ 417,320	\$ 4,224,796
(4,233)	(11,454)	(260,550)	(235,670)	(1,608,133)
(9,453)	(998)	(80,758)	(267,693)	(1,583,863)
(3,239)	(79)	(17,340)	(91,183)	(491,416)
(4,500)	-	(154,615)	(69,302)	(711,177)
(55)	(6,363)	547,253	(246,528)	(169,793)
-	-	(504,400)	-	(504,400)
-	4,362	-	-	235,456
-	4,151	-	-	110,465
-	-	-	-	(4,151)
-	(2,150)	-	-	(8,370)
-	-	-	-	2,150
-	-	-	385,186	902,598
-	6,363	(504,400)	385,186	733,748
-	-	-	-	968,418
-	-	-	(162,649)	(1,607,033)
-	-	-	-	(80,651)
-	-	-	-	(16,796)
-	-	-	27,602	27,602
-	-	-	(135,047)	(708,460)
-	-	-	1,540,125	1,540,125
-	-	-	(1,566,538)	(1,566,538)
-	-	3,284	24,610	38,659
-	-	3,284	(1,803)	12,246
(55)	-	46,137	1,808	(132,259)
457	-	101,627	4,196	580,140
\$ 402	\$ -	\$ 147,764	\$ 6,004	\$ 447,881
\$ (11,290)	\$ (4,362)	\$ 565,499	\$ (547,635)	\$ (1,248,888)
9,807	-	25,840	270,228	1,092,729
(1,989)	(431)	4,693	(2,812)	(16,630)
-	-	(3,799)	-	(3,799)
-	(2,980)	-	-	(5,457)
-	-	1,092	-	1,092
3,285	1,410	(59,854)	27,815	(13,463)
132	-	2,770	5,293	15,848
-	-	113	554	2,397
-	-	10,899	(1,123)	5,226
-	-	-	1,152	1,152
11,235	(2,001)	(18,246)	301,107	1,079,095
\$ (55)	\$ (6,363)	\$ 547,253	\$ (246,528)	\$ (169,793)
\$ -	\$ -	\$ -	\$ -	\$ 183,088
-	-	-	-	88,901
-	-	-	-	271,989

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Net Assets
June 30, 2009**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Assets:					
Current assets:					
Cash and pooled investments	\$ -	\$ -	\$ 1,198,958	\$ 37,137	\$ 1,236,095
Receivables:					
Interest	-	-	3,317	115	3,432
Accounts	3,457	-	23,384	-	26,841
Advances to other funds	-	-	12,481	-	12,481
Inventories	119,820	2,307	-	-	122,127
Total current assets	<u>123,277</u>	<u>2,307</u>	<u>1,238,140</u>	<u>37,252</u>	<u>1,400,976</u>
Capital assets:					
Equipment	122,889	-	-	-	122,889
Vehicles	50,203	-	-	-	50,203
Less accumulated depreciation	(166,131)	-	-	-	(166,131)
Total capital assets net of accumulated depreciation	<u>6,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,961</u>
Total assets	<u>130,238</u>	<u>2,307</u>	<u>1,238,140</u>	<u>37,252</u>	<u>1,407,937</u>
Liabilities:					
Current liabilities:					
Accounts payable and accruals	29,762	-	120,061	3,349	153,172
Compensated absences payable	17,843	-	-	-	17,843
Advances from other funds	10,748	1,733	-	-	12,481
Total current liabilities	<u>58,353</u>	<u>1,733</u>	<u>120,061</u>	<u>3,349</u>	<u>183,496</u>
Noncurrent liabilities:					
Compensated absences payable	20,334	-	-	-	20,334
Other post employment benefits	452	-	-	-	452
Total noncurrent liabilities	<u>20,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,786</u>
Total liabilities	<u>79,139</u>	<u>1,733</u>	<u>120,061</u>	<u>3,349</u>	<u>204,282</u>
Net assets:					
Net assets invested in capital assets	6,961	-	-	-	6,961
Unrestricted	44,138	574	1,118,079	33,903	1,196,694
Total net assets	<u>\$ 51,099</u>	<u>\$ 574</u>	<u>\$ 1,118,079</u>	<u>\$ 33,903</u>	<u>\$ 1,203,655</u>

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services:					
Services	\$ 619,001	\$ -	\$ -	\$ -	\$ 619,001
Fuel	425,514	-	-	-	425,514
Supply charges	-	2,134	-	-	2,134
Employer contributions	-	-	2,212,101	55,503	2,267,604
Employee contributions	-	-	131,644	52,250	183,894
Other contributions	-	-	154,296	3,454	157,750
Other operating revenue	16	-	-	-	16
Total operating revenues	<u>1,044,531</u>	<u>2,134</u>	<u>2,498,041</u>	<u>111,207</u>	<u>3,655,913</u>
Operating expenses:					
Cost of sales and services:					
Personal services	269,082	-	-	-	269,082
Commodities	558,987	2,096	-	-	561,083
Contractual services	192,863	-	2,229,716	99,191	2,521,770
Administration	13,600	-	3,000	-	16,600
Depreciation	1,978	-	-	-	1,978
Total operating expenses	<u>1,036,510</u>	<u>2,096</u>	<u>2,232,716</u>	<u>99,191</u>	<u>3,370,513</u>
Operating income (loss)	8,021	38	265,325	12,016	285,400
Non-operating revenues:					
Interest revenue	-	-	30,074	799	30,873
Income (loss) before transfers	8,021	38	295,399	12,815	316,273
Transfers out	-	-	(59,999)	-	(59,999)
Change in net assets	8,021	38	235,400	12,815	256,274
Net assets, June 30, 2008	<u>43,078</u>	<u>536</u>	<u>882,679</u>	<u>21,088</u>	<u>947,381</u>
Net assets, June 30, 2009	<u>\$ 51,099</u>	<u>\$ 574</u>	<u>\$ 1,118,079</u>	<u>\$ 33,903</u>	<u>\$ 1,203,655</u>

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2009

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Cash flows from operating activities					
Receipts from interfund services provided	\$ 1,047,143	\$ 2,134	\$ 2,540,757	\$ 111,207	\$ 3,701,241
Payments to suppliers	(753,715)	(2,259)	(2,325,883)	(99,117)	(3,180,974)
Payments to employees	(182,169)	-	-	-	(182,169)
Payments for employee benefits	(82,863)	-	-	-	(82,863)
Payments for interfund services used	(13,600)	-	(3,000)	-	(16,600)
Net cash provided (used) by operating activities	<u>14,796</u>	<u>(125)</u>	<u>211,874</u>	<u>12,090</u>	<u>238,635</u>
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	(59,999)	-	(59,999)
Advances from other funds	10,748	1,733	-	-	12,481
Advances to other funds	-	-	(12,481)	-	(12,481)
Repayment of advances from other funds	(25,544)	(1,608)	-	-	(27,152)
Repayment of advances to other funds	-	-	27,152	-	27,152
Net cash provided (used) by noncapital financing activities	<u>(14,796)</u>	<u>125</u>	<u>(45,328)</u>	<u>-</u>	<u>(59,999)</u>
Cash flows from investing activities					
Interest received	-	-	30,984	789	31,773
Net increase in cash and pooled investments	-	-	197,530	12,879	210,409
Cash and pooled investments, June 30, 2008	-	-	1,001,428	24,258	1,025,686
Cash and pooled investments, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,958</u>	<u>\$ 37,137</u>	<u>\$ 1,236,095</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	<u>\$ 8,021</u>	<u>\$ 38</u>	<u>\$ 265,325</u>	<u>\$ 12,016</u>	<u>\$ 285,400</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,978	-	-	-	1,978
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	2,612	-	42,716	-	45,328
Inventories	42,971	(163)	-	-	42,808
Increase (decrease) in:					
Accounts payable and accruals	(44,862)	-	(96,167)	74	(140,955)
Compensated absences payable	3,624	-	-	-	3,624
Other post employment benefits payable	452	-	-	-	452
Total adjustments	<u>6,775</u>	<u>(163)</u>	<u>(53,451)</u>	<u>74</u>	<u>(46,765)</u>
Net cash provided (used) by operating activities	<u>\$ 14,796</u>	<u>\$ (125)</u>	<u>\$ 211,874</u>	<u>\$ 12,090</u>	<u>\$ 238,635</u>

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are those used to account for assets held by a government as an agent for individuals, private organizations, or other governments or funds.

PAYROLL CLEARING FUND - Accounts for the collection and payment of employee payroll withholdings and City contributions for payroll taxes.

MISCELLANEOUS CLEARING FUND - Accounts for general City expenditures to be allocated to other funds and miscellaneous funds received by the City as an agent for individuals, organizations or other funds.

HOUSING REVOLVING FUND - Accounts for general City expenditures allocated to the City's Housing Programs, which are reimbursed by the Housing Programs.

City of Muscatine, Iowa

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009**

	<u>Payroll Clearing</u>	<u>Miscellaneous Clearing</u>	<u>Housing Revolving</u>	<u>Totals</u>
Assets:				
Cash and pooled investments	\$ 490,304	\$ 2,065	\$ -	\$ 492,369
Accounts receivable	-	349	52,354	52,703
Advances to other funds	<u>52,108</u>	<u>-</u>	<u>-</u>	<u>52,108</u>
Total assets	<u><u>542,412</u></u>	<u><u>2,414</u></u>	<u><u>52,354</u></u>	<u><u>597,180</u></u>
Liabilities:				
Accounts payable and accruals	542,412	2,414	246	545,072
Advances from other funds	<u>-</u>	<u>-</u>	<u>52,108</u>	<u>52,108</u>
Total liabilities	<u><u>\$ 542,412</u></u>	<u><u>\$ 2,414</u></u>	<u><u>\$ 52,354</u></u>	<u><u>\$ 597,180</u></u>

City of Muscatine, Iowa
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2009

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
<u>Payroll Clearing Fund</u>				
Assets:				
Cash and pooled investments	\$ 418,300	\$ 13,484,363	\$ 13,412,359	\$ 490,304
Advances to other funds	47,583	4,525	-	52,108
Total assets	<u>\$ 465,883</u>	<u>\$ 13,488,888</u>	<u>\$ 13,412,359</u>	<u>\$ 542,412</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 465,883</u>	<u>\$ 3,853,082</u>	<u>\$ 3,776,553</u>	<u>\$ 542,412</u>
<u>Miscellaneous Clearing Fund</u>				
Assets:				
Cash and pooled investments	\$ 1,194	\$ 871	\$ -	\$ 2,065
Accounts receivable	762	-	413	349
Total assets	<u>\$ 1,956</u>	<u>\$ 871</u>	<u>\$ 413</u>	<u>\$ 2,414</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 1,956</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 2,414</u>
<u>Housing Revolving Fund</u>				
Assets:				
Accounts receivable	<u>\$ 47,764</u>	<u>\$ 4,590</u>	<u>\$ -</u>	<u>\$ 52,354</u>
Liabilities:				
Accounts payable and accruals	\$ 181	\$ 65	\$ -	\$ 246
Advances from other funds	47,583	4,525	-	52,108
Total liabilities	<u>\$ 47,764</u>	<u>\$ 4,590</u>	<u>\$ -</u>	<u>\$ 52,354</u>
<u>Total</u>				
Assets:				
Cash and pooled investments	\$ 419,494	\$ 13,485,234	\$ 13,412,359	\$ 492,369
Accounts receivable	48,526	4,590	413	52,703
Advances to other funds	47,583	4,525	-	52,108
Total assets	<u>\$ 515,603</u>	<u>\$ 13,494,349</u>	<u>\$ 13,412,772</u>	<u>\$ 597,180</u>
Liabilities:				
Accounts payable and accruals	\$ 468,020	\$ 3,853,605	\$ 3,776,553	\$ 545,072
Advances from other funds	47,583	4,525	-	52,108
Total liabilities	<u>\$ 515,603</u>	<u>\$ 3,858,130</u>	<u>\$ 3,776,553</u>	<u>\$ 597,180</u>

MUSCATINE COUNTY SOLID WASTE AGENCY

COMPONENT UNIT

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Net Assets
June 30, 2009**

Assets:	
Restricted assets:	
Cash and pooled investments	\$ 927,404
Capital assets:	
Land	1,080,608
Land improvements	713,178
Buildings	37,314
Equipment	31,317
Construction in progress	1,084,217
Less accumulated depreciation	<u>(265,007)</u>
Total capital assets (net of accumulated depreciation)	<u>2,681,627</u>
Total assets	<u><u>3,609,031</u></u>
 Liabilities and net assets	
Current liabilities:	
Accounts payable and accruals	305,866
Retainages payable	54,211
Compensated absences payable	<u>933</u>
Total current liabilities	<u>361,010</u>
Noncurrent liabilities:	
Loan due to primary government	1,850,925
Closure/post-closure obligation	<u>1,826,505</u>
Total noncurrent liabilities	<u>3,677,430</u>
Total liabilities	<u>4,038,440</u>
Net assets:	
Invested in capital assets, net of related debt	2,681,627
Unrestricted	<u>(3,111,036)</u>
Total net assets	<u><u>\$ (429,409)</u></u>

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009**

Operating revenues:	
Charges for services	\$ 1,033,000
Other operating revenues	<u>833</u>
Total operating revenues	<u>1,033,833</u>
Operating expenses:	
Cost of services:	
Personal services	28,706
Commodities	46,392
Contractual services	1,016,214
Administration	42,600
Depreciation	<u>26,734</u>
Total operating expenses	<u>1,160,646</u>
Operating income (loss)	<u>(126,813)</u>
Non-operating revenue:	
Intergovernmental revenue	<u>117,177</u>
Net income (loss)	(9,636)
Net assets, June 30, 2008	<u>(419,773)</u>
Net assets, June 30, 2009	<u><u>\$ (429,409)</u></u>

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Cash Flows
Year Ended June 30, 2009**

Cash flows from operating activities

Receipts from customers and users	\$ 1,033,832
Payments to suppliers	(786,471)
Payments to employees	(20,970)
Payments for employee benefits	(7,754)
Payments for interfund services used	(42,600)
Net cash provided (used) by operating activities	<u>176,037</u>

Cash flows from noncapital financing activities

Loan from primary government	908,080
Subsidies from federal, state and local governments	<u>116,712</u>
Net cash provided (used) by noncapital financing activities	<u>1,024,792</u>

Cash flows from capital and related financing activities

Purchase of capital assets	<u>(1,084,375)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,084,375)</u>

Net increase in cash and pooled investments 116,454

Cash and pooled investments, June 30, 2008 810,950

Cash and pooled investments, June 30, 2009 \$ 927,404

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Cash flows from operating activities:

Operating income (loss)	<u>\$ (126,813)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	26,734
Increase (decrease) in:	
Accounts payable and accruals	223,348
Compensated absences payable	(19)
Closure/post-closure liability	<u>52,787</u>
Total adjustments	<u>302,850</u>
Net cash provided (used) by operating activities	<u><u>\$ 176,037</u></u>

Non-cash capital and related financing activities:

Change in accounts payable used to purchase capital assets	<u><u>\$ 54,210</u></u>
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STATISTICAL SECTION

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

Contents	Page
Financial Trends (Schedules 1 – 5)	98-104
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (Schedules 6 – 9)	105-108
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity (Schedules 10 – 13)	109-112
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (Schedules 14 – 15)	113-114
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (Schedules 16 – 18)	115-117
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

	Fiscal Year						
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 46,209,004	\$ 48,955,154	\$ 51,221,230	\$ 50,011,138	\$ 51,581,004	\$ 50,833,005	\$ 50,303,012
Restricted	4,262,984	3,044,136	2,948,998	3,420,397	3,305,450	5,644,659	2,989,872
Unrestricted	5,974,714	7,329,316	5,250,409	5,466,892	6,823,222	6,272,247	7,330,802
Total governmental activities net assets	<u>\$ 56,446,702</u>	<u>\$ 59,328,606</u>	<u>\$ 59,420,637</u>	<u>\$ 58,898,427</u>	<u>\$ 61,709,676</u>	<u>\$ 62,749,911</u>	<u>\$ 60,623,686</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 47,317,599	\$ 47,010,683	\$ 47,550,543	\$ 51,101,160	\$ 52,481,362	\$ 53,255,999	\$ 57,286,029
Restricted	-	-	-	-	-	-	190,093
Unrestricted	6,395,421	6,547,924	6,529,619	6,582,593	6,023,561	7,796,532	7,105,081
Total business-type activities net assets	<u>\$ 53,713,020</u>	<u>\$ 53,558,607</u>	<u>\$ 54,080,162</u>	<u>\$ 57,683,753</u>	<u>\$ 58,504,923</u>	<u>\$ 61,052,531</u>	<u>\$ 64,581,203</u>
Primary government							
Invested in capital assets, net of related debt	\$ 93,526,603	\$ 95,965,837	\$ 98,771,773	\$ 101,112,298	\$ 104,062,366	\$ 104,089,004	\$ 107,589,041
Restricted	4,262,984	3,044,136	2,948,998	3,420,397	3,305,450	5,644,659	3,179,965
Unrestricted	12,370,135	13,877,240	11,780,028	12,049,485	12,846,783	14,068,779	14,435,883
Total primary government net assets	<u>\$ 110,159,722</u>	<u>\$ 112,887,213</u>	<u>\$ 113,500,799</u>	<u>\$ 116,582,180</u>	<u>\$ 120,214,599</u>	<u>\$ 123,802,442</u>	<u>\$ 125,204,889</u>

Note - The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003.

City of Muscatine, Iowa
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fical Year						
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Expenses							
Governmental activities:							
Public safety	\$ 5,309,173	\$ 5,561,580	\$ 6,081,788	\$ 6,164,169	\$ 6,476,982	\$ 6,972,493	\$ 7,136,808
Public works	3,409,044	2,970,927	3,220,525	3,802,168	3,299,503	3,498,689	5,262,061
Health and social services	18,400	16,560	15,700	16,660	26,700	16,660	16,660
Culture and recreation	3,146,370	2,957,891	3,466,568	3,967,702	3,774,353	3,773,895	3,970,285
Community and economic development	2,659,516	3,849,722	3,217,531	2,234,880	2,446,232	2,757,190	2,656,737
General government	1,639,035	1,659,438	1,725,955	1,844,803	1,866,359	1,880,724	1,967,161
Interest and fees on long-term debt	424,222	397,429	422,410	379,549	432,626	391,759	473,916
Total governmental activities expense	16,605,760	17,413,547	18,150,477	18,409,931	18,322,755	19,291,410	21,483,628
Business-type activities:							
Water pollution control	3,900,792	4,094,791	4,134,898	4,329,934	4,581,077	4,649,437	4,992,317
Refuse collection	1,177,342	1,221,882	1,243,306	1,283,743	1,423,922	1,390,113	2,228,048
Transfer station	2,090,482	2,002,761	2,181,508	2,130,005	2,363,530	2,486,114	1,519,980
Airport	550,558	621,520	551,070	579,586	545,259	561,312	605,009
Parking	191,746	204,879	205,301	220,508	210,405	244,774	201,409
Transit	636,108	618,308	678,757	763,123	781,763	872,252	907,562
Golf course	449,905	451,551	468,149	439,438	586,908	778,125	825,757
Boat harbor	42,253	41,486	33,273	33,630	37,325	33,015	34,648
Marina	15,662	8,430	8,004	27,176	24,203	12,461	10,961
Cable Television	37,340	31,137	-	-	-	-	-
Ambulance	660,808	749,644	914,100	908,058	912,403	428,659	483,223
Public housing	792,855	831,545	935,354	882,502	911,298	924,183	975,076
Total business-type activities expense	10,545,851	10,877,934	11,353,720	11,597,703	12,378,093	12,380,445	12,783,990
Total primary government expense	\$ 27,151,611	\$ 28,291,481	\$ 29,504,197	\$ 30,007,634	\$ 30,700,848	\$ 31,671,855	\$ 34,267,618

(Continued)

	Fical Year						
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
(Continued)							
Program Revenues							
Governmental activities:							
Charges for services:							
Public safety	\$ 293,522	\$ 310,762	\$ 356,703	\$ 306,954	\$ 383,518	\$ 421,978	\$ 438,932
Public works	157,213	143,089	179,104	141,803	140,649	151,785	319,112
Culture and recreation	421,507	537,726	599,761	577,257	616,982	598,707	494,131
Community and economic development	244,164	349,250	372,703	407,977	398,479	405,832	358,812
General government	324,125	307,054	324,733	432,880	382,812	410,042	473,567
Operating grants and contributions	3,940,767	4,271,667	4,617,475	4,805,002	4,263,038	4,229,961	4,736,388
Capital grants and contributions	644,403	2,544,051	894,158	1,733,592	2,018,077	963,114	108,213
Total governmental activities program revenues	6,025,701	8,463,599	7,344,637	8,405,465	8,203,555	7,181,419	6,929,155
Business-type activities:							
Charges for services:							
Water pollution control	2,948,850	3,537,974	3,612,206	3,745,884	3,854,728	4,259,343	4,518,700
Refuse collection	1,254,825	1,257,199	1,261,040	1,312,208	1,364,809	1,462,820	1,555,388
Transfer station	1,944,351	1,750,444	1,898,293	1,767,744	1,893,083	2,090,391	1,498,300
Airport	43,446	43,639	46,086	43,564	47,351	41,023	39,523
Parking	183,525	171,614	161,344	188,146	178,128	204,733	194,821
Transit	76,497	86,731	90,457	106,144	129,429	183,586	185,653
Golf course	408,070	412,069	402,214	402,832	532,104	719,281	764,679
Boat harbor	32,389	19,552	18,745	21,782	26,022	23,899	23,359
Marina	14,069	7,129	5,200	26,616	22,494	10,721	6,599
Cable Television	194,049	236,479	-	-	-	-	-
Ambulance	742,151	792,432	850,406	735,295	817,532	968,157	1,048,722
Public housing	389,880	373,202	362,487	367,010	382,556	424,905	420,104
Operating grants and contributions	600,280	594,674	551,160	619,692	674,031	1,017,826	1,008,488
Capital grants and contributions	143,759	364,601	296,941	642,818	324,539	353,324	1,317,819
Total business-type activities program revenues	8,976,141	9,647,739	9,556,579	9,979,735	10,246,806	11,760,009	12,582,155
Total primary government program revenues	\$ 15,001,842	\$ 18,111,338	\$ 16,901,216	\$ 18,385,200	\$ 18,450,361	\$ 18,941,428	\$ 19,511,310
Net (Expense)/Revenue							
Governmental activities	\$ (10,580,059)	\$ (8,949,948)	\$ (10,805,840)	\$ (10,004,466)	\$ (10,119,200)	\$ (12,109,991)	\$ (14,554,473)
Business-type activities	(1,569,710)	(1,230,195)	(1,797,141)	(1,617,968)	(2,131,287)	(620,436)	(201,835)
Total primary government net expense	\$ (12,149,769)	\$ (10,180,143)	\$ (12,602,981)	\$ (11,622,434)	\$ (12,250,487)	\$ (12,730,427)	\$ (14,756,308)

(Continued)

	Fical Year						
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
(Continued)							
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 9,726,834	\$ 9,983,521	\$ 10,242,610	\$ 10,916,665	\$ 11,763,138	\$ 12,141,875	\$ 12,040,376
Utility taxes	79,468	67,339	63,638	59,209	63,986	67,703	64,358
Local option sales tax	2,103,843	2,210,111	1,938,370	2,290,018	2,589,592	2,688,049	2,864,582
Hotel/motel taxes	274,654	310,798	327,575	306,075	338,818	366,261	344,354
Cable franchise taxes	-	-	238,788	245,132	242,164	239,812	239,039
Intergovernmental, unrestricted	472,310	129,974	64,870	61,834	99,002	150,424	149,913
Unrestricted investment income	113,151	111,595	203,275	337,227	455,562	399,317	267,227
Gain on sale of capital assets	22,231	4,187	-	248,667	-	-	-
Contributions to endowments	6,660	8,100	4,500	8,820	8,735	7,980	6,620
Transfers	(225,183)	(993,773)	(2,185,755)	(4,991,391)	(2,630,548)	(2,911,195)	(3,548,221)
Total governmental activities	12,573,968	11,831,852	10,897,871	9,482,256	12,930,449	13,150,226	12,428,248
Business-type activities:							
Unrestricted investment income	103,668	78,901	130,688	230,168	317,561	256,849	182,286
Gain on sale of capital assets	-	3,108	2,253	-	4,348	-	-
Transfers	225,183	993,773	2,185,755	4,991,391	2,630,548	2,911,195	3,548,221
Total business-type activities	328,851	1,075,782	2,318,696	5,221,559	2,952,457	3,168,044	3,730,507
Total primary government	\$ 12,902,819	\$ 12,907,634	\$ 13,216,567	\$ 14,703,815	\$ 15,882,906	\$ 16,318,270	\$ 16,158,755
Changes in Net Assets							
Governmental activities	\$ 1,993,909	\$ 2,881,904	\$ 92,031	\$ (522,210)	\$ 2,811,249	\$ 1,040,235	\$ (2,126,225)
Business-type activities	(1,240,859)	(154,413)	521,555	3,603,591	821,170	2,547,608	3,528,672
Total primary government	\$ 753,050	\$ 2,727,491	\$ 613,586	\$ 3,081,381	\$ 3,632,419	\$ 3,587,843	\$ 1,402,447

Note - The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003.

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

	<u>1999/2000</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03 (1)</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
General Fund										
Reserved	\$ 37,728	\$ 5,347	\$ 18,846	\$ 28,252	\$ 36,674	\$ 27,589	\$ 27,156	\$ 65,640	\$ 11,833	\$ 119,222
Unreserved	<u>1,911,902</u>	<u>2,080,719</u>	<u>1,821,534</u>	<u>1,926,667</u>	<u>1,877,669</u>	<u>1,697,668</u>	<u>1,715,921</u>	<u>1,670,285</u>	<u>1,733,810</u>	<u>1,641,489</u>
Total General Fund	<u>\$ 1,949,630</u>	<u>\$ 2,086,066</u>	<u>\$ 1,840,380</u>	<u>\$ 1,954,919</u>	<u>\$ 1,914,343</u>	<u>\$ 1,725,257</u>	<u>\$ 1,743,077</u>	<u>\$ 1,735,925</u>	<u>\$ 1,745,643</u>	<u>\$ 1,760,711</u>
All other governmental funds										
Reserved	\$ 257,565	\$ 135,194	\$ 145,899	\$ 3,227,576	\$ 1,847,902	\$ 3,534,473	\$ 2,111,183	\$ 2,675,724	\$ 4,162,323	\$ 2,349,556
Unreserved, reported in:										
Special revenue funds	4,255,903	2,467,417	2,749,497	5,178,670	6,872,499	3,202,064	6,292,089	6,965,479	8,589,873	7,606,228
Capital projects funds	<u>(499,368)</u>	<u>1,431,083</u>	<u>1,728,241</u>	<u>665,228</u>	<u>510,981</u>	<u>184,922</u>	<u>(460,420)</u>	<u>(688,952)</u>	<u>(4,856)</u>	<u>(1,564,725)</u>
Total all other governmental funds	<u>\$ 4,014,100</u>	<u>\$ 4,033,694</u>	<u>\$ 4,623,637</u>	<u>\$ 9,071,474</u>	<u>\$ 9,231,382</u>	<u>\$ 6,921,459</u>	<u>\$ 7,942,852</u>	<u>\$ 8,952,251</u>	<u>\$ 12,747,340</u>	<u>\$ 8,391,059</u>

1. Beginning in 2002/2003 the governmental funds include the former expendable trusts and non-expendable trusts. These trusts were re-classified as special revenue and permanent funds, respectively, at the time the City implemented GASB Statement 34.

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

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Revenues							
Taxes	\$ 12,184,799	\$ 12,571,769	\$ 12,810,981	\$ 13,817,099	\$ 14,997,698	\$ 15,503,700	\$ 15,484,709
Licenses and permits	237,283	312,573	301,322	332,378	324,913	319,931	324,492
Fines and forfeitures	156,130	143,730	149,785	126,720	144,427	203,136	177,324
Intergovernmental	4,585,829	4,391,299	4,613,775	5,695,585	5,170,180	4,247,598	4,830,706
Charges for services	306,335	390,484	478,454	416,045	418,119	437,472	480,659
Use of money and property	238,720	270,222	354,965	532,674	654,064	620,396	453,027
Special assessments	20,201	8,751	6,882	5,926	3,764	-	-
Other	1,080,417	2,890,469	1,695,158	1,472,920	1,488,012	1,201,473	1,174,617
Total revenues	18,809,714	20,979,297	20,411,322	22,399,347	23,201,177	22,533,706	22,925,534
Expenditures (1)							
Public safety	4,949,302	5,237,847	5,397,682	5,743,778	6,122,631	6,704,267	6,887,993
Public works	1,585,422	1,399,487	1,487,544	1,553,652	1,640,026	1,821,559	2,021,234
Health and social services	18,400	16,560	15,700	16,660	26,700	16,660	16,660
Culture and recreation	2,237,717	2,233,786	2,366,457	2,445,399	2,513,499	2,632,617	2,708,935
Community and economic development	2,435,788	2,800,999	2,388,844	2,076,963	2,271,322	2,548,056	2,646,867
General government	1,575,566	1,564,697	1,594,378	1,754,878	1,754,039	1,803,850	1,869,708
Capital outlay	2,891,805	6,881,185	5,709,323	4,300,157	3,611,445	4,127,296	5,629,604
Debt service:							
Principal	1,587,384	1,681,018	1,377,790	1,397,975	1,343,176	1,361,385	1,520,837
Interest	380,812	395,867	418,977	370,960	431,653	378,304	475,087
Paying agent	2,100	2,582	2,400	2,500	2,800	2,800	1,600
Refunding bond issuance costs	-	-	-	-	-	6,962	-
Total expenditures	17,664,296	22,214,028	20,759,095	19,662,922	19,717,291	21,403,756	23,778,525
Excess of revenues over (under) expenditures	1,145,418	(1,234,731)	(347,773)	2,736,425	3,483,886	1,129,950	(852,991)
Other financing sources (uses)							
General obligation bonds issued	1,780,000	-	-	2,990,000	-	5,120,000	-
General obligation bond premium (discount)	(10,288)	-	-	(15,548)	-	2,655	-
Refunding bonds issued	-	-	-	-	-	1,714,384	-
Refunding bond premium	-	-	-	-	-	2,220	-
Payment of refunded bonds	-	-	-	-	-	(1,680,000)	-
Tax increment revenue bonds issued	-	2,305,000	-	-	-	-	-
Proceeds from capital lease	14,863	-	-	-	-	-	-
Sale of capital assets	-	-	-	275,840	-	-	-
Insurance recoveries	-	-	-	-	103,514	379,589	-
Transfers in	4,781,693	5,284,115	5,074,263	4,905,672	5,783,805	6,431,380	5,819,738
Transfers out	(4,963,653)	(6,235,052)	(7,225,499)	(9,853,176)	(8,368,958)	(9,295,371)	(9,307,960)
Total other financing sources (uses)	1,602,615	1,354,063	(2,151,236)	(1,697,212)	(2,481,639)	2,674,857	(3,488,222)
Net change in fund balances	\$ 2,748,033	\$ 119,332	\$ (2,499,009)	\$ 1,039,213	\$ 1,002,247	\$ 3,804,807	\$ (4,341,213)
Debt service as a percentage of non-capital expenditures	12.3%	12.4%	10.8%	10.5%	10.6%	9.6%	9.8%

1. The City began to classify expenditures in these functional areas when it implemented GASB Statement 34 in 2002/2003.

Schedule 5

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

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Incremental Property Tax (TIF Districts)</u>	<u>Utility Excise Tax (1)</u>	<u>Mobile Home Tax</u>	<u>Hotel/Motel Tax</u>	<u>Cable Franchise Tax (2)</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
1999/2000	\$ 7,701,160	\$ 469,764	\$ -	\$ 17,118	\$ 294,318	\$ -	\$ 2,207,507	\$ 10,689,867
2000/2001	7,974,925	544,471	68,144	18,010	330,850	-	2,451,888	11,388,288
2001/2002	8,544,437	637,922	72,767	19,366	276,207	-	1,985,400	11,536,099
2002/2003	8,959,144	749,270	79,468	18,420	274,654	-	2,103,843	12,184,799
2003/2004	9,176,000	789,101	67,339	18,420	310,798	-	2,210,111	12,571,769
2004/2005	9,233,886	990,224	63,638	18,500	327,575	238,788	1,938,370	12,810,981
2005/2006	9,841,238	1,056,387	59,209	19,040	306,075	245,132	2,290,018	13,817,099
2006/2007	10,737,977	1,004,423	63,986	20,738	338,818	242,164	2,589,592	14,997,698
2007/2008	11,131,690	990,255	67,703	19,930	366,261	239,812	2,688,049	15,503,700
2008/2009	11,350,093	671,050	64,358	19,233	344,354	239,039	2,796,582	15,484,709
Change 1999/2000 to 2008/2009	47.4%	42.8%		12.4%	17.0%		26.7%	44.9%

1. Gas and electric utilities were assessed general property taxes based on assessed valuations through 1999/2000; beginning in 2000/2001 these utilities are subject to an excise tax based on the amount of energy delivered in a one year period.
2. Cable franchise tax revenue was accounted for in an enterprise fund through 2003/2004; beginning in 2004/2005 this revenue is accounted for in the General Fund

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

<u>Tax Collection Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Machinery & Equipment (1)</u>	<u>Railroads and Utilities</u>	<u>Less: Military Exemption</u>	<u>Total Taxable Value</u>	<u>Total Direct Tax Rate (per \$1,000 of Valuation)</u>	<u>Estimated Actual Value</u>	<u>Taxable Value as a Percentage of Estimated Actual Value</u>
1999/2000	\$ 274,267,804	\$ 141,001,356	\$ 86,900,503	\$ 81,202,775	\$ 11,680,094	\$ 3,069,850	\$ 591,982,682	\$ 13.03131	\$ 806,737,396	73.4%
2000/2001	270,191,149	161,617,659	98,244,262	58,812,852	6,143,188 (2)	2,949,646	592,059,464	13.46509	819,977,512	72.2%
2001/2002	282,884,359	183,724,111	109,053,872	36,245,853	6,095,471	2,857,078	615,146,588	13.93626	838,436,018	73.4%
2002/2003	312,053,447	179,321,943	111,824,874	14,739,532	6,739,905	2,772,444	621,907,257	14.35639	921,894,838	67.5%
2003/2004	314,511,010	179,354,859	114,983,487	-	7,163,614	2,679,844	613,333,126	14.84915	914,556,777	67.1%
2004/2005	304,751,605	181,561,051	114,149,216	-	6,486,449	2,547,347	604,400,974	15.14549	935,583,731	64.6%
2005/2006	309,991,311	196,029,944	116,742,479	-	7,311,377	2,455,752	627,619,359	15.51344	969,948,931	64.7%
2006/2007	332,674,470	203,766,173	122,163,719	-	7,712,376	2,382,598	663,934,140	16.03891	1,063,565,913	62.4%
2007/2008	336,495,971	211,504,406	115,798,968	-	6,652,746	2,376,768	668,075,323	16.52993	1,076,411,985	62.1%
2008/2009	339,854,784	233,055,584	121,374,018	-	6,926,265	2,278,038	698,932,613	16.15095	1,136,242,003	61.5%

1. The State of Iowa eliminated taxes on all new machinery and equipment beginning in the 1995/96 year and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year.
2. Beginning in 2000/2001 gas and electric utilities have been excluded from the values shown as the taxation of these utilities is no longer based on assessed values. These utilities now pay an excise tax based on the amount of energy delivered in a one year period.

Source: Muscatine County Auditor's Office

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

Fiscal Year	City Direct Rates									Overlapping Rates			Totals by School District	
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Emergency Management	Total Direct Rate	County Consolidated	School Districts			
											Muscatine Community	Louisa-Muscatine Community		
													Muscatine Community	Louisa-Muscatine Community
1999/2000	\$8.10000	\$2.12725	\$2.10208	\$0.33785	\$0.29663	\$0.06750	\$ -	\$ -	\$13.03131	\$ 7.73462	\$15.06575	\$ 12.99862	\$35.83168	\$ 33.76455
2000/2001	8.10000	2.65631	2.06645	0.33494	0.24032	0.06750	-	-	13.46552	7.74389	14.34646	13.87696	35.55587	35.08637
2001/2002	8.10000	2.34072	2.56903	0.35463	0.23438	0.06750	0.27000	-	13.93626	7.61234	14.41514	14.40012	35.96374	35.94872
2002/2003	8.10000	2.65255	2.68750	0.31875	0.26010	0.06750	0.27000	-	14.35640	7.66580	14.56445	15.75821	36.58665	37.78041
2003/2004	8.10000	3.04167	2.82657	0.24223	0.30117	0.06750	0.27000	-	14.84914	7.58716	15.51555	13.86347	37.95185	36.29977
2004/2005	8.10000	3.22143	2.81627	0.35191	0.31838	0.06750	0.27000	-	15.14549	7.41669	16.28523	15.76815	38.84741	38.33033
2005/2006	8.10000	3.26353	3.09837	0.35615	0.35789	0.06750	0.27000	-	15.51344	7.73543	15.55390	15.89643	38.80277	39.14530
2006/2007	8.10000	4.07275	2.93250	0.21753	0.37863	0.06750	0.27000	-	16.03891	8.44031	14.70326	14.85256	39.18248	39.33178
2007/2008	8.10000	4.46685	2.78130	0.49418	0.35009	0.06750	0.27000	-	16.52992	8.79042	15.15328	14.95807	40.47362	40.27841
2008/2009	8.10000	4.07576	2.95759	0.22751	0.31040	0.06750	0.27000	0.14219	16.15095	8.64189	14.86671	15.03328	39.65955	39.82612

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

Source: Muscatine County Auditor's Office

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

Taxpayer	January 1, 2007 Valuation (for 2008/2009 Tax Levy)			January 1, 1998 Valuation (for 1999/2000 Tax Levy)		
	Assessed Valuation	Rank	Percent of Total Assessed Value	Assessed Valuation (1)	Rank	Percent of Total Assessed Value
Grain Processing/Kent Feeds	\$ 40,624,090	1	5.8%	\$ 80,476,583	1	14.1%
HNI Corporation (HON Industries/HON Financial)	38,139,570	2	5.5%	31,688,434	2	5.6%
Bandag, Inc.	15,382,860	3	2.2%	15,873,371	4	2.8%
Heinz, U.S.A.	11,055,680	4	1.6%	16,946,444	3	3.0%
Wal-Mart Stores, Inc.	9,720,690	5	1.4%	8,470,190	5	1.5%
Riverbend Leasing, LLC	9,081,280	6	1.3%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	7,794,670	7	1.1%			
Warehouse Distributing, LLC	7,380,460	8	1.1%			
Central State Bank	6,734,200	9	1.0%	3,471,141	13	0.6%
First National Bank of Muscatine	6,392,530	10	0.9%	4,692,297	9	0.8%
GRIDCO, LLC	5,964,500	11	0.9%			
Hy-Vee Inc.	5,940,610	12	0.8%	4,565,790	10	0.8%
W I D, Inc.	5,886,310	13	0.8%			
BT Prime Mover	5,883,280	14	0.8%	6,649,006	6	1.2%
SECO Investment Co. (Stanley Engineering Co.)	5,415,450	15	0.8%	4,703,830	8	0.8%
Cottonwood Apartments LLC	5,009,350	16	0.7%			
Tri State Joint Ventures (Muscatine Mall)				4,117,980	11	0.7%
Muscatine Plaza				5,270,960	7	0.9%
Pretium Packaging				3,785,637	12	0.7%
Carver Pump Company				3,222,552	14	0.6%
	<u>\$ 186,405,530</u>		<u>26.7%</u>	<u>\$ 193,934,215</u>		<u>34.1%</u>

1. January 1, 1998 assessed valuations included machinery and equipment values. The State of Iowa eliminated taxes on new machinery and equipment beginning in 1995/96 and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year. This was a significant factor in the decrease in assessed valuations for Grain Processing/Kent Feeds.

Source: Muscatine County Auditor's Office

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections (2)</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
		<u>Amount (1)</u>	<u>Percent of Levy Collected</u>			
1999/2000	\$ 7,752,936	\$ 7,699,537	99.31%	\$ 1,623	\$ 7,701,160	99.33%
2000/2001	8,026,525	7,974,736	99.35%	189	7,974,925	99.36%
2001/2002	8,631,013	8,543,226	98.98%	1,211	8,544,437	99.00%
2002/2003	8,997,159	8,957,497	99.56%	1,647	8,959,144	99.58%
2003/2004	9,180,577	9,170,392	99.89%	5,608	9,176,000	99.95%
2004/2005	9,239,618	9,229,567	99.89%	4,319	9,233,886	99.94%
2005/2006	9,837,794	9,836,626	99.99%	4,612	9,841,238	100.04%
2006/2007	10,736,626	10,733,950	99.98%	4,027	10,737,977	100.01%
2007/2008	11,122,293	11,122,888	100.01%	8,802	11,131,690	100.08%
2008/2009	11,348,069	11,345,388	99.98%	4,705	11,350,093	100.02%

1. Current tax collections reflect payments received by the Muscatine County Treasurer's office from July 1 through June 30 of each year. Taxes levied for the current year are classified as delinquent if not paid by June 30 each year.
2. Delinquent tax collections reflect the amounts of delinquent taxes the City received during the year. Information is not available from the County Treasurer's Office as to the year(s) for which the delinquent tax collections apply.

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Tax Increment Bonds	Capital Lease	General Obligation Bonds	State Revolving Fund Loan			
1999/2000	\$5,908,538	\$ 1,670,000	\$ -	\$ 11,541,643	\$ -	\$19,120,181	3.4%	\$ 836
2000/2001	9,155,212	1,580,000	-	10,773,739	-	21,508,951	3.6%	948
2001/2002	7,916,807	1,470,000	-	9,990,914	-	19,377,721	3.1%	854
2002/2003	8,273,115	1,340,000	14,653	9,163,088	-	18,790,856	2.9%	828
2003/2004	6,735,741	3,505,000	12,039	8,315,054	-	18,567,834	2.8%	818
2004/2005	5,621,770	3,245,000	9,249	7,443,616	-	16,319,635	2.3%	719
2005/2006	7,467,253	2,980,000	6,273	6,547,178	-	17,000,704	2.3%	749
2006/2007	6,409,835	2,700,000	3,097	5,605,740	-	14,718,672	1.9%	648
2007/2008	10,462,294	2,415,000	-	4,587,029	606,783	18,071,106	2.2%	796
2008/2009	9,254,498	2,115,000	-	3,554,215	3,598,195	18,521,908	N/A	816

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

1. See the Schedule of Demographic and Economic Statistics (Table14) for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Estimated Actual Value of Property (1)	Percentage of Actual Valuation	Population (2)	Per Capita
1999/2000	\$ 17,450,181	\$ 806,737,396	2.2%	22,881	763
2000/2001	19,928,951	819,977,512	2.4%	22,697	878
2001/2002	17,907,721	838,436,018	2.1%	22,697	789
2002/2003	17,436,203	921,894,838	1.9%	22,697	768
2003/2004	15,050,795	914,556,777	1.6%	22,697	663
2004/2005	13,065,386	935,583,731	1.4%	22,697	576
2005/2006	14,014,431	969,948,931	1.4%	22,697	617
2006/2007	12,015,575	1,063,565,913	1.1%	22,697	529
2007/2008	15,049,323	1,076,411,985	1.4%	22,697	663
2008/2009	12,808,713	1,136,242,003	1.1%	22,697	564

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

Sources:

1. Muscatine County Auditor's Office
2. United States Census Bureau

City of Muscatine, Iowa
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Louisa-Muscatine School District	\$ 805,000	11.96%	\$ 96,278
Muscatine County	2,989,000	48.34%	1,444,883
Eastern Iowa Community College (EICC)	1,205,000	6.77%	81,579
Other debt			
Eastern Iowa Community College (EICC)	43,685,000	6.77%	<u>2,957,475</u>
Subtotal, overlapping debt			\$ 4,580,215
City direct debt (2)		100.00%	<u>11,369,498</u>
Total direct and overlapping debt			<u><u>\$ 15,949,713</u></u>

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

Sources:

Louisa-Muscatine School District
Muscatine County Auditor's Office
Eastern Iowa Community College

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

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

	<u>1999/2000</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
Debt limit (1)	\$ 40,336,870	\$ 40,998,876	\$ 41,921,801	\$ 46,094,742	\$ 45,727,839	\$ 46,779,187	\$ 48,497,447	\$ 53,178,296	\$ 53,820,599	\$ 56,812,100
Total debt applicable to limit	<u>19,715,000</u>	<u>22,060,000</u>	<u>19,885,000</u>	<u>19,264,653</u>	<u>18,997,039</u>	<u>16,704,249</u>	<u>17,356,273</u>	<u>15,028,097</u>	<u>17,770,000</u>	<u>15,170,000</u>
Legal debt margin	<u>\$ 20,621,870</u>	<u>\$ 18,938,876</u>	<u>\$ 22,036,801</u>	<u>\$ 26,830,089</u>	<u>\$ 26,730,800</u>	<u>\$ 30,074,938</u>	<u>\$ 31,141,174</u>	<u>\$ 38,150,199</u>	<u>\$ 36,050,599</u>	<u>\$ 41,642,100</u>
Total debt applicable to the limit as a percentage of debt limit	48.88%	53.81%	47.43%	41.79%	41.54%	35.71%	35.79%	28.26%	33.02%	26.70%

Legal Debt Margin Calculation for Fiscal Year 2008/2009

Total assessed valuation as of January 1, 2007	\$ 1,136,242,003
Debt limit - 5% of assessed valuation	<u>\$ 56,812,100</u>
Amount of debt applicable to debt limit:	
General obligation bonds	13,055,000
Tax increment revenue bonds	<u>2,115,000</u>
Total debt applicable to debt limit	<u>15,170,000</u>
Legal debt margin	<u>\$ 41,642,100</u>

1. Under state law the City's debt may not exceed 5% of the total actual valuation of property.

**City of Muscatine, Iowa
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Popula- tion (1)	Personal Income (2)	Personal Per Capita Income (2)	Median Age (1)	Percent High School Graduates or Higher (1)	School Enrollment (3)	Unemploy- ment Rate (4)
1999/2000	22,881	\$ 567,746,253	\$ 24,813	35.3	74.2%	5,259	2.8%
2000/2001	22,697	590,621,334	26,022	35.8	80.3%	5,393	2.7%
2001/2002	22,697	616,200,853	27,149	35.8	80.3%	5,457	3.7%
2002/2003	22,697	646,228,984	28,472	35.8	80.3%	5,385	4.1%
2003/2004	22,697	658,167,606	28,998	35.8	80.3%	5,375	4.2%
2004/2005	22,697	715,817,986	31,538	35.8	80.3%	5,280	4.5%
2005/2006	22,697	730,820,703	32,199	35.8	80.3%	5,305	4.2%
2006/2007	22,697	757,989,012	33,396	35.8	80.3%	5,387	3.2%
2007/2008	22,697	821,790,279	36,207	35.8	80.3%	5,403	3.5%
2008/2009	22,697	N/A	N/A	35.8	80.3%	5,247	4.3%

Sources:

1. United States Census Bureau
2. Bureau of Economic Analysis. Per capita income for the City of Muscatine is not available. The amounts shown are for Muscatine County and reflect average per capita income for the calendar years which end midway through the fiscal years shown. Personal income for the City has been estimated using the per capita income for Muscatine County multiplied by the City's population. Personal income information is not yet available for 2008.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

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

Employer	2009			2000		
	Approximate Number of Employees (1)	Rank	Percentage of Estimated Total County Employment (2)	Approximate Number of Employees (1)	Rank	Percentage of Estimated Total County Employment (2)
HNI Corporation//The HON Company, Allsteel	3,200	1	13.5%	3,500	1	15.1%
Grain Processing/Kent Feeds	1,011	2	4.3%	1,800	2	7.8%
Muscatine Community School District	900	3	3.8%	1,025	4	4.4%
Unity Health Care (Formerly Muscatine General Hospital)	515	4	2.2%	520	7	2.3%
Monsanto Company	400	5	1.7%	510	5	2.2%
Musco Sports Lighting	400	6	1.7%	115	14	0.5%
Wal-Mart Superstore	350	7	1.5%	N/A		
SECO Investment Co. (Stanley Engineering Co.)	335	8	1.4%	250	11	1.1%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	300	9	1.3%	700	3	3.0%
Heinz, U.S.A.	319	10	1.3%	515	6	2.2%
Muscatine Power & Water	300	11	1.3%	260	10	1.1%
Hy-Vee Food Store	289	12	1.2%	280	8	1.2%
City of Muscatine	223	13	0.9%	230	12	1.0%
Muscatine County	195	14	0.8%	240	13	1.0%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	151	15	0.6%	270	9	1.2%
	<u>8,888</u>		<u>37.5%</u>	<u>10,215</u>		<u>44.1%</u>

Sources:

1. Muscatine Chamber of Commerce & Industry provided the 2009 employment figures. The 2000 figures were from City of Muscatine historical records and may be on a basis which differs from the data provided by the Muscatine Chamber of Commerce & Industry.
2. Iowa Workforce Development. Employment data for the City of Muscatine is not available. Employers listed are the largest in the immediate area of the City of Muscatine. Percentages shown are based on total employment in Muscatine County. The average monthly employment in Muscatine County was 23,712 in 2009 and 23,106 in 1999.

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

Function	Fiscal Year									
	1998/99	1999/2000	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
General government	17.46	18.69	18.94	18.54	17.12	16.80	17.50	17.85	17.35	17.35
Public Safety:										
Police										
Officers (1)	40.00	40.00	40.00	38.00	37.00	37.75	38.00	38.00	38.00	39.00
Civilians (2)	9.50	11.00	13.50	13.50	13.50	4.87	3.60	3.75	3.88	3.88
Fire										
Firefighters and officers (3)	32.00	32.00	31.50	30.50	29.50	28.50	29.00	29.50	36.00	36.00
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library	15.00	16.00	16.00	16.00	15.58	15.75	15.75	15.75	15.75	15.75
Art center	4.25	4.33	4.60	4.55	4.30	4.43	4.33	4.33	4.33	4.34
Parks and recreation (4)	14.75	15.00	15.25	13.75	13.75	13.25	12.82	13.00	12.75	12.75
Community and economic development (5)	9.00	9.00	9.00	9.00	9.00	7.00	7.00	7.00	6.50	6.50
Public works (6)	20.75	20.75	20.75	20.75	16.75	16.75	16.75	16.74	16.84	16.50
Business-type:										
Parking	3.50	3.50	3.50	3.50	3.65	3.65	3.65	3.60	3.60	3.10
Golf course (7)	2.25	2.75	3.00	3.00	3.00	3.00	2.75	2.00	3.00	3.00
Boat harbor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Transit	2.35	2.60	2.62	2.83	2.83	2.83	2.83	2.83	3.03	3.03
Refuse collection	9.00	9.00	9.00	9.80	9.80	9.80	9.80	9.80	10.30	10.30
Landfill	0.83	0.83	0.83	0.83	0.83	0.83	0.33	0.33	0.33	0.33
Transfer station	3.17	3.17	3.17	3.17	3.17	3.17	3.67	3.67	3.67	3.67
Water pollution control	26.75	27.75	29.75	29.75	29.75	29.50	29.50	29.50	29.70	31.00
Ambulance (8)	-	-	6.75	7.75	7.75	8.75	8.25	7.75	1.25	1.25
Housing	9.45	9.30	9.30	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals (9)	224.76	230.42	242.21	240.47	232.53	221.88	220.78	220.65	221.53	223.00

1. Police officer positions fluctuated primarily due to grant funding for special police programs.
2. Police civilian positions were reduced by 9.5 equivalent positions when the City's dispatch center was combined with the Muscatine County dispatch operation in 2004/2005.
3. Firefighter positions were allocated to the Ambulance operation through 2006/2007. This number fluctuated each year. Beginning in 2007/2008 all firefighter positions are being charged to the Fire Department budget with a portion of the overall personnel costs allocated to the Ambulance Fund.
4. Parks and recreation positions were reduced by 1.5 in 2002/2003 when the City began contracting the operation of the Cemetery office.
5. Staffing in the Community Development department was reduced due to the decline in General Fund revenues.
6. Public works staffing was reduced by 3 in the Engineering division beginning in 2003/2004.
7. The City changed from a contractual arrangement with a Golf Professional to having a Golf Pro on staff beginning in 2007/2008.
8. The City began providing ambulance service July 1, 2000 adding 6 equivalent positions. Beginning in 2007/2008 all firefighter positions are being charged to the Fire Department budget with a portion of the overall personnel costs allocated to the Ambulance Fund.
9. The overall decline in positions in 2003/2004 and 2004/2005 was due to the decline in revenues to provide General Fund service.

Source: City of Muscatine records

City of Muscatine, Iowa
Operating Indicators by Function/Department
Last Ten Calendar or Fiscal Years
(Unaudited)

Calendar Year Indicators

Function/Department	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety:										
Police										
Calls for service	22,689	26,125	26,205	26,543	26,555	24,590	21,638	20,427	21,437	20,066
Traffic enforcement	4,697	5,524	4,284	5,574	5,535	4,946	4,020	5,188	4,616	3,425
Arrests	2,066	2,159	2,113	1,789	2,229	2,068	1,971	2,062	2,114	2,195
Parking tickets issued	1,892	1,914	2,033	1,792	2,037	2,122	1,852	1,764	1,710	1,721
Fire (includes ambulance) (1)										
Calls for service	1,446	2,127	2,954	2,779	3,143	3,085	3,161	2,963	3,530	3,650
Culture and recreation:										
Parks and recreation										
Weed Park Pool/Aquatic										
Center attendance (2)	20,084	15,060	17,026	19,152	-	46,576	55,948	45,891	41,076	46,649
Adult program participants (3)	906	879	859	862	1,075	1,006	272	328	376	408
Children's program participants	1,938	1,834	1,621	1,684	1,333	1,558	1,698	1,547	1,602	1,610
Cemetery burials	133	108	108	132	126	111	99	104	99	97
Community and economic development										
Building-related permits	1,258	1,273	1,247	1,277	1,150	1,231	1,063	969	1,195	915
Business-type:										
Transit (4)										
Total passengers	122,536	134,354	135,437	(See fiscal year indicators below)						
Golf course										
Rounds played	48,985	45,190	41,329	37,666	35,989	32,768	33,195	31,825	29,748	32,687

Fiscal Year Indicators

Function/Department	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Culture and recreation:										
Library										
Registered borrowers	20,722	20,117	19,421	19,779	19,910	20,756	22,298	20,315	16,504	16,415
Circulation	257,540	285,425	291,544	306,950	312,623	331,445	324,179	319,446	332,355	336,210
Art center										
Attendance	13,343	16,067	16,730	16,653	18,451	17,945	18,088	15,640	22,582	19,704
Public works:										
Miles of streets maintained	136	136	136	136	138	139	140	140	140	140
Business-type activities:										
Transit (4)										
Total passengers	(See calendar year indicators above)			141,143	131,117	136,476	136,265	151,434	180,382	188,303
Parking										
Tickets issued	20,997	15,223	20,144	17,708	15,763	14,764	15,598	15,764	13,204	9,704
Refuse collection										
Tons of refuse collected	8,850	8,837	8,906	8,593	8,521	8,888	9,449	9,482	8,731	8,129
Transfer station										
Tons of waste processed	60,869	63,799	48,797	45,911	41,435	44,423	41,356	44,883	49,263	41,320
Tons recycled (contractor)	6,333	6,198	5,741	5,571	4,734	4,854	5,721	6,215	5,830	5,388
Water pollution control										
Cubic feet of wastewater treated (in millions)	147.54	142.55	133.16	192.78	187.47	183.18	173.38	208.26	279.03	289.79

1. The fire department began providing ambulance service effective July 1, 2000.
2. The former Weed Park Pool did not open for the 2003 season due to mechanical problems. The Aquatic Center replaced the former pool and opened for the 2004 season.
3. The decline in adult program participants in 2005 is due to the City no longer organizing the adult softball league. A private organization now coordinates this league.
4. The Transit system reported calendar year indicators through 2001. Indicators thereafter are being maintained on a fiscal year basis.
5. In 2007/2008, parking was reconfigured in the downtown area. Parking meters were removed from Second Street and free 3-hour parking was established. The number of parking tickets issued decreased significantly with this change.

Source: City of Muscatine records

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

Function/Department	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	8	8	9	9	9	9	9	9	9	9
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1
Fire pumpers	3	3	3	3	3	3	3	4	4	4
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	-	3	3	3	3	4	4	4	4	4
Culture and recreation:										
Library	1	1	1	1	1	1	1	1	1	1
Art center and museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks	18	18	18	18	18	14	14	14	14	14
Park acreage	258	258	258	258	258	246	254	254	254	254
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball and baseball diamonds	22	22	21	20	19	19	19	19	19	19
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	11	11	10	10	10	8	8	8	8	8
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	150	150	150	150	150	150	150	150	150	150
Public works:										
Miles of streets	136	136	136	136	138	139	140	140	140	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	10	10	10	10	10
Golf course	1	1	1	1	1	1	1	1	1	1
Airport:										
Airport	1	1	1	1	1	1	1	1	1	1
Primary runway length (in feet)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Solid waste:										
Transfer station/recycling center	1	1	1	1	1	1	1	1	1	1
Refuse collection vehicles	5	5	5	5	5	5	5	5	5	5
Water pollution control:										
Plants	1	1	1	1	1	1	1	1	1	1
Daily capacity (in gallons)	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million

Source: City of Muscatine records

McGladrey & Pullen

Certified Public Accountants

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 Muscatine, Iowa

We have audited 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 Muscatine, Iowa as of and for the year ended June 30, 2009 which collectively comprise the City of Muscatine, Iowa's basic financial statements, and have issued our report thereon dated November 19, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Muscatine Power and Water, a discretely presented component unit, as described in our report on the City of Muscatine, Iowa's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 09-II-A and 09-II-B.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Muscatine, Iowa's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City of Muscatine, Iowa. 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 interpretation of those statutes.

The City of Muscatine, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Muscatine, Iowa's response and, accordingly, we express no opinion on it.

We noted certain immaterial instances of noncompliance and other matters that we have reported to management of the City of Muscatine, Iowa in a separate letter dated November 19, 2009.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 19, 2009

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Scope of this Report

The City of Muscatine, Iowa's basic financial statements include the financial statements of Muscatine Power and Water, a discretely presented component unit, which was audited by other auditors. We did not audit Muscatine Power and Water for compliance with the requirements of laws, regulations, contracts and grants, and accordingly, this report does not extend to Muscatine Power and Water, a discretely presented component unit.

Compliance

We have audited the compliance of the City of Muscatine, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Muscatine, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Muscatine, Iowa's management. Our responsibility is to express an opinion on the City of Muscatine, Iowa's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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 Muscatine, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Muscatine, Iowa's compliance with those requirements.

In our opinion, the City of Muscatine, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Muscatine, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Muscatine, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Muscatine, Iowa's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 19, 2009

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct			
Section 8 Housing Choice Vouchers	14.871	IA049VO0068/0077	\$ 1,391,749
Section 8 Housing Choice Vouchers	14.871	IA049AF0021/0034	177,727
Public and Indian Housing Operating Subsidy	14.850	IA04900000108D/109D	173,593
Public Housing Capital Fund	14.872	IA05P04950108	202,533
ARRA - Public Housing Capital Stimulus	14.885	IA05S04950109	25,448
Passed through the Iowa Department of Economic Development, Community Development Block Grant State's Program	14.228	06-HSG-037	1,037
Subtotal			1,972,087
U.S. Department of Transportation			
Passed through Iowa Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	18-0028-533-09	236,788
Job Access/Reverse Commute Grant	20.516	37-X011-533-06	7,739
Job Access/Reverse Commute Grant	20.516	37-X016-533-09	28,630
New Freedoms Program	20.521	57-X002-533-07	1,273
New Freedoms Program	20.521	57-X002-533-09	4,359
Training Fellowship	20.509	TF 2009-074	305
Training Fellowship	20.509	TF 2009-075	68
Training Fellowship	20.509	TF 2009-022	844
Training Fellowship	20.509	TF 2009-129	233
Training Fellowship	20.509	TF 2009-234	171
Training Fellowship	20.509	TF 2009-235	160
Training Fellowship	20.509	TF 2009-236	357
Passed through Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 08-04, Task 21	806
State and Community Highway Safety	20.600	PAP 09-04, Task 21	5,384
Subtotal			287,117
Federal Aviation Administration			
Direct			
Parallel Taxiway for Runway 12/30	20.106	AIP 3-19-0063-13-2007	997,005
Snow Removal Equipment	20.106	AIP 3-19-0063-14-2008	112,277
Subtotal			1,109,283

(Continued)

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
Department of Justice			
Direct:			
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	2007-DJ-BX-0016	441
Bulletproof Vest Partnership Program	16.607	N/A	1,570
Passed through Iowa Governor's Office of Drug Control Policy, Stop Violence Against Women Grant	16.588	VW-09-48B	8,053
Passed through Iowa Governor's Alliance on Substance Abuse and Muscatine County Edward Byrne Memorial Formula Grant Program	16.738	08-JAG/C06-A11	48,821
Subtotal			<u>58,885</u>
Office of National Drug Control Policy			
Passed through Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	07.None	I8PMWP556	31,604
High Intensity Drug Trafficking Area Grant	07.None	G09MW0002A	43,907
Subtotal			<u>75,511</u>
Environmental Protection Agency			
Direct:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98795801	11,740
	66.818	BF98795901	11,751
Passed through Iowa Finance Authority, State Revolving Refund Loan	66.458	CS-192377-01	492,203
Subtotal			<u>515,693</u>
Department of Homeland Security			
Passed through Scott County, Iowa:			
Law Enforcement Terrorism Prevention Program	97.074	FFY2007-LETPP-LEIN6-06	87,139
Law Enforcement Terrorism Prevention Program	97.074	FFY2006-LETPP-LEIN6-01	5,494
Passed through Iowa Department of Public Defense, Homeland Security and Emergency Management Division	97.036	139-55110-00	603,886
Direct, Assistance to Firefighters Grant Program	97.044	EMW-2007-FP-01423	3,550
Subtotal			<u>700,069</u>
Totals			<u>\$ 4,718,646</u>

See Notes to Schedule of Expenditures of Federal Awards.

City of Muscatine, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Muscatine, Iowa (the City) and Muscatine County Solid Waste Agency, its discretely presented component unit and is presented on the modified accrual basis of accounting. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue and the revenue met the available criteria. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and approved for reimbursement.

City of Muscatine, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Number	Comment	Status	Corrective Action or Other Explanation
None			

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.872	Public Housing Capital Fund
14.885	ARRA - Public Housing Capital Stimulus
20.106	Parallel Taxiway for Runway 12/30
66.458	State Revolving Refund Loan
97.036	Homeland Security and Emergency Management Division

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

**II. Findings Related to the Financial Statement Audit as Required to be Reported in
Accordance with Generally Accepted Government Auditing Standards**

A. Significant Deficiencies in Internal Control

09-II-A

Finding: The City has an improper segregation of duties over the ambulance billing and cash receipts cycle.

Context: Related to ambulance billing collections cycle.

Condition: The Fire Office Coordinator and EMS Coordinator both have the ability to collect cash, prepare the deposit slip and remit cash collection information to the third party billing company, while sequentially numbered receipts are used there is no independent review of the receipt sequence.

Effect: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend an independent review of the receipt sequence, as well as a comparison between the amounts deposited into the bank and the amount communicated as collected to the third party billing company by an independent individual.

City's Response and Corrective Action Plan: The fire department reviewed the above comments and made immediate changes in their processes to address this concern. As of July 1, 2009 the Fire Chief has filled the role of independent reviewer. The Fire Chief now has a spreadsheet that tracks and compares the monthly deposits from the third party billing company with the fire department secretary's deposits to verify they correspond. At least annually, this spreadsheet will be submitted to the finance department to verify the comparisons are accurate and that they were performed by an independent individual. The finance department reviews and logs the sequence of receipt numbers issued by the fire department.

09-II-B

Finding: The City has an improper segregation of duties of the building permits cash receipts cycle.

Context: Related to cash receipts transactions in the building and zoning department.

Condition: The planning and zoning office coordinator has the ability to collect cash, issue permits and balance the cash receipts to the cash register report.

Effect: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend an independent review of the cash collections to the sequential listing of permits issued be performed on a periodic basis.

City's Response and Corrective Action Plan: Finance staff will periodically obtain the logs of the various permits issued by the building and zoning department and account for all permit numbers issued and also compare permit revenues per the log to the amounts in the revenue ledger.

(Continued)

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

B. Instances of Noncompliance

None

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiency in Administering Federal Awards

None

B. Instances of Noncompliance

None

IV. Other Findings Related to Required Statutory Reporting

09-IV-A – Certified Budget: Expenditures/expenses during the year ended June 30, 2009 did not exceed amount budgeted prior to budget being amended or at year-end.

09-V-B – Questionable Expenditures: No questionable disbursements were noted.

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

09-IV-D – Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Vonda Ludke, part-time housing office coordinator, husband owns Spectrum Personnel, Ltd.	Temporary employment services	\$ 96,018
Andy Kral, equipment operator, wife is part owner of Wilson True Value Hardware	Supplies	14,296

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Spectrum Personnel, Ltd. does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

Finding: The transactions with Wilson True Value Hardware may represent a conflict of interest since they were not entered into through competitive bidding.

Recommendation: We recommend the City consider the relationship as it relates to Chapter 362.5(10) of the Code of Iowa.

(Continued)

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Response and Corrective Action Plan: Wilson True Value Hardware had been a City vendor for at least 25 years prior to the hiring of the spouse of one of the owners in 2006. This employee is in a nondecision making, nonpurchasing related position. City Council approved by motion to continue doing business with this vendor as long as the responsibilities of this employee continue to be unrelated to purchasing and also that the volume of business with this vendor be monitored so that it does not increase significantly (no more than 10 percent) from the level prior to the hiring of this employee.

Conclusion: Response accepted.

09-IV-E – Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions.

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

09-IV-G – Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

09-IV-H – Revenue Notes: No instances of noncompliance with the provisions of the City's revenue bond resolutions.

City of Muscatine, Iowa

**Corrective Action Plan
Year Ended June 30, 2009**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control				
09-II-A	The City has an improper segregation of duties over the ambulance billing and cash receipts cycle.	See response and corrective action plan at 09-II-A.	June 30, 2010	Nancy Lueck, Finance Director
09-II-B	The City has an improper segregation of duties over the building permits cash receipts cycle.	See response and corrective action plan at 09-II-B.	June 30, 2010	Nancy Lueck, Finance Director
Other Findings Related to Required Statutory Reporting				
09-IV-D	The City has business transactions with a related party that due to the nature of the purchase are not formally bid.	See response and corrective action plan at 09-IV-D.	June 30, 2010	Nancy Lueck, Finance Director

McGladrey & Pullen

Certified Public Accountants

Honorable Mayor and Members of City Council
City of Muscatine, Iowa
Muscatine, Iowa

In connection with our audit of the basic financial statements of the City of Muscatine, Iowa as of and for the year ended June 30, 2009, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency 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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We have separately communicated, to you and the City Council, identified deficiencies that we determined to be significant deficiencies. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Payroll: During our documentation of the City's payroll transaction cycle, we noted the Finance Director has the ability to change payroll rates with no independent review of these changes. While the Finance Director does not process payroll, we recommend the Finance Director be limited to read-only access to the payroll system.

Cash Receipts: During our documentation of the City's cash receipts transaction cycles, we noted the Finance Office Assistant has the ability to collect cash, prepare the deposit slips and balance to the cash register report. The City has implemented compensating controls over this individual including the cash reconciliations on a monthly basis and daily review of the voided cash receipts by the accountant. In addition to the compensating controls above we recommend an individual independent from the process match the deposit slip cash and checks to the cash register report.

Accounts Receivable: The Senior Account Clerk posts the write-offs to the accounts receivable system after the write-off has been approved by the Finance Director. While an approval is obtained, there is no review of the actual write-offs to the accounts receivable system. We recommend a review of the actual write-offs posted be reviewed by an independent individual and statements are sent to the customers on a monthly basis.

The transfer station cash register module tracks the amount of accounts receivable processed during the day. These receivables are then manually entered into the finance department's accounts receivable system for billing and collections tracking. Currently, there is no reconciliation or review between the two systems to ensure all the information was transferred correctly. We recommend a reconciliation between the transfer station receivables and the finance department receivable listing is performed on a periodic basis to ensure all receivables are entered into the finance accounts receivable system appropriately.

Collection of Receivables: During the course of the audit, we noticed two of the City's largest transfer station customers are still several months behind in their payments. While the City has posted an allowance for uncollectible over some of the balance, we recommend the City continue to monitor this situation and work to get the receivable balance more current.

State Compliance: The City did not file the Unclaimed Property Report by November 1, 2008, as required by the Iowa Code. We recommend the City submit the report annually by the due date of November 1.

Federal Grants: While the City collects the required certified payroll report under Davis Bacon Act before paying the contractor invoice, there was no documentation of the date these reports were received to indicate they were received in a timely manner. According to the OMB Circular A-133 Davis Bacon Act requirement, the certified payroll reports should be collected on a weekly basis from contractors. We recommend the City include the date received on the certified payroll reports to document the timely receipt of these reports.

Accrued Vacation: The City's policies states an employee is allowed to carryforward vacation time if a carryover request form is completed and approved by the appropriate individuals. Three of five individuals tested with vacation hours greater than the maximum amount allowed under the current policy as of their anniversary dates did not have the proper carryover request form completed. We recommend the City follow the policy in place and maintain the carryover forms in the employee's personnel files.

This communication is intended solely for the information and use of management, the mayor and City Council and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 19, 2009