

City of Muscatine, Iowa



Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

CITY OF MUSCATINE, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

SUBMITTED BY:

FINANCE DEPARTMENT
CITY OF MUSCATINE, IOWA

Nancy A. Lueck
Finance Director

COVER:

**In 2008 decorative LED lighting was installed on the
Norbert F. Beckey Bridge over the Mississippi River in Muscatine**

PHOTO BY:

Dan Beenen

CITY OF MUSCATINE, IOWA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: December 4, 2008

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, 2008.

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.

Eide Bailly, LLP, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the City of Muscatine's financial statements for the year ended June 30, 2008. 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.

"I remember Muscatine for its sunsets. I have never seen any
on either side of the ocean that equaled them" — Mark Twain

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; and Stanley Consultants Inc., consulting engineers and architects. 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 2007/2008 at 3.5%. 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 Iowa, Chicago & Eastern (IC&E) 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 \$2.6 million in the most recent year. Voters in the community in each election have overwhelmingly approved this tax which demonstrates the community's commitment to a sound municipal infrastructure to enhance the quality of life and to encourage economic development activities.

Planning was underway during 2007/2008 for the election to continue this tax after its expiration June 30, 2009. 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 combined sewer 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 question approved by voters will extend this tax for an additional ten years (though June 30, 2019) with up to 25% of the proceeds to be used for the City's Pavement Management Program with the remaining 75% to be used for storm and sanitary sewer improvement projects.

The City began a comprehensive Pavement Management Program in 2007. Allocations of \$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 be needed beginning in 2010. These ongoing costs will be funded from the 25% allocation of local option sales taxes.

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 began in 2007/2008 and will be completed in 2008/2009. Future projects in the plan include equipment purchases and a storage building for airport equipment.

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 seventeen (17) 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 pays 45% and the County pays 55% of the operating costs of the combined system. This change resulted in an annual savings of \$140,000 in General Fund expenditures of the City. 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, 2008 was \$1,733,810 which was 12.0% of General Fund expenditures. This unreserved balance was \$63,525 higher than the prior year unreserved balance. This increase is attributed to strong General Fund revenues and most General Fund departments operating under their budget allocations. During the year repairs were completed on damages from the June 1, 2007 tornado which caused extensive damage to Kent Stein Park, the City's baseball and softball complex, and Greenwood Cemetery. Insurance proceeds funded damages to the Kent Stein Park lights, bleachers and fencing. Cleanup costs of the downed trees and other debris, however, was funded from General Fund revenues.

For the 2008/2009 budget taxable property values increased by 4.6% which will provide \$249,944 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. For the 2007/2008 year, taxable property values had increased by only .6%. Due to that small growth in General Fund tax revenues, debt financing was used to fund most vehicle and equipment, technology, and building and facility improvement costs which formerly were funded from the General Fund. Debt requirements for these purchases will be repaid over a 5-year period, the estimated useful lives of these items. For the 2008/2009 year, these types of capital purchases will again be funded from General Fund revenues.

At the conclusion of the 2007/2008 budget process, City Council chose to meet monthly throughout the summer months of 2007 to identify other possible funding sources and/or to prioritize service levels if the limited funding sources would continue in the General Fund. Two significant General Fund potential funding enhancements were identified at the special pre-budget meetings.

The first included establishing the needed agreements in order for the City to have the ability to use the Emergency Management Levy to fund the City's share of the City-County joint communications system (MUSCOM) costs. This required an agreement between the Muscatine County Disaster Services board and the MUSCOM board which allowed the MUSCOM budget to be incorporated within the County Disaster Services budget. This then allows for the City's portion of MUSCOM costs (approximately \$322,000) to be funded from the Emergency Management Levy and not from the General Fund levy which has been at the \$8.10 per \$1,000 of taxable valuation limit allowed by the State. For the 2008/2009 budget, City Council chose to

levy only \$100,000 of MUSCOM costs from the Emergency Management levy. This levy, however, is in place if City Council chooses to use all or a portion of it in future budgets.

The second significant funding source identified at the special budget meeting was 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 allowed a portion of the 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. This resulted in an increase in regular taxable values and an increase in taxes generated by the \$8.10 General Fund levy.

The effects of the changes implemented by City Council in previous years reducing the General Fund workforce and combining services with Muscatine County will continue to be realized during the 2008/2009 year. Establishment of the mechanism to use the Emergency Management levy and also claiming less than full amount of incremental taxes in TIF areas, have the City in a more favorable position to address future 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 2008/2009 include (1) the continuation of the comprehensive street improvement program; (2) construction on several major sewer projects to be funded from local option sales tax revenues; (3) completion of the parallel taxiway to the crosswind runway at the airport; and (4) beginning construction of the comprehensive facilities improvements at Water Pollution Control Plant (WPCP). The WPCP improvements are estimated at \$18.5 million and will be completed over the next several years. These improvements will address plant and process requirements for the next 20-25 years.

In the spring of 2008 there were two flood events of the Mississippi River into 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. 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, 2007. This was the 14th 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 2008/2009. In order to qualify for the Distinguished

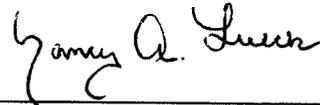
Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The award for the 2008/2009 budget was the 24th consecutive year that the City of Muscatine has 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 2009/2010 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 Eide Bailly LLP for their assistance and suggestions in regard to the preparation of the Comprehensive Annual Financial Report.

Respectfully submitted,



A.J. Johnson
City of Administrator



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, 2007

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.



Charles S. Cox

President

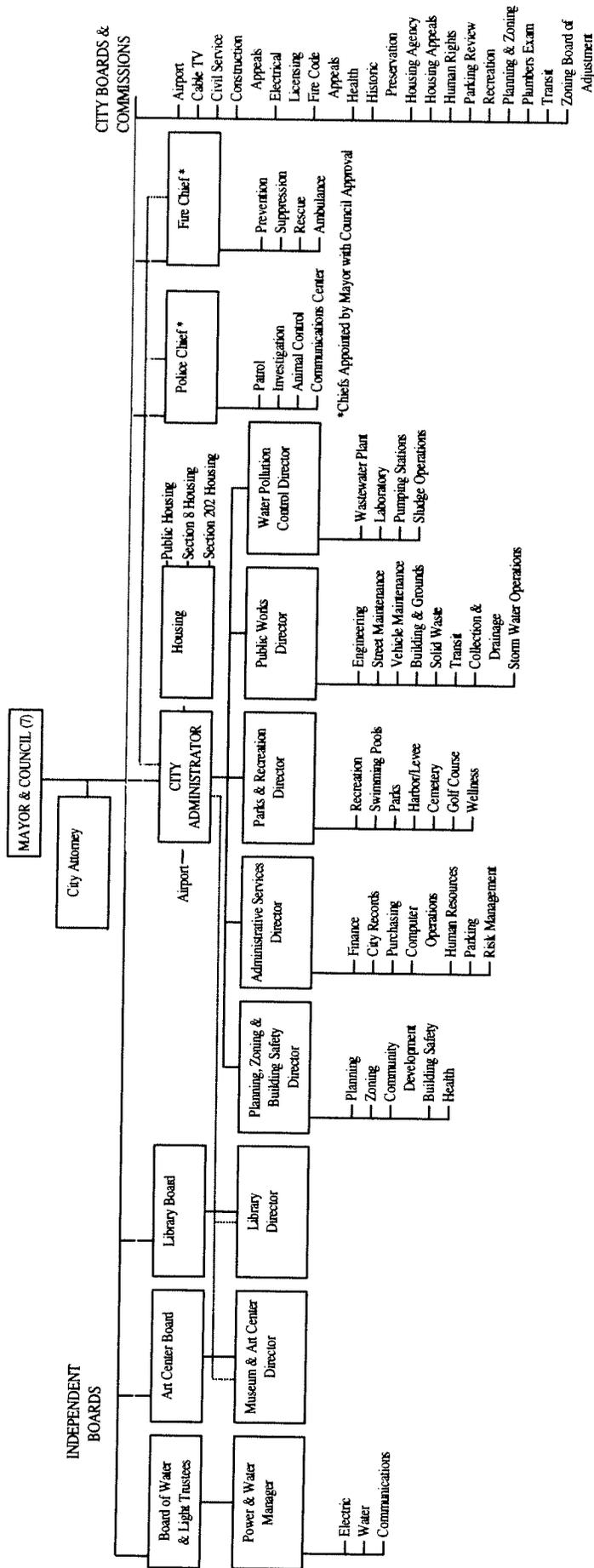
Jeffrey R. Emer

Executive Director

CITY OF MUSCATINE, IOWA

ORGANIZATIONAL STRUCTURE

CITIZENS



CITY OF MUSCATINE, IOWA

**List of Principal Officials
June 30, 2008**

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

City Administrator
Corporation Counsel

A.J. Johnson
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
Randy E. Hill
Roger Kirby



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Muscatine. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscatine Power and Water, a discretely presented component unit, which represent 99% each of the assets and revenues, and 100% of the net assets 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 and 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, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

The management's discussion and analysis and budgetary comparison information listed in the table of contents 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 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 basic financial statements of the City of Muscatine, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical section 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Muscatine. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 4, 2008

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, 2008. 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 \$123,802,442 (net assets). Of this amount, \$14,068,779 (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 \$3,587,843 during the year. This overall increase is primarily in the Local Option Sales Tax, Water Pollution Control and Transfer Station Funds. Local option sales tax fund net assets increased by \$590,299 to accumulate funds for future year sewer projects. Local option sales tax funds were also transferred to fund sewer-related projects which resulted in an increase in net assets of \$1,846,717 in the Water Pollution Control Fund.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,492,983, an increase of \$3,804,807 in comparison with the prior year. Of the ending balance, approximately 71% (\$10,318,827) was unreserved and is available for spending within the statutory guidelines pertaining to each fund at the City's discretion.
- At the end of the current fiscal year, the City's unreserved fund balance for the general fund was \$1,733,810, or 12.0% of total general fund expenditures.
- The City's total debt increased by \$3,352,434 (20.9%) during the current fiscal year. This increase was due to the issuance of \$5,120,000 in general obligation bonds.

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 27-28 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 Improvement 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 29-31 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 32-34 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 35 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 36-61.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes a budgetary comparison schedule on the aggregate basis for the City's budgeted governmental and proprietary funds.

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 \$123,802,442 at the close of the fiscal year ended June 30, 2008.

By far the largest portion of the City’s net assets (84%) 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

| | <u>Governmental activities</u> | | <u>Business-type activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Current and other assets | \$ 28,037,795 | \$ 23,038,761 | \$ 9,305,224 | \$ 7,385,427 | \$ 37,343,019 | \$ 30,424,188 |
| Capital assets | 60,992,585 | 60,693,936 | 58,449,811 | 58,087,102 | 119,442,396 | 118,781,038 |
| Total assets | <u>89,030,380</u> | <u>83,732,697</u> | <u>67,755,035</u> | <u>65,472,529</u> | <u>156,785,415</u> | <u>149,205,226</u> |
| Long-term liabilities outstanding | 14,003,429 | 10,175,042 | 5,501,480 | 5,957,635 | 19,504,909 | 16,132,677 |
| Other liabilities | 12,277,040 | 11,847,979 | 1,201,024 | 1,009,971 | 13,478,064 | 12,857,950 |
| Total liabilities | <u>26,280,469</u> | <u>22,023,021</u> | <u>6,702,504</u> | <u>6,967,606</u> | <u>32,982,973</u> | <u>28,990,627</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 50,833,005 | 51,581,004 | 53,255,999 | 52,481,362 | 104,089,004 | 104,062,366 |
| Restricted | 5,644,659 | 3,305,450 | - | - | 5,644,659 | 3,305,450 |
| Unrestricted | 6,272,247 | 6,823,222 | 7,796,532 | 6,023,561 | 14,068,779 | 12,846,783 |
| Total net assets | <u>\$ 62,749,911</u> | <u>\$ 61,709,676</u> | <u>\$ 61,052,531</u> | <u>\$ 58,504,923</u> | <u>\$ 123,802,442</u> | <u>\$ 120,214,599</u> |

A portion of the City’s net assets (4.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,068,779) 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 \$26,638 during the year. Restricted net assets increased by \$2,339,209 due to general obligation bonds issued during the year for projects to be completed in the upcoming year. Unrestricted net assets increased by \$1,221,996 during the year.

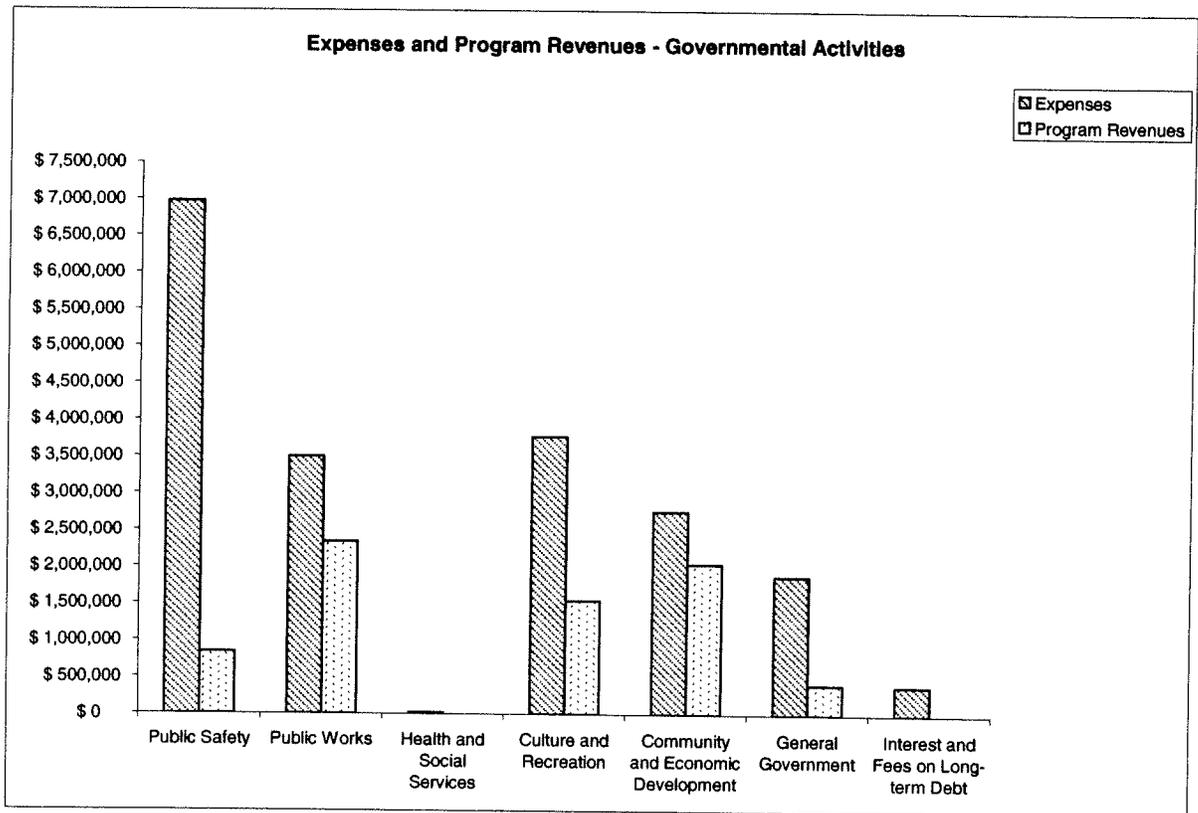
Governmental activities. Governmental activities increased the City’s net assets by \$1,040,235. A portion of this overall increase was due to \$446,815 in grants and contributions for capital projects. Net assets in the Local Option Sales Tax fund also increased by \$590,299. These funds are being accumulated to fund future year sewer projects. Other key elements of this overall increase are as follows:

CITY OF MUSCATINE CHANGES IN NET ASSETS

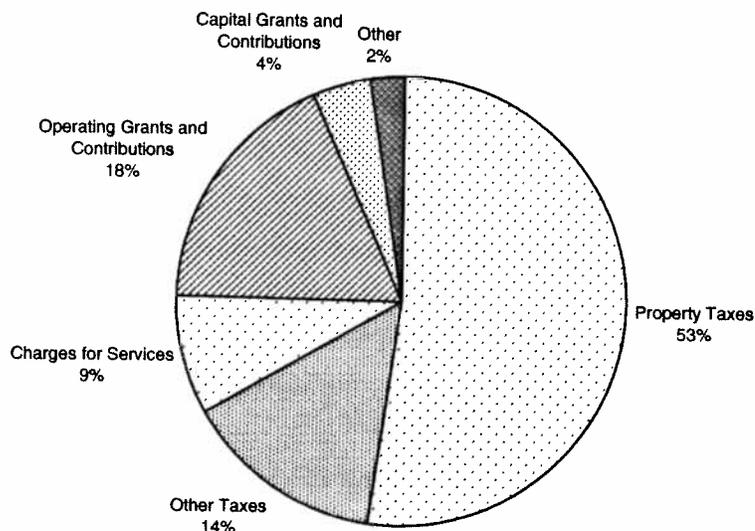
| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,988,344 | \$ 1,922,440 | \$ 10,388,859 | \$ 9,248,236 | \$ 12,377,203 | \$ 11,170,676 |
| Operating grants, contributions and restricted interest | 4,229,961 | 4,263,038 | 1,017,826 | 674,031 | 5,247,787 | 4,937,069 |
| Capital grants and contributions | 963,114 | 2,018,077 | 353,324 | 324,539 | 1,316,438 | 2,342,616 |
| General revenues: | | | | | | |
| Property taxes | 12,141,875 | 11,763,138 | - | - | 12,141,875 | 11,763,138 |
| Utility taxes | 67,703 | 63,986 | - | - | 67,703 | 63,986 |
| Local option sales tax | 2,688,049 | 2,589,592 | - | - | 2,688,049 | 2,589,592 |
| Hotel/motel tax | 366,261 | 338,818 | - | - | 366,261 | 338,818 |
| Cable franchise tax | 239,812 | 242,164 | - | - | 239,812 | 242,164 |
| Intergovernmental, not restricted to specific programs | 150,424 | 99,002 | - | - | 150,424 | 99,002 |
| Unrestricted investment earnings | 399,317 | 455,562 | 256,849 | 317,561 | 656,166 | 773,123 |
| Other | 7,980 | 8,735 | - | 4,348 | 7,980 | 13,083 |
| Total revenues | 23,242,840 | 23,764,552 | 12,016,858 | 10,568,715 | 35,259,698 | 34,333,267 |
| Expenses: | | | | | | |
| Public safety | 6,972,493 | 6,476,982 | - | - | 6,972,493 | 6,476,982 |
| Public works | 3,498,689 | 3,299,503 | - | - | 3,498,689 | 3,299,503 |
| Health and social service | 16,660 | 26,700 | - | - | 16,660 | 26,700 |
| Culture and recreation | 3,773,895 | 3,774,353 | - | - | 3,773,895 | 3,774,353 |
| Community and economic development | 2,757,190 | 2,446,232 | - | - | 2,757,190 | 2,446,232 |
| General government | 1,880,724 | 1,866,359 | - | - | 1,880,724 | 1,866,359 |
| Interest and fees on long-term debt | 391,759 | 432,626 | - | - | 391,759 | 432,626 |
| Water pollution control | - | - | 4,649,437 | 4,581,077 | 4,649,437 | 4,581,077 |
| Transfer station | - | - | 2,486,114 | 2,363,530 | 2,486,114 | 2,363,530 |
| Refuse collection | - | - | 1,390,113 | 1,423,922 | 1,390,113 | 1,423,922 |
| Airport | - | - | 561,312 | 545,259 | 561,312 | 545,259 |
| Parking | - | - | 244,774 | 210,405 | 244,774 | 210,405 |
| Transit | - | - | 872,252 | 781,763 | 872,252 | 781,763 |
| Golf course | - | - | 778,125 | 586,908 | 778,125 | 586,908 |
| Boat harbor | - | - | 33,015 | 37,325 | 33,015 | 37,325 |
| Marina | - | - | 12,461 | 24,203 | 12,461 | 24,203 |
| Ambulance | - | - | 428,659 | 912,403 | 428,659 | 912,403 |
| Public housing | - | - | 924,183 | 911,298 | 924,183 | 911,298 |
| Total expenses | 19,291,410 | 18,322,755 | 12,380,445 | 12,378,093 | 31,671,855 | 30,700,848 |
| Increase (decrease) in net assets before transfers | 3,951,430 | 5,441,797 | (363,587) | (1,809,378) | 3,587,843 | 3,632,419 |
| Transfers in (out) | (2,911,195) | (2,630,548) | 2,911,195 | 2,630,548 | - | - |
| Increase (decrease) in net assets | 1,040,235 | 2,811,249 | 2,547,608 | 821,170 | 3,587,843 | 3,632,419 |
| Net assets, beginning of year | 61,709,676 | 58,898,427 | 58,504,923 | 57,683,753 | 120,214,599 | 116,582,180 |
| Net assets, end of year | \$ 62,749,911 | \$ 61,709,676 | \$ 61,052,531 | \$ 58,504,923 | \$ 123,802,442 | \$ 120,214,599 |

- Revenues for governmental activities decreased by \$521,712 or 2.2% from the previous year due to a decrease in capital grants and contributions.
- Charges for services increased by \$65,904 due primarily to increased public safety and public works fees.
- Operating grants and contributions decreased by \$33,077 due to decreased community and economic development grants.

- Capital grants and contributions decreased by \$1,054,963. The prior year amount included a capital grant of \$735,335 for the East 5th Street bridge project and \$574,831 in pledged contributions for the Pearl of the Mississippi Project.
- Property taxes increased by \$378,737 during the year or 3.2%. This increase resulted from a 3.1% increase in tax rate and an increase of .6% in taxable valuation.
- Local option sales tax increased by \$98,457 during the year.
- Unrestricted investment earnings decreased by \$56,245 during the year due to lower interest rates.
- Expenses for governmental activities increased by \$968,655 or 5.3% from the previous year.
- The most significant increases in governmental expenses were in the public safety (\$495,511) and community and economic development (\$310,958) functions. The most significant decrease was in interest and fees on long-term debt (\$40,867).



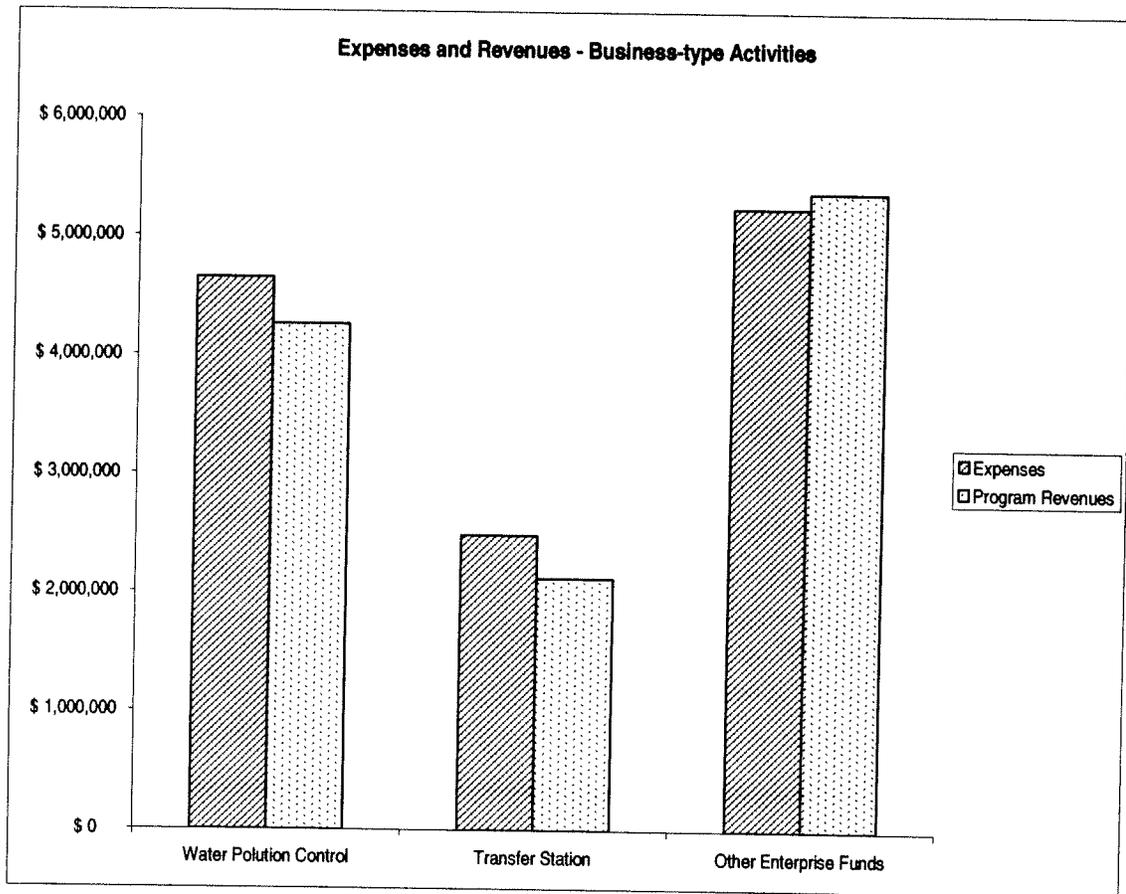
Revenues By Source - Governmental Activities



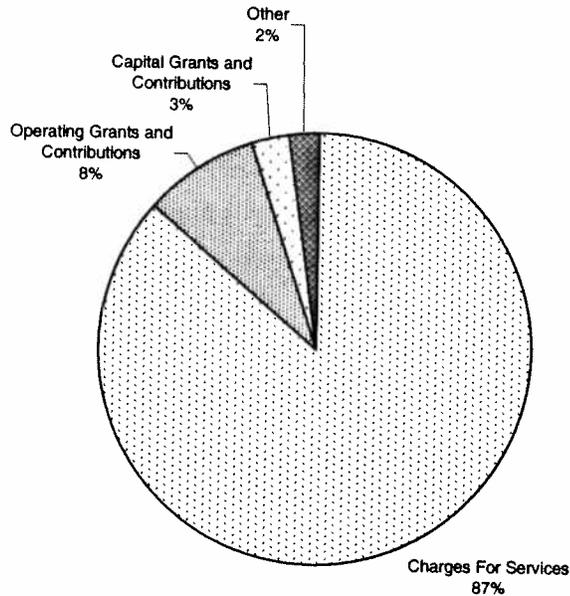
Business-type activities. Business-type activities increased the City's total net assets by \$2,547,608, accounting for 71% of the total increase in the City of Muscatine's net assets during the year. Increases in net assets were reported in the Water Pollution Control, Transfer Station, Refuse Collection, Transit, Golf Course, Ambulance and Public Housing funds. Decreases in net assets were reported in the Airport, Parking, and Boat Harbor funds. Key elements of these changes are as follows:

- Net assets of the Water Pollution Control fund increased by \$1,846,717 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$2,016,465 of sewer-related capital project costs.
- Net assets of the Transfer Station fund increased by \$393,485 during the year. This increase is the result of a funding transfer of \$755,929 from the debt service fund to fund the Transfer Station debt requirements for the year.
- Charges for services increased in total by \$1,140,623.
- Revenues for the business-type activities increased in total by \$1,448,143 (13.7%). Water Pollution Control Plant service charges increased by \$404,615, refuse collection charges by \$98,011 and parking charges by \$26,605 due to rate increases. Transfer Station service charges increased by \$197,308 due to increased waste volumes. Golf fees and charges increased by \$187,177 due to changing the clubhouse operation from a contract/commission basis to a City-run operation at the beginning of the 2007 season. Transit charges increased \$54,157 due to increased ridership. Ambulance charges increased by \$150,625 due to increased usage as well as a fee increase.

- Operating grants and contributions increased by \$343,795 primarily due to an increase in public housing operating grants.
- Capital grants and contributions increased by \$28,785. Unrestricted interest earning decreased by \$60,712 due to decreased interest rates.
- Expenses for the business-type activities increased \$2,352 (.02%).



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 \$14,492,983, an increase of \$3,804,807 in comparison with the prior year. This increase was primarily due to the increase in fund balance in the Local Option Sales Tax fund of \$590,299 and increase in capital project fund balances of \$3,185,069. The increase in capital project fund balances is primarily due to the issuance of \$5,120,000 in general obligation bonds for projects to be completed in the upcoming year.

Approximately 71% of the total combined ending fund balances (\$10,318,827) 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 \$1,733,810, while total fund balance was \$1,745,643. 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 12.0% and 12.1%, respectively, of total general fund expenditures. The City of Muscatine's general fund balance increased slightly by \$9,718 during the current fiscal year.

The Employee Benefits fund balance increased during the year by \$118,725. Taxes are levied in this fund for employee benefits for general fund employees. The increase in fund balance eliminated the prior year fund deficit and the ending balance of \$90,189 is primarily due to savings in employee benefit costs from vacancies which occurred during the year.

The Local Option Sales Tax fund balance increased during the fiscal year by \$590,299. These funds are being accumulated to fund future year sewer improvement projects.

The fund balance of the Street and Sidewalk Improvements Fund increased by \$1,935,107 due to the general obligation bonds issued to fund street improvement projects.

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, 2008 was \$61,052,531, an increase of \$2,547,608 from the previous fiscal year. Of the net assets of the enterprise funds, \$53,255,999 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$7,796,532, an increase of \$1,772,971 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 \$947,381 as of June 30, 2008, an increase of \$474,727 from the previous year. This increase was primarily in the Health Insurance Fund.

General Fund Budgetary Highlights

During the year there was an \$828,700 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 \$689,612 from the original to the amended budget. A significant portion of these overall increases were due to costs related to the June 1, 2007 tornado. Tornado cleanup and repair costs incurred in the 2007/2008 year resulted in expenditure amendments totaling \$460,800 in the various General Fund departments with revenue amendments of \$386,400 in expected insurance reimbursements. Additional tornado-related costs were incurred in the 2006/2007 fiscal year. Following are the main components of the overall budget increases during the year:

- Increases in the fire department budget totaled \$191,000. Increases included \$104,000 for capital expenditures funded from grant funds and \$92,300 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 \$466,400. This increase included \$460,800 in tornado and windstorm-related costs with \$374,000 in cleanup and repair costs for Kent Stein Park, the City's baseball and softball complex, \$31,100 in cleanup costs for Greenwood Cemetery, \$50,700 in cleanup and repair costs at Musser Park, and \$5,000 in cleanup costs at Iowa Field. The tornado and subsequent wind storm damaged lights, fencing and other structures in Kent Stein Park and Musser Park. The tornado also destroyed many large trees and toppled numerous monuments at Greenwood Cemetery. Revenue amendments included estimated insurance reimbursements of \$386,400.
- Public works department expenditures were amended by \$130,400 primarily due to increased snow and ice control costs. This increase included increased personnel, fuel and contracted snow removal costs due to the unusually snowy winter. These budget increases were funded from increased transfers from the Road Use Tax fund.
- The amended budget included a \$20,200 increase in the Community Development department. This included increased funding for fuel and vehicle maintenance costs as well as increased funding for the nuisance abatement program.
- The Library budget was amended by \$26,700 for retirement benefits for two staff members.

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, 2008, amounts to \$119,442,396 (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 \$298,649 for governmental activities compared to the prior year and increased by \$362,709 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 \$6,125,592.
- Major asset additions included \$1,908,638 for street improvements; \$99,278 for Airport improvements; \$729,239 for design costs for the Water Pollution Control Plant Comprehensive Improvement project; \$2,077,691 in sewer system improvements; \$447,079 for lighting, fencing and other improvements in the City's parks; and \$171,433 for a new Street Sweeper.
- Depreciation expense totaled \$5,789,944 for the year with \$2,811,494 in the governmental activities and \$2,978,450 in the business-type activities.

City of Muscatine Capital Assets
(Net of Depreciation)

| | <u>Governmental activities</u> | | <u>Business-type activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Land, art work and construction in progress, not being depreciated | \$ 14,483,257 | \$ 14,166,351 | \$ 5,400,009 | \$ 3,594,852 | \$ 19,883,266 | \$ 17,761,203 |
| Other capital assets net of accumulated depreciation | 46,509,328 | 46,527,585 | 53,049,802 | 54,492,250 | 99,559,130 | 101,019,835 |
| Total capital assets | <u>\$ 60,992,585</u> | <u>\$ 60,693,936</u> | <u>\$ 58,449,811</u> | <u>\$ 58,087,102</u> | <u>\$ 119,442,396</u> | <u>\$ 118,781,038</u> |

Additional information on the City of Muscatine's capital assets can be found in note 6 on pages 50-52 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,464,323. Of this amount, \$15,049,323 comprises debt backed by the full faith and credit of the city. Of this amount \$4,587,029 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 \$10,462,294 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

| | <u>Governmental activities</u> | | <u>Business-type activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| General obligation bonds | \$ 10,462,294 | \$ 6,409,835 | \$ 4,587,029 | \$ 5,605,740 | \$ 15,049,323 | \$ 12,015,575 |
| Revenue bonds | 2,415,000 | 2,700,000 | - | - | 2,415,000 | 2,700,000 |
| Total | <u>\$ 12,877,294</u> | <u>\$ 9,109,835</u> | <u>\$ 4,587,029</u> | <u>\$ 5,605,740</u> | <u>\$ 17,464,323</u> | <u>\$ 14,715,575</u> |

The City's total bonded debt increased by \$2,748,748 during the year. The City issued \$5,120,000 in new debt and \$6,560,000 in refunding debt during the year and \$8,650,000 in general obligation bonds and \$285,000 of tax increment revenue bonds were retired.

The City of Muscatine issued \$6,560,000 in general obligation refunding bonds to refinance four previously outstanding general obligation bond issues. The result is expected to be a decrease in future debt service payments of \$295,965.

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 \$53,820,599. The amount of debt applicable to the debt limit totals \$17,770,000. 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 52-55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Muscatine County was 3.5% for calendar year 2007 compared to 3.2% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by .6% for the 2007/2008 year and increased by 4.6% for the upcoming 2008/2009 fiscal year. The smaller increase for 2007/2008 was due in part to re-valuation of industrial property by the County Assessor.
- The upcoming budget provides funding for capital improvement projects to continue in 2008/2009. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (90%) and also be used to complete funding for the Pearl of the Mississippi Project (10%).
- The capital projects budget for 2008/2009 includes funds to continue a Comprehensive Pavement Management Program to upgrade the City's overall street conditions. A funding allocation of \$1 million for calendar year 2007 and \$2 million each for calendar years 2008 and 2009 will complete the initial upgrade. Thereafter an annual allocation of \$500,000 to \$800,000 will be needed to maintain the streets at this higher level.
- The 2008/2009 budget includes costs for comprehensive facilities improvements at the Water Pollution Control Plant. These improvements are estimated at \$18.5 million and will occur over the next several years.
- The 2008/2009 budget provides for increases in sewer, refuse collection, golf, and boat harbor 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, 2008

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------------|---|-------------------------------|
| | Governmental Activities | Business-type Activities | Total | Muscatine County Solid Waste Agency | Muscatine Power & Water |
| ASSETS | | | | | |
| Cash and pooled investments | \$ 12,706,370 | \$ 5,353,290 | \$ 18,059,660 | \$ - | \$ 485,481 |
| Investments | 1,967,405 | 878,240 | 2,845,645 | - | 16,012,685 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Interest | 81,587 | 40,792 | 122,379 | - | 1,030,739 |
| Taxes | 11,562,774 | - | 11,562,774 | - | - |
| Accounts | 216,598 | 1,930,950 | 2,147,548 | - | 8,445,937 |
| Intergovernmental | 1,260,825 | 90,030 | 1,350,855 | - | - |
| Loan receivable from component unit | - | 942,844 | 942,844 | - | - |
| Inventories | 164,935 | 16,295 | 181,230 | - | 11,908,088 |
| Prepays | 13,239 | 4,292 | 17,531 | - | 580,282 |
| Deferred charges | 64,062 | 19,396 | 83,458 | - | 158,127 |
| Restricted assets: | | | | | |
| Temporarily restricted: | | | | | |
| Cash and pooled investments | - | 29,095 | 29,095 | 810,950 | 14,822 |
| Investments | - | - | - | - | 49,867,212 |
| Capital assets: | | | | | |
| Land, art work and construction in progress, not being depreciated | 14,483,257 | 5,400,009 | 19,883,266 | 1,080,608 | 5,194,923 |
| Other capital assets net of accumulated depreciation | 46,509,328 | 53,049,802 | 99,559,130 | 489,168 | - |
| Utility plant in service | - | - | - | - | 157,890,555 |
| Intangible assets (net of accumulated depreciation) | - | - | - | - | 3,865,528 |
| Joint venture rights | - | - | - | - | 194,404 |
| Total assets | 89,030,380 | 67,755,035 | 156,785,415 | 2,380,726 | 255,648,783 |
| LIABILITIES | | | | | |
| Accounts payable and accruals | 767,448 | 1,028,557 | 1,796,005 | 82,520 | 7,891,036 |
| Retainages payable | 98,285 | 73,119 | 171,404 | - | - |
| Deposits | - | 38,093 | 38,093 | - | 2,884,630 |
| Matured bonds and interest payable | 419 | - | 419 | - | - |
| Accrued interest payable | 39,591 | 12,599 | 52,190 | - | 623,520 |
| Unearned revenue | 11,371,297 | 48,656 | 11,419,953 | 465 | 29,303,164 |
| Liabilities payable from restricted assets: | | | | | |
| Current installment of long-term debt | - | - | - | - | 12,595,000 |
| Accrued interest payable | - | - | - | - | 1,599,356 |
| Noncurrent liabilities: | | | | | |
| Due within one year | 2,053,098 | 1,188,664 | 3,241,762 | 952 | - |
| Due in more than one year | 11,950,331 | 4,283,721 | 16,234,052 | - | 49,213,430 |
| Loan due to primary government | - | - | - | 942,844 | - |
| Closure/post-closure obligation | - | 29,095 | 29,095 | 1,773,718 | - |
| Total liabilities | 26,280,469 | 6,702,504 | 32,982,973 | 2,800,499 | 104,110,136 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 50,833,005 | 53,255,999 | 104,089,004 | 1,569,776 | 103,119,453 |
| Restricted for: | | | | | |
| Debt service | 191,145 | - | 191,145 | - | - |
| Public works | 323,013 | - | 323,013 | - | - |
| Community and economic development | 378,572 | - | 378,572 | - | - |
| Public safety | 7,506 | - | 7,506 | - | - |
| Employee benefits | 90,189 | - | 90,189 | - | - |
| Capital projects | 2,717,714 | - | 2,717,714 | - | - |
| Perpetual care, nonexpendable | 816,923 | - | 816,923 | - | - |
| Endowments: | | | | | |
| Nonexpendable | 132,000 | - | 132,000 | - | - |
| Expendable | 987,597 | - | 987,597 | - | - |
| Other purposes | - | - | - | - | - |
| Unrestricted | 6,272,247 | 7,796,532 | 14,068,779 | (1,989,549) | 48,282,678 |
| Total net assets | \$ 62,749,911 | \$ 61,052,531 | \$ 123,802,442 | \$ (419,773) | \$ 151,538,647 |

City of Muscatine, Iowa
Statement of Activities
For the Year Ended June 30, 2008

| Functions: Primary Government: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Units | |
|---|------------------|----------------------|---|----------------------------------|---|--------------------------|----------------|-------------------------------------|-------------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions | Primary Government | | Total | Muscatine County Solid Waste Agency | Muscatine Power & Water |
| | | | | | Governmental Activities | Business-Type Activities | | | |
| Governmental activities: | | | | | | | | | |
| Public safety | \$ 6,972,493 | \$ 421,978 | \$ 312,891 | \$ 107,960 | \$ (6,129,664) | \$ - | \$ (6,129,664) | - | - |
| Public works | 3,498,689 | 151,785 | 1,990,225 | 200,000 | (1,156,679) | - | (1,156,679) | - | - |
| Health and social services | 16,660 | - | - | - | (16,660) | - | (16,660) | - | - |
| Culture and recreation | 3,773,895 | 598,707 | 287,695 | 655,154 | (2,232,339) | - | (2,232,339) | - | - |
| Community and economic development | 2,757,190 | 405,832 | 1,639,150 | - | (712,208) | - | (712,208) | - | - |
| General government | 1,880,724 | 410,042 | - | - | (1,470,682) | - | (1,470,682) | - | - |
| Interest and fees on long-term debt | 391,759 | - | - | - | (391,759) | - | (391,759) | - | - |
| Total governmental activities | 19,291,410 | 1,988,344 | 4,229,961 | 963,114 | (12,109,991) | - | (12,109,991) | - | - |
| Business-type activities: | | | | | | | | | |
| Water pollution control | 4,649,437 | 4,259,343 | - | - | - | (390,094) | (390,094) | - | - |
| Refuse collection | 1,390,113 | 1,462,820 | - | - | - | 72,707 | 72,707 | - | - |
| Transfer station | 2,486,114 | 2,090,391 | 33,279 | - | - | (362,444) | (362,444) | - | - |
| Airport | 561,312 | 41,023 | - | 101,883 | - | (418,406) | (418,406) | - | - |
| Parking | 244,774 | 204,733 | - | - | - | (40,041) | (40,041) | - | - |
| Transit | 872,252 | 183,586 | 455,606 | - | - | (233,060) | (233,060) | - | - |
| Golf course | 778,125 | 719,281 | - | 175,936 | - | 117,092 | 117,092 | - | - |
| Boat harbor | 33,015 | 23,899 | - | - | - | (9,116) | (9,116) | - | - |
| Marina | 12,461 | 10,721 | - | - | - | (1,740) | (1,740) | - | - |
| Ambulance | 428,659 | 968,157 | - | 75,505 | - | 615,003 | 615,003 | - | - |
| Public housing | 924,183 | 424,905 | 528,941 | - | - | 29,663 | 29,663 | - | - |
| Total business-type activities | 12,380,445 | 10,388,859 | 1,017,826 | 353,324 | - | (620,436) | (620,436) | - | - |
| Total primary government | \$ 31,671,855 | \$ 12,377,203 | \$ 5,247,787 | \$ 1,316,438 | (12,109,991) | - | (12,730,427) | - | - |
| Component Units: | | | | | | | | | |
| Muscatine County Solid Waste Agency | \$ 1,836,926 | \$ 792,341 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (1,044,585) | \$ 5,591,097 |
| Muscatine Power & Water | 86,520,652 | 92,017,252 | - | 94,497 | - | - | - | (1,044,585) | 5,591,097 |
| Total component units | \$ 88,357,578 | \$ 92,809,593 | \$ - | \$ 94,497 | \$ - | \$ - | \$ - | \$ - | \$ 11,182,194 |
| General revenues: | | | | | | | | | |
| Property taxes | | | 12,141,875 | | | | | | |
| Utility taxes | | | 67,703 | | | | | | |
| Local option sales tax | | | 2,688,049 | | | | | | |
| Hotel/motel taxes | | | 366,261 | | | | | | |
| Cable franchise taxes | | | 239,812 | | | | | | |
| Intergovernmental, unrestricted | | | 150,424 | | | | | | |
| Unrestricted investment income | | | 399,317 | | | | | | |
| Gain on sale of capital assets | | | 7,980 | | | | | | |
| Contributions to endowments | | | (2,911,195) | | | | | | |
| Transfers | | | 13,150,226 | | | | | | |
| Total general revenues, contributions to endowments and transfers | | | 13,150,226 | | | | | | |
| Change in net assets | | | 1,040,235 | | | | | | |
| Net assets, June 30, 2007 | | | 61,709,676 | | | | | | |
| Net assets, June 30, 2008 | | | 62,749,911 | | | | | | |

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

City of Muscatine, Iowa

Balance Sheet
Governmental Funds
June 30, 2008

| | <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 | \$ 1,359,041 | \$ 37,696 | \$ 4,698,662 | \$ 164,551 | \$ 2,154,728 | \$ 3,266,006 | \$ 11,680,684 |
| Investments | - | - | - | - | - | 1,967,405 | 1,967,405 |
| Receivables (net of allowance for uncollectibles): | | | | | | | |
| Interest | 6,889 | - | 24,240 | 4,905 | - | 41,221 | 77,255 |
| Taxes | 6,293,153 | 2,901,175 | - | 2,157,606 | - | 210,840 | 11,562,774 |
| Accounts | 142,918 | - | - | - | - | 1,511 | 144,429 |
| Intergovernmental | 372,996 | - | 476,372 | - | 200,000 | 211,457 | 1,260,825 |
| Advances to other funds | - | - | - | - | - | 286,002 | 286,002 |
| Prepaid insurance | 13,239 | - | - | - | - | - | 13,239 |
| Total assets | 8,188,236 | 2,938,871 | 5,199,274 | 2,327,062 | 2,354,728 | 5,984,442 | 26,992,613 |
| Liabilities and fund balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and accruals | 161,849 | - | - | 12,033 | 121,434 | 178,005 | 473,321 |
| Retainages payable | - | - | - | - | 98,285 | - | 98,285 |
| Advances from other funds | - | - | - | - | - | 286,002 | 286,002 |
| Matured general obligation bond interest payable | - | - | - | 419 | - | - | 419 |
| Deferred revenue | 6,280,744 | 2,848,682 | - | 2,123,465 | 200,000 | 188,712 | 11,641,603 |
| Total liabilities | 6,442,593 | 2,848,682 | - | 2,135,917 | 419,719 | 652,719 | 12,499,630 |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances | 11,833 | - | - | - | - | - | 11,833 |
| Advances to other funds | - | - | - | - | - | 286,002 | 286,002 |
| Housing assistance payments | - | - | - | - | - | 306,219 | 306,219 |
| Perpetual care | - | - | - | - | - | 813,440 | 813,440 |
| Endowments | - | - | - | - | - | 190,931 | 190,931 |
| Debt service | - | - | - | 191,145 | - | - | 191,145 |
| Capital projects | - | - | - | - | 1,935,009 | 439,577 | 2,374,586 |
| Unreserved, reported in: | | | | | | | |
| General fund | 1,733,810 | - | - | - | - | - | 1,733,810 |
| Special revenue funds | - | 90,189 | 5,199,274 | - | - | 3,300,410 | 8,589,873 |
| Capital projects funds | - | - | - | - | - | (4,856) | (4,856) |
| Total fund balances | 1,745,643 | 90,189 | 5,199,274 | 191,145 | 1,935,009 | 5,331,723 | 14,492,983 |
| Total liabilities and fund balances | \$ 8,188,236 | \$ 2,938,871 | \$ 5,199,274 | \$ 2,327,062 | \$ 2,354,728 | \$ 5,984,442 | |
| 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. | | | | | | | 60,983,646 |
| Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. | | | | | | | 270,306 |
| Unamortized balance of deferred charge for bond issuance costs not reported in the funds | | | | | | | 64,062 |
| 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. | | | | | | | 947,381 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | | | | | | |
| Bonds payable | | | | | | | (12,877,294) |
| Accrued interest payable | | | | | | | (39,591) |
| Compensated absences | | | | | | | (1,091,582) |
| Net assets of governmental activities | | | | | | | \$ 62,749,911 |

City of Muscatine, Iowa

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

For the Year Ended June 30, 2008

| | General | Employee Benefits | Local Option Sales Tax | Debt Service | Street and Sidewalk Improvements | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------|------------------------|------------------|----------------------------------|--------------------------|--------------------------|
| Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | \$ 6,046,108 | \$ 2,994,145 | \$ - | \$ 1,930,385 | \$ - | \$ 1,171,237 | \$ 12,141,875 |
| Utility | 36,910 | 18,295 | - | 11,392 | - | 1,106 | 67,703 |
| Hotel/motel | 366,261 | - | - | - | - | - | 366,261 |
| Cable franchise | 239,812 | - | - | - | - | - | 239,812 |
| Local option sales | - | - | 2,688,049 | - | - | - | 2,688,049 |
| Licenses and permits | 319,931 | - | - | - | - | - | 319,931 |
| Fines and forfeitures | 203,136 | - | - | - | - | - | 203,136 |
| Intergovernmental | 555,181 | - | - | 117,717 | - | 3,574,700 | 4,247,598 |
| Charges for services | 437,472 | - | - | - | - | - | 437,472 |
| Use of money and property | 200,154 | - | 187,520 | 30,589 | 433 | 201,700 | 620,396 |
| Other | 735,309 | - | - | - | 2,300 | 463,864 | 1,201,473 |
| Total revenues | 9,140,274 | 3,012,440 | 2,875,569 | 2,090,083 | 2,733 | 5,412,607 | 22,533,706 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Public safety | 6,695,099 | - | - | - | - | 9,168 | 6,704,267 |
| Public works | 1,821,559 | - | - | - | - | - | 1,821,559 |
| Health and social services | 16,660 | - | - | - | - | - | 16,660 |
| Culture and recreation | 2,568,626 | - | - | - | - | 63,991 | 2,632,617 |
| Community and economic development | 644,861 | - | - | - | - | 1,903,195 | 2,548,056 |
| General government | 1,803,850 | - | - | - | - | - | 1,803,850 |
| Debt service: | | | | | | | |
| Principal | 1,385 | - | - | 1,075,000 | - | 285,000 | 1,361,385 |
| Interest | 69 | - | - | 243,148 | - | 135,087 | 378,304 |
| Paying agent | - | - | - | 2,800 | - | - | 2,800 |
| Refunding bond issuance costs | - | - | - | 6,962 | - | - | 6,962 |
| Capital outlay: | | | | | | | |
| Public safety | 169,307 | - | - | - | - | 119,807 | 289,114 |
| Public works | 124,114 | - | - | - | 2,264,227 | 274,148 | 2,662,489 |
| Culture and recreation | 585,287 | - | - | - | - | 156,426 | 741,713 |
| Community and economic development | 1,283 | - | - | - | - | 232,183 | 233,466 |
| General government | 44,448 | - | - | - | - | 156,066 | 200,514 |
| Total expenditures | 14,476,548 | - | - | 1,327,910 | 2,264,227 | 3,335,071 | 21,403,756 |
| Revenues over (under) expenditures | (5,336,274) | 3,012,440 | 2,875,569 | 762,173 | (2,261,494) | 2,077,536 | 1,129,950 |
| Other financing sources (uses): | | | | | | | |
| General obligation bonds issued | - | - | - | - | 3,702,762 | 1,417,238 | 5,120,000 |
| General obligation bond premium | - | - | - | - | 1,916 | 739 | 2,655 |
| Refunding bonds issued | - | - | - | 1,714,384 | - | - | 1,714,384 |
| Refunding bond premium | - | - | - | 2,220 | - | - | 2,220 |
| Payment of refunded bonds | - | - | - | (1,680,000) | - | - | (1,680,000) |
| Insurance recoveries | 379,589 | - | - | - | - | - | 379,589 |
| Transfers in | 5,417,775 | - | - | - | 491,923 | 521,682 | 6,431,380 |
| Transfers out | (451,372) | (2,893,715) | (2,285,270) | (755,929) | - | (2,909,085) | (9,295,371) |
| Total other financing sources (uses) | 5,345,992 | (2,893,715) | (2,285,270) | (719,325) | 4,196,601 | (969,426) | 2,674,857 |
| Net change in fund balances | 9,718 | 118,725 | 590,299 | 42,848 | 1,935,107 | 1,108,110 | 3,804,807 |
| Fund balances, June 30, 2007 | 1,735,925 | (28,536) | 4,608,975 | 148,297 | (98) | 4,223,613 | 10,688,176 |
| Fund balances, June 30, 2008 | \$ 1,745,643 | \$ 90,189 | \$ 5,199,274 | \$ 191,145 | \$ 1,935,009 | \$ 5,331,723 | \$ 14,492,983 |

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, 2008

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

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 3,804,807 |
| <p>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:</p> | |
| Capital asset purchases capitalized | 3,106,843 |
| Depreciation expense | (2,809,515) |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.</p> | |
| | 3,299 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | |
| | 270,306 |
| <p>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.</p> | |
| General obligation bond proceeds | (5,120,000) |
| General obligation bond principal payments | 1,075,000 |
| Tax increment bond principal payments | 285,000 |
| Capital lease principal payments | 1,385 |
| Net effects of bond issuance costs, premiums and discounts | 19,012 |
| <p>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:</p> | |
| Change in compensated absences | (62,558) |
| Change in accrued interest payable | (8,071) |
| <p>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.</p> | |
| | 474,727 |
| Change in net assets of governmental activities | \$ 1,040,235 |

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, 2008

| | 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 | \$ 4,773,150 | \$ - | \$ 580,140 | \$ 5,353,290 | \$ 1,025,686 |
| Investments | - | - | 878,240 | 878,240 | - |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Interest | 28,164 | - | 12,628 | 40,792 | 4,332 |
| Accounts | 518,747 | 1,020,684 | 391,519 | 1,930,950 | 72,169 |
| Intergovernmental: | | | | | |
| Federal | - | - | 70,077 | 70,077 | - |
| State | - | - | 18,951 | 18,951 | - |
| County | - | - | 1,002 | 1,002 | - |
| Advances to other funds | 868,045 | - | 2,150 | 870,195 | 27,152 |
| Advances to component unit | 942,844 | - | - | 942,844 | - |
| Inventories | - | - | 16,295 | 16,295 | 164,935 |
| Prepaid items | - | - | 4,292 | 4,292 | - |
| Total current assets | 7,130,950 | 1,020,684 | 1,975,294 | 10,126,928 | 1,294,274 |
| Noncurrent assets: | | | | | |
| Restricted cash and pooled investments | - | 29,095 | - | 29,095 | - |
| Deferred charges | 1,652 | 15,597 | 2,147 | 19,396 | - |
| Capital assets: | | | | | |
| Land | 474,486 | 175,000 | 2,173,659 | 2,823,145 | - |
| Land improvements | 62,346 | 1,019,897 | 9,491,252 | 10,573,495 | - |
| Buildings and building improvements | 31,422,828 | 7,428,336 | 11,123,226 | 49,974,390 | - |
| Equipment | 3,695,118 | 258,588 | 684,783 | 4,638,489 | 122,889 |
| Vehicles | 636,291 | 356,243 | 1,708,136 | 2,700,670 | 48,140 |
| Infrastructure | 32,818,730 | - | - | 32,818,730 | - |
| Construction in progress | 2,370,509 | - | 206,355 | 2,576,864 | - |
| Less accumulated depreciation | (29,509,381) | (3,663,479) | (14,483,112) | (47,655,972) | (162,090) |
| Total capital assets net of accumulated depreciation | 41,970,927 | 5,574,585 | 10,904,299 | 58,449,811 | 8,939 |
| Total noncurrent assets | 41,972,579 | 5,619,277 | 10,906,446 | 58,498,302 | 8,939 |
| Total assets | 49,103,529 | 6,639,961 | 12,881,740 | 68,625,230 | 1,303,213 |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accruals | 721,628 | 48,163 | 258,766 | 1,028,557 | 294,127 |
| Retainages payable | 65,987 | - | 7,132 | 73,119 | - |
| Compensated absences payable | 80,089 | 6,902 | 68,859 | 155,850 | 14,518 |
| Advances from other funds | - | 861,825 | 8,370 | 870,195 | 27,152 |
| Deposits | - | - | 38,093 | 38,093 | - |
| Accrued interest payable | 1,032 | 10,167 | 1,400 | 12,599 | - |
| Unearned revenue | - | - | 48,656 | 48,656 | - |
| General obligation bonds | 408,724 | 547,708 | 76,382 | 1,032,814 | - |
| Total current liabilities | 1,277,460 | 1,474,765 | 507,658 | 3,259,883 | 335,797 |
| Noncurrent liabilities: | | | | | |
| General obligation bonds | - | 3,119,822 | 434,393 | 3,554,215 | - |
| State revolving fund loan | 606,783 | - | - | 606,783 | - |
| Compensated absences | 78,131 | 931 | 43,661 | 122,723 | 20,035 |
| Transfer station closure obligation | - | 29,095 | - | 29,095 | - |
| Total noncurrent liabilities | 684,914 | 3,149,848 | 478,054 | 4,312,816 | 20,035 |
| Total liabilities | 1,962,374 | 4,624,613 | 985,712 | 7,572,699 | 355,832 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 40,955,420 | 1,907,055 | 10,393,524 | 53,255,999 | 8,939 |
| Unrestricted | 6,185,735 | 108,293 | 1,502,504 | 7,796,532 | 938,442 |
| Total net assets | \$ 47,141,155 | \$ 2,015,348 | \$ 11,896,028 | \$ 61,052,531 | \$ 947,381 |

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, 2008

| | 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 | \$ 4,184,022 | \$ 2,025,104 | \$ 3,896,926 | \$ 10,106,052 | \$ 1,009,827 |
| Employer contributions | - | - | - | - | 2,128,595 |
| Employee contributions | - | - | - | - | 141,273 |
| Other contributions | - | - | - | - | 175,782 |
| Other | 75,321 | 65,287 | 142,199 | 282,807 | 6,587 |
| Total operating revenues | 4,259,343 | 2,090,391 | 4,039,125 | 10,388,859 | 3,462,064 |
| Operating expenses: | | | | | |
| Cost of sales and services: | | | | | |
| Personal services | 1,748,672 | 201,155 | 1,998,473 | 3,948,300 | 262,428 |
| Commodities | 277,384 | 44,764 | 586,525 | 908,673 | 619,947 |
| Contractual services | 756,921 | 1,715,841 | 1,343,422 | 3,816,184 | 2,070,169 |
| Administration | 142,600 | 2,000 | 269,900 | 414,500 | 16,100 |
| Depreciation | 1,684,512 | 279,772 | 1,014,166 | 2,978,450 | 1,978 |
| Total operating expenses | 4,610,089 | 2,243,532 | 5,212,486 | 12,066,107 | 2,970,622 |
| Operating income (loss) | (350,746) | (153,141) | (1,173,361) | (1,677,248) | 491,442 |
| Non-operating revenues (expenses): | | | | | |
| Intergovernmental | - | 33,279 | 984,547 | 1,017,826 | - |
| Interest revenue | 220,346 | - | 36,503 | 256,849 | 30,489 |
| Interest expense | (38,046) | (239,868) | (32,145) | (310,059) | - |
| Bond issuance costs | (1,302) | (2,714) | (263) | (4,279) | - |
| Insurance recoveries | - | - | 175,936 | 175,936 | - |
| Non-operating revenues (expenses), net | 180,998 | (209,303) | 1,164,578 | 1,136,273 | 30,489 |
| Income (loss) before capital contributions and transfers | (169,748) | (362,444) | (8,783) | (540,975) | 521,931 |
| Capital contributions - grants | - | - | 101,883 | 101,883 | - |
| Capital contributions - government | - | - | 75,505 | 75,505 | - |
| Transfers in | 2,016,465 | 755,929 | 505,201 | 3,277,595 | - |
| Transfers out | - | - | (366,400) | (366,400) | (47,204) |
| Change in net assets | 1,846,717 | 393,485 | 307,406 | 2,547,608 | 474,727 |
| Net assets, June 30, 2007 | 45,294,438 | 1,621,863 | 11,588,622 | 58,504,923 | 472,654 |
| Net assets, June 30, 2008 | \$ 47,141,155 | \$ 2,015,348 | \$ 11,896,028 | \$ 61,052,531 | \$ 947,381 |

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, 2008

| | 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 | \$ 4,194,807 | \$ 1,773,043 | \$ 4,027,983 | \$ 9,995,833 | \$ - |
| Receipts from operating insurance recoveries | - | - | 22,619 | 22,619 | - |
| Receipts from interfund services provided | - | - | - | - | 3,439,297 |
| Payments to suppliers | (1,021,733) | (1,691,870) | (1,604,821) | (4,318,424) | (2,611,042) |
| Payments to employees | (1,222,583) | (141,950) | (1,516,707) | (2,881,240) | (181,694) |
| Payments for employee benefits | (567,374) | (61,975) | (479,998) | (1,109,347) | (79,266) |
| Payments for interfund services used | (181,724) | (84,854) | (667,723) | (934,301) | (16,100) |
| Net cash provided (used) by operating activities | <u>1,201,393</u> | <u>(207,606)</u> | <u>(218,647)</u> | <u>775,140</u> | <u>551,195</u> |
| Cash flows from noncapital financing activities | | | | | |
| Transfers to other funds | - | - | (366,400) | (366,400) | (47,204) |
| Transfers from other funds | 2,016,465 | 755,929 | 505,201 | 3,277,595 | - |
| Advances from other funds | - | 204,691 | 8,370 | 213,061 | 27,152 |
| Advances to other funds | (210,911) | - | (2,150) | (213,061) | (37,535) |
| Advance to solid waste component unit | (703,285) | - | - | (703,285) | - |
| Repayment of advances from other funds | - | - | (222,939) | (222,939) | (680) |
| Repayment of advances to other funds | 217,993 | - | 4,946 | 222,939 | 11,063 |
| Subsidies from federal, state and local grants | - | 33,279 | 981,090 | 1,014,369 | - |
| Net cash provided (used) by noncapital financing activities | <u>1,320,262</u> | <u>993,899</u> | <u>908,118</u> | <u>3,222,279</u> | <u>(47,204)</u> |
| Cash flows from capital and related financing activities | | | | | |
| Proceeds from capital debt | 606,783 | - | - | 606,783 | - |
| Proceeds from refunding debt | 413,160 | 3,901,642 | 537,086 | 4,851,888 | - |
| Capital contributions | - | - | 150,018 | 150,018 | - |
| Purchase of capital assets | (2,550,519) | (11,600) | (385,771) | (2,947,890) | - |
| Principal paid on capital debt | (420,000) | (544,953) | (75,047) | (1,040,000) | - |
| Interest paid on capital debt | (36,962) | (210,978) | (29,042) | (276,982) | - |
| Principal paid on refunded debt | (420,000) | (3,898,236) | (536,763) | (4,854,999) | - |
| Refunding bond issuance costs | (1,652) | (15,597) | (2,147) | (19,396) | - |
| Insurance reimbursement for loss of capital assets | - | - | 190,250 | 190,250 | - |
| Net cash provided (used) by capital and related financing activities | <u>(2,409,190)</u> | <u>(779,722)</u> | <u>(151,416)</u> | <u>(3,340,328)</u> | <u>-</u> |
| Cash flows from investing activities | | | | | |
| Proceeds from sales and maturities of investments | - | - | 1,449,000 | 1,449,000 | - |
| Purchase of investments | - | - | (1,784,083) | (1,784,083) | - |
| Interest received | 247,742 | - | 32,246 | 279,988 | 34,686 |
| Net cash provided (used) by investing activities | <u>247,742</u> | <u>-</u> | <u>(302,837)</u> | <u>(55,095)</u> | <u>34,686</u> |
| Net increase (decrease) in cash and pooled investments | 360,207 | 6,571 | 235,218 | 601,996 | 538,677 |
| Cash and pooled investments, June 30, 2007 | <u>4,412,943</u> | <u>22,524</u> | <u>344,922</u> | <u>4,780,389</u> | <u>487,009</u> |
| Cash and pooled investments, June 30, 2008 | <u>\$ 4,773,150</u> | <u>\$ 29,095</u> | <u>\$ 580,140</u> | <u>\$ 5,382,385</u> | <u>\$ 1,025,686</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ (350,746) | \$ (153,141) | \$ (1,173,361) | \$ (1,677,248) | \$ 491,442 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 1,684,512 | 279,772 | 1,014,166 | 2,978,450 | 1,978 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (64,535) | (317,348) | (3,472) | (385,355) | (22,767) |
| Intergovernmental receivable | - | - | 16,233 | 16,233 | - |
| Inventories | - | - | 2,422 | 2,422 | (37,445) |
| Prepaid items | - | - | 1,092 | 1,092 | - |
| Increase (decrease) in: | | | | | |
| Accounts payable and accruals | (26,553) | (14,419) | (73,972) | (114,944) | 116,520 |
| Compensated absences payable | (41,285) | (2,770) | (472) | (44,527) | 1,467 |
| Unearned revenue | - | - | (3,640) | (3,640) | - |
| Deposits | - | - | 2,357 | 2,357 | - |
| Transfer station closure obligation | - | 300 | - | 300 | - |
| Total adjustments | <u>1,552,139</u> | <u>(54,465)</u> | <u>954,714</u> | <u>2,452,388</u> | <u>59,753</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,201,393</u> | <u>\$ (207,606)</u> | <u>\$ (218,647)</u> | <u>\$ 775,140</u> | <u>\$ 551,195</u> |
| Non-cash capital and related financing activities: | | | | | |
| Contribution of capital asset from government | \$ - | \$ - | \$ 75,505 | \$ 75,505 | \$ - |

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, 2008**

| | Agency Funds |
|-------------------------------|--------------------------|
| Assets: | |
| Cash and pooled investments | \$ 419,494 |
| Accounts receivable | 48,526 |
| Advances to other funds | <u>47,583</u> |
| Total assets | <u><u>515,603</u></u> |
| | |
| Liabilities: | |
| Accounts payable and accruals | 468,020 |
| Advances from other funds | <u>47,583</u> |
| Total liabilities | <u><u>\$ 515,603</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, 2008

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. Post Employment Health and Dental Care Benefits
12. Industrial Revenue Bonds
13. Risk Management
14. Commitments and Contingencies
15. New Governmental Accounting Standards Board (GASB) Standards

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 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 (Civil Defense) 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 changes in net assets) 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 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, 2008, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2007 and March 31, 2008. Any County collections on the 2007-2008 tax levy remitted to the City within sixty days subsequent to June 30, 2008, 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, 2008, 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 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. 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 straight-line 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.

8. 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.

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, 2008, the budget was amended three times which decreased expenditures in total by \$774,117. Increases for emergency events including the golf course maintenance building fire on May 31, 2007 and the June 1, 2007 tornado were offset by decreases in capital project costs due to changes in 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, 2008, the deposits and investments of the City consist of the following:

| | |
|-------------------------------------|----------------------|
| Petty cash and undeposited cash | \$ 45,415 |
| Cash in bank | 210,765 |
| Savings accounts | 36,865 |
| Money market accounts | 89,032 |
| Iowa Public Agency Investment Trust | 1,777,767 |
| Certificates of deposit | <u>20,005,000</u> |
| | <u>\$ 22,164,844</u> |

As of June 30, 2008 the carrying amount of the City's deposits with financial institutions totaled \$22,162,672 and the bank balances were \$22,293,954. 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, 2007 MP&W's deposits and investments consist of the following:

| | |
|----------------------------|-----------------------|
| | <u>Fair Value</u> |
| Cash in bank | \$ 500,303 |
| U.S. government securities | <u>65,879,897</u> |
| | <u>\$ 66,380,200</u> |

As of December 31, 2007 the carrying amount of MP&W's deposits with financial institutions totaled \$501,978, and the bank balances were \$2,395,793. 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, 2007, 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, 2007, 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 | 83% |
| Federal Home Loan Bank | 11% |

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, 2007, 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 | \$ 49,679,898 | \$ 34,341,238 | \$ 12,576,577 | \$ 2,762,083 |

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, 2008 consist of the following:

| | | Due from | | | | | |
|---------------|-------------------------|----------------------------------|-----------------------------|--------------------------------|-----------------------------|------------------|---------------------|
| | | Nonmajor Governmental | Transfer Station | Nonmajor Enterprise | Internal Service | Fiduciary | Totals |
| Due to | Nonmajor governmental | \$ 286,002 | \$ - | \$ - | \$ - | \$ - | \$ 286,002 |
| | Water pollution control | - | 861,825 | 6,220 | - | - | 868,045 |
| | Nonmajor enterprise | - | - | 2,150 | - | - | 2,150 |
| | Internal service | - | - | - | 27,152 | - | 27,152 |
| | Fiduciary | - | - | - | - | 47,583 | 47,583 |
| Total | | \$ 286,002 | \$ 861,825 | \$ 8,370 | \$ 27,152 | \$ 47,583 | \$ 1,230,932 |

The \$861,825 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. It is not expected that this amount will be eliminated in the subsequent year. Of the non-major governmental balance due from other funds \$241,179 is due to a loan needed until future local option tax revenue is received to complete the financing for the Pearl of the Mississippi capital project. These funds will be received in the next year to eliminate this loan.

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

Interfund transfers for the year are as follows:

| | | Transfers from | | | | | | | Totals |
|--------------|----------------------------------|----------------|-------------------|------------------------|--------------|-----------------------|---------------------|------------------|--------------|
| | | General | Employee Benefits | Local Option Sales Tax | Debt Service | Nonmajor Governmental | Nonmajor Enterprise | Internal Service | |
| Transfers to | General | \$ - | \$ 2,893,715 | \$ - | \$ - | \$ 2,110,456 | \$ 366,400 | \$ 47,204 | \$ 5,417,775 |
| | Street and sidewalk improvements | - | - | - | - | 491,923 | - | - | 491,923 |
| | Nonmajor governmental | 45,522 | - | 268,805 | - | 207,355 | - | - | 521,682 |
| | Water pollution control | - | - | 2,016,465 | - | - | - | - | 2,016,465 |
| | Transfer station | - | - | - | 755,929 | - | - | - | 755,929 |
| | Nonmajor enterprise | 405,850 | - | - | - | 99,351 | - | - | 505,201 |
| Total | | \$ 451,372 | \$ 2,893,715 | \$ 2,285,270 | \$ 755,929 | \$ 2,909,085 | \$ 366,400 | \$ 47,204 | \$ 9,708,975 |

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

NOTE 5. RESTRICTED ASSETS

Transfer Station assets of \$29,095 at June 30, 2008 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Solid Waste Agency assets of \$810,950 at June 30, 2008 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 and the depreciation, extension and improvement fund may be used for capital or other funding requirements, and the extraordinary operation and maintenance account may be used for extraordinary operating expenses at the discretion of the Board.

The composition of the restricted funds as of December 31, 2007 was as follows:

| | |
|---|----------------------|
| Current accounts: | |
| Bond sinking fund | \$ 14,212,746 |
| Rate stabilization fund | 5,938,925 |
| Extraordinary operation and maintenance account | <u>29,730,363</u> |
| Total restricted assets | <u>\$ 49,882,034</u> |

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 is as follows:

Primary government

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,814,037 | \$ - | \$ - | \$ 8,814,037 |
| Art work | 5,258,526 | 28,750 | - | 5,287,276 |
| Construction in progress | 93,788 | 381,944 | (93,788) | 381,944 |
| Total capital assets, not being depreciated | 14,166,351 | 410,694 | (93,788) | 14,483,257 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 14,786,736 | 428,732 | - | 15,215,468 |
| Buildings | 7,711,683 | 18,347 | - | 7,730,030 |
| Building improvements | 1,087,132 | 38,095 | - | 1,125,227 |
| Equipment | 4,584,046 | 282,648 | (148,046) | 4,718,648 |
| Vehicles | 4,250,262 | 206,056 | (118,176) | 4,338,142 |
| Infrastructure | 50,062,488 | 1,844,810 | - | 51,907,298 |
| Total capital assets, being depreciated | 82,482,347 | 2,818,688 | (266,222) | 85,034,813 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (5,205,036) | (657,845) | - | (5,862,881) |
| Buildings | (4,146,672) | (180,124) | - | (4,326,796) |
| Building improvements | (390,468) | (72,644) | - | (463,112) |
| Equipment | (2,502,003) | (276,556) | 122,595 | (2,655,964) |
| Vehicles | (2,817,743) | (297,892) | 118,176 | (2,997,459) |
| Infrastructure | (20,892,840) | (1,326,433) | - | (22,219,273) |
| Total accumulated depreciation | (35,954,762) | (2,811,494) | 240,771 | (38,525,485) |
| Total capital assets, being depreciated, net | 46,527,585 | 7,194 | (25,451) | 46,509,328 |
| Governmental activities capital assets, net | \$ 60,693,936 | \$ 417,888 | \$ (119,239) | \$ 60,992,585 |
| | | | | |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,823,145 | \$ - | \$ - | \$ 2,823,145 |
| Construction in progress | 771,707 | 2,181,055 | (375,898) | 2,576,864 |
| Total capital assets, not being depreciated | 3,594,852 | 2,181,055 | (375,898) | 5,400,009 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 10,573,495 | - | - | 10,573,495 |
| Buildings | 46,887,994 | - | - | 46,887,994 |
| Building improvements | 3,086,396 | - | - | 3,086,396 |
| Equipment | 4,477,344 | 167,884 | (6,739) | 4,638,489 |
| Vehicles | 2,520,734 | 291,436 | (111,500) | 2,700,670 |
| Sewer system | 31,708,748 | 1,109,982 | - | 32,818,730 |
| Total capital assets, being depreciated | 99,254,711 | 1,569,302 | (118,239) | 100,705,774 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (7,309,515) | (555,843) | - | (7,865,358) |
| Buildings | (23,828,972) | (1,098,755) | - | (24,927,727) |
| Building improvements | (1,475,969) | (151,966) | - | (1,627,935) |
| Equipment | (1,702,269) | (317,708) | 6,739 | (2,013,238) |
| Vehicles | (1,444,641) | (208,904) | 78,200 | (1,575,345) |
| Sewer system | (9,001,095) | (645,274) | - | (9,646,369) |
| Total accumulated depreciation | (44,762,461) | (2,978,450) | 84,939 | (47,655,972) |
| Total capital assets, being depreciated, net | 54,492,250 | (1,409,148) | (33,300) | 53,049,802 |
| Business type activities capital assets, net | \$ 58,087,102 | \$ 771,907 | \$ (409,198) | \$ 58,449,811 |

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

| | |
|---|---------------------|
| Governmental activities: | |
| Public safety | \$ 292,624 |
| Public works | 1,480,065 |
| Culture and recreation | 990,544 |
| Community and economic development | 8,455 |
| General government | 37,828 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 1,978 |
| Total depreciation expense – governmental activities | \$ 2,811,494 |
| | |
| Business-type activities: | |
| Water pollution control plant | \$ 1,684,512 |
| Refuse collection | 80,576 |
| Transfer station | 279,772 |
| Airport | 439,987 |
| Parking | 30,817 |
| Transit | 75,449 |
| Golf course | 82,955 |
| Boat harbor | 9,807 |
| Ambulance | 21,096 |
| Public housing | 273,479 |
| Total depreciation expense – business-type activities | \$ 2,978,450 |

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2008 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,080,608 | \$ - | \$ - | \$ 1,080,608 |
| Total capital assets, not being depreciated | 1,080,608 | - | - | 1,080,608 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 41,975 | - | - | 41,975 |
| Buildings | 37,314 | - | - | 37,314 |
| Equipment | 9,237 | 22,080 | - | 31,317 |
| Leachate collection system | 616,835 | - | - | 616,835 |
| Total capital assets, being depreciated | 705,361 | 22,080 | - | 727,441 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (20,994) | (3,124) | - | (24,118) |
| Buildings | (11,661) | (933) | - | (12,594) |
| Equipment | (6,929) | (1,660) | - | (8,589) |
| Leachate collection system | (173,106) | (19,866) | - | (192,972) |
| Total accumulated depreciation | (212,690) | (25,583) | - | (238,273) |
| Total capital assets, being depreciated, net | 492,671 | (3,503) | - | 489,168 |
| Solid Waste Agency capital assets, net | \$ 1,573,279 | \$ (3,503) | \$ - | \$ 1,569,776 |

Activity for Muscatine Power & Water for the year ended December 31, 2007 was as follows.

| | Beginning Balance | Increases/ Reclassifications | Decreases | Transfers | Ending Balance |
|---|----------------------|---------------------------------|--------------|-------------|-------------------|
| Capital assets, not being depreciated: | | | | | |
| Land and land rights | \$ 2,933,797 | \$ - | \$ (6,876) | \$ - | \$ 2,926,921 |
| Construction work in progress | 1,085,126 | 5,962,913 | (232,661) | (4,547,376) | 2,268,002 |
| Total capital assets, not being depreciated | 4,018,923 | 5,962,913 | (239,537) | (4,547,376) | 5,194,923 |
| Capital assets, being depreciated: | | | | | |
| Generation plant | 315,194,168 | 71,835 | (916,195) | 1,820,364 | 316,170,172 |
| Transmission and distribution plant | 51,203,297 | 605,870 | (202,992) | 1,225,680 | 52,831,855 |
| General plant | 20,313,405 | 130,177 | (544,945) | 809,684 | 20,708,321 |
| Source of supply | 1,648,822 | - | - | 2,523 | 1,651,345 |
| Pumping equipment | 1,308,489 | 199 | (42,514) | 92,445 | 1,358,619 |
| Purification equipment | 1,046,216 | 5,948 | - | - | 1,052,164 |
| Distribution system | 13,800,704 | 142,054 | (44,064) | 478,470 | 14,377,164 |
| Network operations plant | 23,347,231 | 1,010,477 | (252,531) | 118,210 | 24,223,387 |
| Total capital assets being depreciated | 427,862,332 | 1,966,560 | (2,003,241) | 4,547,376 | 432,373,027 |
| Less accumulated depreciation for: | | | | | |
| Generation plant | (194,641,207) | (10,274,664) | 891,570 | - | (204,024,301) |
| Transmission and distribution plant | (32,791,189) | (1,964,976) | 214,477 | - | (34,541,688) |
| General plant | (13,070,068) | (1,636,380) | 533,672 | - | (14,172,776) |
| Unallocated contribution in aid of construction | (660,488) | - | - | - | (660,488) |
| Source of supply | (935,799) | (54,960) | 488 | - | (990,271) |
| Pumping equipment | (479,023) | (42,432) | 43,309 | - | (478,146) |
| Purification system | (636,246) | (27,888) | - | - | (664,134) |
| Distribution system | (4,867,246) | (304,056) | 44,064 | - | (5,127,238) |
| Network operations plant and general plant | (12,434,008) | (1,629,396) | 239,974 | - | (13,823,430) |
| Total accumulated depreciation | (260,515,274) | (15,934,752) | 1,967,554 | - | (274,482,472) |
| Total capital assets, being depreciated, net | 167,347,058 | (13,968,192) | (35,687) | 4,547,376 | 157,890,555 |
| Muscatine Power & Water capital assets, net | \$ 171,365,981 | \$ (8,005,279) | \$ (275,224) | \$ - | \$ 163,085,478 |

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The general obligation bonds outstanding as of June 30, 2008 total \$15,049,323. These bonds bear interest at rates ranging from 2.05% 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 long-term 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, 2008 consist of the following individual issues:

| | Issue Date | Amount Issued | Interest Rates | Balance 6/30/2008 | Governmental Activities | Business-Type Activities |
|--------------------------|---------------|------------------|-------------------|----------------------|----------------------------|-----------------------------|
| General obligation bonds | | | | | | |
| General corporate | 6/1/2003 | \$ 1,780,000 | 2.05-3.00 | \$ 1,009,857 | (1) \$ 1,009,857 | \$ - |
| General corporate | 6/1/2006 | 2,990,000 | 3.70-4.00 | 2,647,562 | (2) 2,647,562 | - |
| General corporate | 6/1/2008 | 5,120,000 | 3.00-3.50 | 5,122,655 | (3) 5,122,655 | - |
| General refunding | 6/1/2008 | 6,560,000 | 3.00-3.25 | 6,269,249 | (4) 1,682,220 | 4,587,029 |
| | | | | \$ 15,049,323 | \$ 10,462,294 | \$ 4,587,029 |

1. Net of unamortized discount of \$5,143
2. Net of unamortized discount of \$12,438
3. Net of unamortized premium of \$2,655
4. Net of unamortized premium/charges of \$290,751

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

| <u>Year Ending June 30</u> | <u>Governmental</u> | | <u>Business-Type</u> | |
|--------------------------------|----------------------|---------------------|----------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 1,207,798 | \$ 352,473 | \$ 1,032,814 | \$ 151,183 |
| 2010 | 1,297,575 | 313,974 | 656,938 | 118,807 |
| 2011 | 1,389,891 | 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 |
| 2014-2018 | 4,196,666 | 420,549 | 757,551 | 26,000 |
| | <u>\$ 10,462,294</u> | <u>\$ 1,780,730</u> | <u>\$ 4,587,029</u> | <u>\$ 520,566</u> |

Tax Increment Revenue Bonds. The City issued \$1,795,000 of tax increment revenue bonds in June 1997. The proceeds of these bonds are to be 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.

Tax increment revenue bonds as of June 30, 2008 consist of the following issues:

| | <u>Issue Date</u> | <u>Amount Issued</u> | <u>Interest Rates</u> | <u>Balance June 30, 2008</u> |
|--|-----------------------|--------------------------|---------------------------|----------------------------------|
| Tax Increment Revenue Bonds: | | | | |
| Urban Renewal Tax Increment Revenue Bonds | 6/26/1997 | \$ 1,795,000 | 5.45-5.75% | \$ 600,000 |
| Urban Renewal Tax Increment Revenue Bonds | 4/23/2004 | 420,000 | 2.95-4.25 | 280,000 |
| Urban Renewal Tax Increment Revenue Bonds | 6/24/2004 | 1,885,000 | 3.30-5.80 | <u>1,535,000</u> |
| | | | | <u>\$ 2,415,000</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> |
| 2009 | \$ 300,000 | \$ 122,616 |
| 2010 | 310,000 | 108,933 |
| 2011 | 325,000 | 94,173 |
| 2012 | 340,000 | 78,323 |
| 2013 | 105,000 | 61,308 |
| 2014-2018 | 600,000 | 222,975 |
| 2019-2021 | 435,000 | 50,470 |
| | <u>\$ 2,415,000</u> | <u>\$ 738,798</u> |

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

| Year Ending June 30 | Business-Type | |
|------------------------|-------------------|------------------|
| | Principal | Interest |
| 2009 | \$ - | \$ 11,228 |
| 2010 | - | 19,717 |
| 2011 | 525,000 | 19,717 |
| 2012 | 81,783 | 2,655 |
| | <u>\$ 606,783</u> | <u>\$ 53,317</u> |

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2008 was as follows:

Primary government

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 6,430,000 | \$ 6,834,384 | \$ (2,755,000) | \$ 10,509,384 | \$ 1,220,837 |
| Tax increment revenue bonds | 2,700,000 | - | (285,000) | 2,415,000 | 300,000 |
| Less issuance discounts | (20,165) | (29,509) | 2,584 | (47,090) | (13,039) |
| Total bonds payable | 9,109,835 | 6,804,875 | (3,037,416) | 12,877,294 | 1,507,798 |
| Capital leases | 3,097 | - | (3,097) | - | - |
| Compensated absences | 1,062,110 | 627,128 | (563,103) | 1,126,135 | 545,300 |
| Governmental activity long-term liabilities | <u>\$ 10,175,042</u> | <u>\$ 7,432,003</u> | <u>\$ (3,603,616)</u> | <u>\$ 14,003,429</u> | <u>\$ 2,053,098</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 5,895,000 | \$ 4,845,616 | \$ (5,895,000) | \$ 4,845,616 | \$ 1,079,163 |
| State revolving fund loan | - | 606,783 | - | 606,783 | - |
| Less issuance discounts | (289,260) | (258,587) | 289,260 | (258,587) | (46,349) |
| Total bonds payable | 5,605,740 | 5,193,812 | (5,605,740) | 5,193,812 | 1,032,814 |
| Compensated absences | 323,100 | 225,334 | (269,861) | 278,573 | 155,850 |
| Closure/post-closure obligation | 28,795 | 300 | - | 29,095 | - |
| Business-type activity long-term liabilities | <u>\$ 5,957,635</u> | <u>\$ 5,419,446</u> | <u>\$ (5,875,601)</u> | <u>\$ 5,501,480</u> | <u>\$ 1,188,664</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 \$34,553 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.

The City issued \$6,560,000 of refunding bonds dated May 29, 2008. These bonds were sold to refund the 1995, 1998, 1999 and 2001 general obligation bond issues. The reacquisition price exceeded the net carrying amount of the old debt by \$299,244. This amount is being netted against the old debt and amortized over the remaining life of the old debt. The transaction also resulted in an economic gain of \$270,555 and a reduction of \$295,965 in future debt service payments.

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2008, 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 | \$ 204 | \$ 756 | \$ (8) | \$ 952 | \$ 952 |
| Closure/post-closure obligation | 1,326,255 | 447,463 | - | 1,773,718 | - |
| Total liabilities | <u>\$ 1,326,459</u> | <u>\$ 448,219</u> | <u>\$ (8)</u> | <u>\$ 1,774,670</u> | <u>\$ 952</u> |

Activity for Muscatine Power & Water Electric Utility for the year ended December 31, 2007, 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 | 24,755,000 | - | (12,160,000) | 12,595,000 |
| | 73,845,000 | - | (12,160,000) | 61,685,000 |
| Unamortized portion of deferred loss on refundings | (1,134,743) | - | 447,568 | (687,175) |
| Unamortized portion of revenue bond premiums | 1,147,036 | - | (336,431) | 810,605 |
| Total long-term debt | 73,857,293 | \$ - | \$ (12,048,863) | 61,808,430 |
| Less current installments | 12,160,000 | | | 12,595,000 |
| Long-term debt, net of current portion | <u>\$ 61,697,293</u> | | | <u>\$ 49,213,430</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, 2007, they mature and bear interest as follows:

| <u>Maturity Date</u> | <u>Series 2002</u> | | <u>Series 2001</u> | |
|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
| January 1, 2008 | \$ 12,595,000 | 4.0 | - | - |
| 2009 | - | - | \$ 11,305,000 | 5.5% |
| 2010 | - | - | 11,930,000 | 5.5 |
| 2011 | - | - | 12,585,000 | 5.5 |
| 2012 | - | - | 13,270,000 | 5.5 |
| | <u>\$ 12,595,000</u> | | <u>\$ 49,090,000</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 \$68,095,000 at December 31, 2007. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2007 as the outstanding bonds are considered defeased.

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.

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 \$1,773,718 reported as landfill closure and post closure care liability at June 30, 2008, represents the cumulative amount reported to date based on the use of 62.3% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$1,074,982 as the remaining estimated capacity is filled over the 20 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2008. 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 3.90% of their annual covered salary and the City was required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$390,058, \$356,337, and \$345,326, 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 may not be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2008, 2007 and 2006 were \$864,972, \$917,640 and \$905,847, 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 \$9,402 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, 2008, this contribution totaled \$8,155, which represents a contribution level of 6% plus a lump sum contribution of \$2,000.

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, 2008. These funds and the amount of the deficit are as follows:

| <u>Fund</u> | <u>Deficit Amount</u> |
|------------------------------------|---------------------------|
| Capital projects: | |
| Community development improvements | \$ 8,715 |
| Pearl of the Mississippi project | 241,329 |

Neither of these deficits are considered a violation of any law, and both are expected to be eliminated through future operations.

NOTE 11. POST EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS

The City provides certain health care benefits for its retired employees. Upon normal retirement, employees have the option of continuing health and dental insurance coverage at their cost until the age of 65. For the year ended June 30, 2008, twenty-nine individuals participated in this continuation of health insurance coverage at a cost to these individuals of \$177,459.

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. For the year ended June 30, 2008, four individuals were eligible for benefits under this program at a cost to the City of \$15,966.

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. For the year ended June 30, 2008, no individuals participated in this continuation of insurance coverage program.

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 \$6,015,000 as of June 30, 2008.

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 \$2,556,000 for 2008. 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 \$216,228 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, 2008 and 2007 are summarized as follows:

| | |
|--|--------------------|
| Liabilities at July 1, 2006 | \$ 245,730 |
| Claims and changes in estimates during fiscal year 2007 | 2,120,701 |
| Claim payments | <u>(2,231,769)</u> |
| Liabilities at June 30, 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 | <u>\$ 216,228</u> |

NOTE 14. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2008, 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.

Additionally, the employee benefit program for employees laid off as a result of budget reductions allows for the lump sum payment for unused sick leave in accordance with the standard policy currently in effect. The sick leave payoff provision is provided to all employees who are laid off as part of the budgetary process regardless of age or length of City employment. For the year ended June 30, 2008, there was a payment to one employee of \$12,074 under this program.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control and Airport Funds. The remaining commitment on these contracts as of June 30, 2008, is \$5,738,446.

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 2009 is set at \$75,140.

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 had no contract commitments as of June 30, 2008.

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

The Utility has an energy supply agreement to sell 77 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 capacity is available or energy can otherwise be acquired by Muscatine Power & Water from other sources.

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 2006 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, Wyoming to an interchange with the local delivery carrier. The price is subject to monthly and quarterly adjustments. The Utility's minimum requirement is that all tons shipped, up to the annual tonnage nomination from Powder River Basin, Wyoming shall be covered by this agreement. In the event that the utility does not meet their minimum requirement, the utility has agreed to pay a per ton penalty for the shortfall. The second 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) STANDARDS

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

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the city for the fiscal year ended June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, the Statement was effective for the fiscal year ended June 30, 2006.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007 will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the fiscal year ending June 30, 2009. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

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

**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, 2008

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Budgeted Amounts | | Final Budget to Actual Variance |
|--------------------------------------|---------------------------------|--------------------------------|----------------------|----------------------|----------------------|---------------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 11,131,690 | \$ - | \$ 11,131,690 | \$ 11,122,293 | \$ 11,122,293 | \$ 9,397 |
| Tax increment financing | 990,255 | - | 990,255 | 951,900 | 987,700 | 2,555 |
| Other city tax | 3,381,754 | - | 3,381,754 | 2,926,898 | 3,225,598 | 156,156 |
| Licenses and permits | 319,931 | 12,970 | 332,901 | 349,500 | 351,400 | (18,499) |
| Use of money and property | 620,397 | 968,779 | 1,589,176 | 1,467,805 | 1,652,670 | (63,494) |
| Intergovernmental | 4,129,881 | 1,117,830 | 5,247,711 | 7,018,680 | 6,636,220 | (1,388,509) |
| Charges for services | 437,472 | 10,220,908 | 10,658,380 | 10,309,700 | 10,149,200 | 509,180 |
| Special assessments | - | - | - | 1,200 | - | - |
| Miscellaneous | 1,784,197 | 2,864,699 | 4,648,896 | 4,236,050 | 4,887,480 | (238,584) |
| Total revenues | <u>22,795,577</u> | <u>15,185,186</u> | <u>37,980,763</u> | <u>38,384,026</u> | <u>39,012,561</u> | <u>(1,031,798)</u> |
| Expenditures: | | | | | | |
| Public safety | 6,886,526 | - | 6,886,526 | 6,830,400 | 7,032,400 | (145,874) |
| Public works | 1,937,931 | - | 1,937,931 | 2,003,500 | 2,133,900 | (195,969) |
| Health and social service | 16,660 | - | 16,660 | 16,700 | 16,700 | (40) |
| Culture and recreation | 3,235,839 | - | 3,235,839 | 2,764,100 | 3,332,153 | (96,314) |
| Community and economic development | 2,549,339 | - | 2,549,339 | 2,489,831 | 2,557,061 | (7,722) |
| General government | 1,828,437 | - | 1,828,437 | 1,903,000 | 1,905,400 | (76,963) |
| Debt service | 3,066,430 | - | 3,066,430 | 3,061,466 | 3,082,216 | (15,786) |
| Capital projects | 3,149,177 | - | 3,149,177 | 3,602,000 | 3,522,900 | (373,723) |
| Business type activities | - | 15,658,325 | 15,658,325 | 20,151,340 | 18,465,490 | (2,807,165) |
| Total expenditures | <u>22,670,339</u> | <u>15,658,325</u> | <u>38,328,664</u> | <u>42,822,337</u> | <u>42,048,220</u> | <u>(3,719,556)</u> |
| Revenues over (under) expenditures | <u>125,238</u> | <u>(473,139)</u> | <u>(347,901)</u> | <u>(4,438,311)</u> | <u>(3,035,659)</u> | <u>2,687,758</u> |
| Other financing sources (uses): | | | | | | |
| Proceeds of long term debt | 5,023,304 | 706,134 | 5,729,438 | 5,350,000 | 5,734,900 | (5,462) |
| Proceeds of refunding debt | 6,568,493 | - | 6,568,493 | - | - | 6,568,493 |
| Payment of refunded debt | (6,535,000) | - | (6,535,000) | - | - | (6,535,000) |
| Transfers in | 7,122,359 | 3,200,953 | 10,323,312 | 12,511,734 | 11,445,813 | (1,122,501) |
| Transfers out | (8,449,191) | (1,874,121) | (10,323,312) | (12,511,734) | (11,445,813) | 1,122,501 |
| Total other financing sources (uses) | <u>3,729,965</u> | <u>2,032,966</u> | <u>5,762,931</u> | <u>5,350,000</u> | <u>5,734,900</u> | <u>28,031</u> |
| Net change in fund balances | 3,855,203 | 1,559,827 | 5,415,030 | 911,689 | 2,699,241 | 2,715,789 |
| Fund balances, June 30, 2007 | <u>10,625,948</u> | <u>6,609,657</u> | <u>17,235,605</u> | <u>15,889,099</u> | <u>17,231,594</u> | <u>4,011</u> |
| Fund balances, June 30, 2008 | <u>\$ 14,481,151</u> | <u>\$ 8,169,484</u> | <u>\$ 22,650,635</u> | <u>\$ 16,800,788</u> | <u>\$ 19,930,835</u> | <u>\$ 2,719,800</u> |

City of Muscatine, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2008

| | <u>Governmental Funds</u> | | | <u>Proprietary Funds</u> | | |
|-------------------------------------|---------------------------|--------------------|----------------------|--|----------------------|---|
| | <u>Budget Basis</u> | <u>Adjustments</u> | <u>GAAP Basis</u> | <u>Enterprise and Budgeted Internal Service Funds Budget Basis</u> | <u>Adjustments</u> | <u>Business-Type Activities - Enterprise Funds GAAP Basis</u> |
| Revenues | \$ 22,795,577 | \$ (261,871) | \$ 22,533,706 | \$ 15,185,186 | \$ (3,168,328) | \$ 12,016,858 |
| Expenditures/expenses | <u>22,670,339</u> | <u>(1,266,583)</u> | <u>21,403,756</u> | <u>15,658,325</u> | <u>(3,277,880)</u> | <u>12,380,445</u> |
| Net | 125,238 | 1,004,712 | 1,129,950 | (473,139) | 109,552 | (363,587) |
| Other financing sources (uses), net | 3,729,965 | (1,055,108) | 2,674,857 | 2,032,966 | 878,229 | 2,911,195 |
| Beginning fund balances/net assets | <u>10,625,948</u> | <u>62,228</u> | <u>10,688,176</u> | <u>6,609,657</u> | <u>51,895,266</u> | <u>58,504,923</u> |
| Ending fund balances/net assets | <u>\$ 14,481,151</u> | <u>\$ 11,832</u> | <u>\$ 14,492,983</u> | <u>\$ 8,169,484</u> | <u>\$ 52,883,047</u> | <u>\$ 61,052,531</u> |

CITY OF MUSCATINE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2008

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 Fund, 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, three budget amendments decreased budgeted disbursements in total by \$774,117. Increases for emergency events including the golf course maintenance building fire on May 31, 2007 and the June 1, 2007 tornado were offset by decreases in capital project allocations due to changes in construction schedules. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008 expenditures in each of the nine functions did not exceed their budgeted amounts.



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

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

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

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

SECTION 8 HOUSING PROGRAM - 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 - Accounts for proceeds from the \$.27 per \$1,000 emergency tax levy.

POLICE FORFEITURES - 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 - 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 - 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 - Accounts for the incremental taxes from the Northeast 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 - 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, 2008

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | <u>Totals</u> |
|--|----------------------------|-----------------------------|---------------------|---------------------|
| Assets: | | | | |
| Cash and pooled investments | \$ 2,428,364 | \$ 829,815 | \$ 7,827 | \$ 3,266,006 |
| Investments | 972,405 | - | 995,000 | 1,967,405 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Interest | 21,403 | 2,686 | 17,132 | 41,221 |
| Taxes | 210,840 | - | - | 210,840 |
| Intergovernmental | 209,837 | 1,620 | - | 211,457 |
| Accounts | 1,071 | - | 440 | 1,511 |
| Advances to other funds | 29,522 | 241,179 | 15,301 | 286,002 |
| | <u>3,873,442</u> | <u>1,075,300</u> | <u>1,035,700</u> | <u>5,984,442</u> |
| Total assets | | | | |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accruals | 19,057 | 158,221 | 727 | 178,005 |
| Advances from other funds | 29,522 | 241,179 | 15,301 | 286,002 |
| Deferred revenue | 188,712 | - | - | 188,712 |
| | <u>237,291</u> | <u>399,400</u> | <u>16,028</u> | <u>652,719</u> |
| Total liabilities | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Advances to other funds | 29,522 | 241,179 | 15,301 | 286,002 |
| Housing assistance payments | 306,219 | - | - | 306,219 |
| Perpetual care | - | - | 813,440 | 813,440 |
| Endowments | - | - | 190,931 | 190,931 |
| Capital projects | - | 439,577 | - | 439,577 |
| Unreserved | 3,300,410 | (4,856) | - | 3,295,554 |
| | <u>3,636,151</u> | <u>675,900</u> | <u>1,019,672</u> | <u>5,331,723</u> |
| Total fund balances | | | | |
| Total liabilities and fund balances | <u>\$ 3,873,442</u> | <u>\$ 1,075,300</u> | <u>\$ 1,035,700</u> | <u>\$ 5,984,442</u> |

City of Muscatine, Iowa

Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

| | Special Revenue | Capital Projects | Permanent | Totals |
|---|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 1,171,237 | \$ - | \$ - | \$ 1,171,237 |
| Utility | 1,106 | - | - | 1,106 |
| Intergovernmental | 3,569,840 | 4,860 | - | 3,574,700 |
| Use of money and property | 134,080 | 19,752 | 47,868 | 201,700 |
| Other | 185,892 | 269,992 | 7,980 | 463,864 |
| Total revenues | 5,062,155 | 294,604 | 55,848 | 5,412,607 |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 9,168 | - | - | 9,168 |
| Culture and recreation | 55,571 | - | 8,420 | 63,991 |
| Community and economic development | 1,903,195 | - | - | 1,903,195 |
| Debt service: | | | | |
| Principal | 285,000 | - | - | 285,000 |
| Interest | 135,087 | - | - | 135,087 |
| Capital outlay: | | | | |
| Public safety | 8,941 | 110,866 | - | 119,807 |
| Public works | - | 274,148 | - | 274,148 |
| Culture and recreation | 44,739 | 111,687 | - | 156,426 |
| Community and economic development | - | 232,183 | - | 232,183 |
| General government | - | 156,066 | - | 156,066 |
| Total expenditures | 2,441,701 | 884,950 | 8,420 | 3,335,071 |
| Revenues over (under) expenditures | 2,620,454 | (590,346) | 47,428 | 2,077,536 |
| Other financing sources (uses): | | | | |
| General obligation bonds issued | - | 1,417,238 | - | 1,417,238 |
| General obligation bond premium | - | 739 | - | 739 |
| Transfers in | - | 521,682 | - | 521,682 |
| Transfers out | (2,771,874) | (99,351) | (37,860) | (2,909,085) |
| Total other financing sources (uses) | (2,771,874) | 1,840,308 | (37,860) | (969,426) |
| Net change in fund balances | (151,420) | 1,249,962 | 9,568 | 1,108,110 |
| Fund balances, June 30, 2007 | 3,787,571 | (574,062) | 1,010,104 | 4,223,613 |
| Fund balances, June 30, 2008 | <u>\$ 3,636,151</u> | <u>\$ 675,900</u> | <u>\$ 1,019,672</u> | <u>\$ 5,331,723</u> |



City of Muscatine, Iowa

Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2008

| | <u>Community Development Block Grant</u> | <u>Road Use Tax</u> | <u>Equipment Replacement</u> | <u>Computer Replacement</u> | <u>Section 8 Housing Program</u> | <u>Emergency Tax</u> | <u>Police Forfeitures</u> |
|--|--|-------------------------|----------------------------------|---------------------------------|--|--------------------------|-------------------------------|
| Assets: | | | | | | | |
| Cash and pooled investments | \$ - | \$ 176,329 | \$ 93,050 | \$ 1,885 | \$ 12,704 | \$ - | \$ 7,506 |
| Investments | - | - | - | - | 372,405 | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | | | |
| Interest | - | - | 558 | - | 9,549 | - | - |
| Taxes | - | - | - | - | - | 191,885 | - |
| Accounts | - | - | - | - | 1,071 | - | - |
| Intergovernmental | 54,153 | 155,684 | - | - | - | - | - |
| Advances to other funds | - | - | 29,522 | - | - | - | - |
| Total assets | <u>54,153</u> | <u>332,013</u> | <u>123,130</u> | <u>1,885</u> | <u>395,729</u> | <u>191,885</u> | <u>7,506</u> |
| Liabilities and fund balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and accruals | - | - | - | - | 17,157 | - | - |
| Advances from other funds | 26,349 | - | - | - | - | 3,173 | - |
| Deferred revenue | - | - | - | - | - | 188,712 | - |
| Total liabilities | <u>26,349</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,157</u> | <u>191,885</u> | <u>-</u> |
| Fund balances: | | | | | | | |
| Reserved for advances to other funds | - | - | 29,522 | - | - | - | - |
| Reserved for housing assistance payments | - | - | - | - | 306,219 | - | - |
| Unreserved, undesignated | 27,804 | 332,013 | 93,608 | 1,885 | 72,353 | - | 7,506 |
| Total fund balances | <u>27,804</u> | <u>332,013</u> | <u>123,130</u> | <u>1,885</u> | <u>378,572</u> | <u>-</u> | <u>7,506</u> |
| Total liabilities and fund balances | <u>\$ 54,153</u> | <u>\$ 332,013</u> | <u>\$ 123,130</u> | <u>\$ 1,885</u> | <u>\$ 395,729</u> | <u>\$ 191,885</u> | <u>\$ 7,506</u> |

| <u>Downtown Tax Increment</u> | <u>Southend Tax Increment</u> | <u>Northeast Tax Increment</u> | <u>Art Center Special Funds</u> | <u>Library Special Funds</u> | <u>Parks Donations</u> | <u>Insurance</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|--|-------------------------------------|----------------------------------|----------------------------|------------------|---------------------|
| \$ 553,916 | \$ 987,102 | \$ 173,100 | \$ 213,463 | \$ 102,871 | \$ 63,268 | \$ 43,170 | \$ 2,428,364 |
| - | - | - | 300,000 | 300,000 | - | - | 972,405 |
| 3,051 | 4,495 | 840 | 605 | 1,809 | 235 | 261 | 21,403 |
| - | 18,955 | - | - | - | - | - | 210,840 |
| - | - | - | - | - | - | - | 1,071 |
| - | - | - | - | - | - | - | 209,837 |
| - | - | - | - | - | - | - | 29,522 |
| <u>556,967</u> | <u>1,010,552</u> | <u>173,940</u> | <u>514,068</u> | <u>404,680</u> | <u>63,503</u> | <u>43,431</u> | <u>3,873,442</u> |
| - | - | - | 390 | 1,510 | - | - | 19,057 |
| - | - | - | - | - | - | - | 29,522 |
| - | - | - | - | - | - | - | 188,712 |
| - | - | - | 390 | 1,510 | - | - | 237,291 |
| - | - | - | - | - | - | - | 29,522 |
| - | - | - | - | - | - | - | 306,219 |
| <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>3,300,410</u> |
| <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>\$ 556,967</u> | <u>\$ 1,010,552</u> | <u>\$ 173,940</u> | <u>\$ 514,068</u> | <u>\$ 404,680</u> | <u>\$ 63,503</u> | <u>\$ 43,431</u> | <u>\$ 3,873,442</u> |

City of Muscatine, Iowa

Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

| | <u>Community Development Block Grant</u> | <u>Road Use Tax</u> | <u>Equipment Replacement</u> | <u>Computer Replacement</u> | <u>Section 8 Housing Program</u> | <u>Emergency Tax</u> | <u>Police Forfeitures</u> |
|---------------------------------------|--|-------------------------|----------------------------------|---------------------------------|--|--------------------------|-------------------------------|
| Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 180,982 | \$ - |
| Utility | - | - | - | - | - | 1,106 | - |
| Intergovernmental: | | | | | | | |
| HUD grants | - | - | - | - | 1,397,479 | - | - |
| Road use tax | - | 1,944,790 | - | - | - | - | - |
| Federal grants | 221,636 | - | - | - | - | - | - |
| State grants | - | - | - | - | - | - | - |
| Interest | - | - | 4,505 | 69 | 20,035 | - | - |
| Other: | | | | | | | |
| Donations | - | - | - | - | - | - | - |
| Miscellaneous | - | - | 568 | - | 8,820 | - | - |
| | | | | | | | 20,473 |
| Total revenues | <u>221,636</u> | <u>1,944,790</u> | <u>5,073</u> | <u>69</u> | <u>1,426,334</u> | <u>182,088</u> | <u>20,539</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Public safety | - | - | - | - | - | - | 9,168 |
| Culture and recreation | - | - | - | - | - | - | - |
| Community and economic development | 915 | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| Public safety | - | - | - | - | 1,634,561 | - | - |
| Culture and recreation | - | - | - | - | - | - | 8,941 |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| | | | | | | | |
| Total expenditures | <u>915</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,634,561</u> | <u>-</u> | <u>18,109</u> |
| Revenues over (under) expenditures | <u>220,721</u> | <u>1,944,790</u> | <u>5,073</u> | <u>69</u> | <u>(208,227)</u> | <u>182,088</u> | <u>2,430</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers out | <u>(221,636)</u> | <u>(2,333,150)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(182,088)</u> | <u>-</u> |
| Net change in fund balances | <u>(915)</u> | <u>(388,360)</u> | <u>5,073</u> | <u>69</u> | <u>(208,227)</u> | <u>-</u> | <u>2,430</u> |
| Fund balances, June 30, 2007 | <u>28,719</u> | <u>720,373</u> | <u>118,057</u> | <u>1,816</u> | <u>586,799</u> | <u>-</u> | <u>5,076</u> |
| Fund balances, June 30, 2008 | <u>\$ 27,804</u> | <u>\$ 332,013</u> | <u>\$ 123,130</u> | <u>\$ 1,885</u> | <u>\$ 378,572</u> | <u>\$ -</u> | <u>\$ 7,506</u> |

| <u>Downtown Tax Increment</u> | <u>Southend Tax Increment</u> | <u>Northeast Tax Increment</u> | <u>Art Center Special Funds</u> | <u>Library Special Funds</u> | <u>Parks Donations</u> | <u>Insurance</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|--|-------------------------------------|----------------------------------|----------------------------|------------------|---------------------|
| \$ 377,039 | \$ 613,216 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,171,237 |
| - | - | - | - | - | - | - | 1,106 |
| - | - | - | - | - | - | - | 1,397,479 |
| - | - | - | - | - | - | - | 1,944,790 |
| - | - | - | - | - | - | - | 221,636 |
| 22,360 | 33,621 | 7,064 | - | 5,935 | - | - | 5,935 |
| - | - | - | 25,069 | 16,540 | 2,492 | 2,259 | 134,080 |
| - | - | - | 24,450 | 98,242 | 17,025 | - | 139,717 |
| - | - | - | 288 | 2,004 | - | 14,022 | 46,175 |
| <u>399,399</u> | <u>646,837</u> | <u>7,064</u> | <u>49,807</u> | <u>122,721</u> | <u>19,517</u> | <u>16,281</u> | <u>5,062,155</u> |
| - | - | - | - | - | - | - | 9,168 |
| - | - | - | 22,336 | 23,406 | 9,829 | - | 55,571 |
| 58,299 | 177,571 | 31,849 | - | - | - | - | 1,903,195 |
| - | - | - | - | - | - | - | 8,941 |
| - | - | - | 16,575 | 28,164 | - | - | 44,739 |
| 195,000 | 90,000 | - | - | - | - | - | 285,000 |
| 54,370 | 80,717 | - | - | - | - | - | 135,087 |
| <u>307,669</u> | <u>348,288</u> | <u>31,849</u> | <u>38,911</u> | <u>51,570</u> | <u>9,829</u> | <u>-</u> | <u>2,441,701</u> |
| <u>91,730</u> | <u>298,549</u> | <u>(24,785)</u> | <u>10,896</u> | <u>71,151</u> | <u>9,688</u> | <u>16,281</u> | <u>2,620,454</u> |
| - | - | - | - | - | - | (35,000) | (2,771,874) |
| 91,730 | 298,549 | (24,785) | 10,896 | 71,151 | 9,688 | (18,719) | (151,420) |
| <u>465,237</u> | <u>712,003</u> | <u>198,725</u> | <u>502,782</u> | <u>332,019</u> | <u>53,815</u> | <u>62,150</u> | <u>3,787,571</u> |
| <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> |

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2008**

| | Community Development Improvements | Other Street Improvements | Riverfront Improvement Projects | Pearl of the Mississippi Project |
|--|---|--|--|---|
| Assets: | | | | |
| Cash and pooled investments | \$ 5,428 | \$ 94,314 | \$ 203,020 | \$ - |
| Receivables: | | | | |
| Interest | - | 160 | 1,886 | - |
| Intergovernmental | - | - | 1,620 | - |
| Advances to other funds | - | - | 241,179 | - |
| | <u>5,428</u> | <u>94,474</u> | <u>447,705</u> | <u>-</u> |
| Total assets | <u>5,428</u> | <u>94,474</u> | <u>447,705</u> | <u>-</u> |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 14,143 | 85,408 | 25,426 | 150 |
| Advances from other funds | - | - | - | 241,179 |
| | <u>14,143</u> | <u>85,408</u> | <u>25,426</u> | <u>241,329</u> |
| Total liabilities | <u>14,143</u> | <u>85,408</u> | <u>25,426</u> | <u>241,329</u> |
| Fund balances: | | | | |
| Reserved for advances to other funds | - | - | 241,179 | - |
| Reserved for capital projects | - | - | - | - |
| Unreserved, undesignated | (8,715) | 9,066 | 181,100 | (241,329) |
| | <u>(8,715)</u> | <u>9,066</u> | <u>422,279</u> | <u>(241,329)</u> |
| Total fund balances | <u>(8,715)</u> | <u>9,066</u> | <u>422,279</u> | <u>(241,329)</u> |
| Total liabilities and fund balances | <u>\$ 5,428</u> | <u>\$ 94,474</u> | <u>\$ 447,705</u> | <u>\$ -</u> |

| Other Public Improvements | Total |
|--|--------------|
| \$ 527,053 | \$ 829,815 |
| 640 | 2,686 |
| - | 1,620 |
| - | 241,179 |
| 527,693 | 1,075,300 |
| 33,094 | 158,221 |
| - | 241,179 |
| 33,094 | 399,400 |
| - | 241,179 |
| 439,577 | 439,577 |
| 55,022 | (4,856) |
| 494,599 | 675,900 |
| \$ 527,693 | \$ 1,075,300 |

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2008**

| | Community Development Improvements | Other Street Improvements | Riverfront Improvement Projects | Pearl of the Mississippi Project |
|---|---|--|--|---|
| Revenues: | | | | |
| Intergovernmental: | | | | |
| State grants | \$ - | \$ - | \$ 4,860 | \$ - |
| Interest | - | 1,186 | 14,987 | - |
| Other: | | | | |
| Contributions | - | - | - | 246,315 |
| Reimbursement of costs | 23,177 | - | - | - |
| | <u>23,177</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>23,177</u> | <u>1,186</u> | <u>19,847</u> | <u>246,315</u> |
| Expenditures: | | | | |
| Capital outlay: | | | | |
| Public safety | - | - | - | - |
| Public works | - | 262,198 | 11,950 | - |
| Culture and recreation | - | - | 7,487 | 1,315 |
| Community and economic development | 232,183 | - | - | - |
| General government | - | - | - | - |
| | <u>232,183</u> | <u>262,198</u> | <u>19,437</u> | <u>1,315</u> |
| Total expenditures | <u>232,183</u> | <u>262,198</u> | <u>19,437</u> | <u>1,315</u> |
| Revenues over (under) expenditures | <u>(209,006)</u> | <u>(261,012)</u> | <u>410</u> | <u>245,000</u> |
| Other financing sources (uses): | | | | |
| General obligation bonds issued | - | 302,038 | - | 76,500 |
| General obligation bond premium | - | 162 | - | 40 |
| Transfers in | 207,355 | - | 45,522 | 268,805 |
| Transfers out | - | - | - | - |
| | <u>207,355</u> | <u>302,200</u> | <u>45,522</u> | <u>345,345</u> |
| Total other financing sources (uses) | <u>207,355</u> | <u>302,200</u> | <u>45,522</u> | <u>345,345</u> |
| Net change in fund balances | <u>(1,651)</u> | <u>41,188</u> | <u>45,932</u> | <u>590,345</u> |
| Fund balances (deficits), June 30, 2007 | <u>(7,064)</u> | <u>(32,122)</u> | <u>376,347</u> | <u>(831,674)</u> |
| Fund balances (deficits), June 30, 2008 | <u>\$ (8,715)</u> | <u>\$ 9,066</u> | <u>\$ 422,279</u> | <u>\$ (241,329)</u> |

| Other Public Improvements | Total |
|--|--------------|
| \$ - | \$ 4,860 |
| 3,579 | 19,752 |
| 500 | 246,815 |
| - | 23,177 |
| 4,079 | 294,604 |
| 110,866 | 110,866 |
| - | 274,148 |
| 102,885 | 111,687 |
| - | 232,183 |
| 156,066 | 156,066 |
| 369,817 | 884,950 |
| (365,738) | (590,346) |
| 1,038,700 | 1,417,238 |
| 537 | 739 |
| - | 521,682 |
| (99,351) | (99,351) |
| 939,886 | 1,840,308 |
| 574,148 | 1,249,962 |
| (79,549) | (574,062) |
| \$ 494,599 | \$ 675,900 |

City of Muscatine, Iowa

**Non-Major Permanent Funds
Combining Balance Sheet
June 30, 2008**

| | <u>McWhirter- Gilmore Trust</u> | <u>Perpetual Care Trust</u> | <u>Perpetual Care Interest Trust</u> | <u>Cemetery Special Trusts</u> | <u>Total</u> |
|--|---|-------------------------------------|--|--|---------------------|
| Assets: | | | | | |
| Cash and pooled investments | \$ 7,827 | \$ - | \$ - | \$ - | \$ 7,827 |
| Investments | 100,000 | 813,000 | - | 82,000 | 995,000 |
| Receivables: | | | | | |
| Interest | 29 | - | 15,301 | 1,802 | 17,132 |
| Accounts | - | 440 | - | - | 440 |
| Advances to other funds | 2,300 | 3,483 | - | 9,518 | 15,301 |
| Total assets | <u>110,156</u> | <u>816,923</u> | <u>15,301</u> | <u>93,320</u> | <u>1,035,700</u> |
| Liabilities and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 307 | - | - | 420 | 727 |
| Advances from other funds | - | - | 15,301 | - | 15,301 |
| Total liabilities | <u>307</u> | <u>-</u> | <u>15,301</u> | <u>420</u> | <u>16,028</u> |
| Fund balances: | | | | | |
| Reserved for advances to other funds | 2,300 | 3,483 | - | 9,518 | 15,301 |
| Reserved for perpetual care | - | 813,440 | - | - | 813,440 |
| Reserved for endowments | 107,549 | - | - | 83,382 | 190,931 |
| Total fund balances | <u>109,849</u> | <u>816,923</u> | <u>-</u> | <u>92,900</u> | <u>1,019,672</u> |
| Total liabilities and fund balances | <u>\$ 110,156</u> | <u>\$ 816,923</u> | <u>\$ 15,301</u> | <u>\$ 93,320</u> | <u>\$ 1,035,700</u> |

City of Muscatine, Iowa

Non-Major Permanent Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

| | <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 | \$ - | \$ 7,980 | \$ - | \$ - | \$ 7,980 |
| Interest | <u>5,610</u> | <u>-</u> | <u>37,860</u> | <u>4,398</u> | <u>47,868</u> |
| Total revenues | 5,610 | 7,980 | 37,860 | 4,398 | 55,848 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Culture and recreation | <u>5,541</u> | <u>-</u> | <u>-</u> | <u>2,879</u> | <u>8,420</u> |
| Revenues over (under) expenditures | 69 | 7,980 | 37,860 | 1,519 | 47,428 |
| Other financing uses: | | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>(37,860)</u> | <u>-</u> | <u>(37,860)</u> |
| Net change in fund balances | 69 | 7,980 | - | 1,519 | 9,568 |
| Fund balances, June 30, 2007 | <u>109,780</u> | <u>808,943</u> | <u>-</u> | <u>91,381</u> | <u>1,010,104</u> |
| Fund balances, June 30, 2008 | <u>\$ 109,849</u> | <u>\$ 816,923</u> | <u>\$ -</u> | <u>\$ 92,900</u> | <u>\$ 1,019,672</u> |

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Net Assets
June 30, 2008

| | Refuse Collection | Airport Operations | Parking Operations | Transit Operations | Golf Course |
|--|----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and pooled investments | \$ - | \$ 38,681 | \$ 76,319 | \$ 232,192 | \$ 126,668 |
| Investments | - | - | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Interest | 189 | - | 314 | 823 | 335 |
| Accounts | 206,263 | 561 | 2,522 | 11,252 | 2,048 |
| Intergovernmental: | | | | | |
| Federal | - | 70,077 | - | - | - |
| State | - | - | - | 18,951 | - |
| County | - | - | - | - | - |
| Advances to other funds | - | - | 2,150 | - | - |
| Inventories | - | - | - | - | 14,133 |
| Prepaid items | - | - | - | - | 3,200 |
| Total current assets | 206,452 | 109,319 | 81,305 | 263,218 | 146,384 |
| Noncurrent assets: | | | | | |
| Deferred charges | 2,147 | - | - | - | - |
| Capital assets: | | | | | |
| Land | - | 1,408,973 | 579,686 | - | 80,000 |
| Land improvements | - | 7,631,261 | 464,008 | - | 1,102,678 |
| Buildings and building improvements | 1,312,083 | 1,606,025 | - | 14,231 | 603,203 |
| Equipment | 160,319 | 20,694 | 32,370 | 6,054 | 368,629 |
| Vehicles | 553,304 | 37,671 | - | 598,744 | 14,784 |
| Construction in progress | - | 197,425 | - | - | 8,930 |
| Less accumulated depreciation | (846,594) | (6,433,875) | (379,895) | (229,907) | (1,091,899) |
| Total capital assets net of accumulated depreciation | 1,179,112 | 4,468,174 | 696,169 | 389,122 | 1,086,325 |
| Total noncurrent assets | 1,181,259 | 4,468,174 | 696,169 | 389,122 | 1,086,325 |
| Total assets | 1,387,711 | 4,577,493 | 777,474 | 652,340 | 1,232,709 |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accruals | 8,065 | 41,553 | 1,112 | 20,329 | 29,066 |
| Retainages payable | - | 7,132 | - | - | - |
| Compensated absences payable | 19,753 | - | 10,089 | 19,971 | 6,459 |
| Advances from other funds | 6,220 | - | - | - | - |
| Deposits | - | - | - | - | - |
| Accrued interest payable | 1,400 | - | - | - | - |
| Unearned revenue | 279 | 2,307 | 32,374 | 1,148 | 6,260 |
| General obligation bonds | 76,382 | - | - | - | - |
| Total current liabilities | 112,099 | 50,992 | 43,575 | 41,448 | 41,785 |
| Noncurrent liabilities: | | | | | |
| General obligation bonds | 434,393 | - | - | - | - |
| Compensated absences | 15,989 | - | 5,619 | 3,245 | 2,639 |
| Total noncurrent liabilities | 450,382 | - | 5,619 | 3,245 | 2,639 |
| Total liabilities | 562,481 | 50,992 | 49,194 | 44,693 | 44,424 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 668,337 | 4,468,174 | 696,169 | 389,122 | 1,086,325 |
| Unrestricted | 156,893 | 58,327 | 32,111 | 218,525 | 101,960 |
| Total net assets | \$ 825,230 | \$ 4,526,501 | \$ 728,280 | \$ 607,647 | \$ 1,188,285 |

| <u>Boat Harbor</u> | <u>Marina Operations</u> | <u>Ambulance Operations</u> | <u>Public Housing</u> | <u>Total</u> |
|--------------------|------------------------------|---------------------------------|---------------------------|----------------------|
| \$ 457 | \$ - | \$ 101,627 | \$ 4,196 | \$ 580,140 |
| - | - | - | 878,240 | 878,240 |
| - | - | - | 10,967 | 12,628 |
| - | - | 161,808 | 7,065 | 391,519 |
| - | - | - | - | 70,077 |
| - | - | - | - | 18,951 |
| - | - | 1,002 | - | 1,002 |
| - | - | - | - | 2,150 |
| - | 2,162 | - | - | 16,295 |
| - | - | 1,092 | - | 4,292 |
| <u>457</u> | <u>2,162</u> | <u>265,529</u> | <u>900,468</u> | <u>1,975,294</u> |
| - | - | - | - | 2,147 |
| - | - | - | 105,000 | 2,173,659 |
| 196,161 | - | - | 97,144 | 9,491,252 |
| - | - | - | 7,587,684 | 11,123,226 |
| - | - | 16,269 | 80,448 | 684,783 |
| - | - | 445,479 | 58,154 | 1,708,136 |
| - | - | - | - | 206,355 |
| <u>(139,401)</u> | <u>-</u> | <u>(334,062)</u> | <u>(5,027,479)</u> | <u>(14,483,112)</u> |
| <u>56,760</u> | <u>-</u> | <u>127,686</u> | <u>2,900,951</u> | <u>10,904,299</u> |
| <u>56,760</u> | <u>-</u> | <u>127,686</u> | <u>2,900,951</u> | <u>10,906,446</u> |
| <u>57,217</u> | <u>2,162</u> | <u>393,215</u> | <u>3,801,419</u> | <u>12,881,740</u> |
| 804 | 12 | 73,096 | 84,729 | 258,766 |
| - | - | - | - | 7,132 |
| 332 | - | - | 12,255 | 68,859 |
| - | 2,150 | - | - | 8,370 |
| - | - | - | 38,093 | 38,093 |
| - | - | - | - | 1,400 |
| - | - | - | 6,288 | 48,656 |
| - | - | - | - | 76,382 |
| <u>1,136</u> | <u>2,162</u> | <u>73,096</u> | <u>141,365</u> | <u>507,658</u> |
| - | - | - | - | 434,393 |
| 12 | - | - | 16,157 | 43,661 |
| 12 | - | - | 16,157 | 478,054 |
| <u>1,148</u> | <u>2,162</u> | <u>73,096</u> | <u>157,522</u> | <u>985,712</u> |
| 56,760 | - | 127,686 | 2,900,951 | 10,393,524 |
| <u>(691)</u> | <u>-</u> | <u>192,433</u> | <u>742,946</u> | <u>1,502,504</u> |
| <u>\$ 56,069</u> | <u>\$ -</u> | <u>\$ 320,119</u> | <u>\$ 3,643,897</u> | <u>\$ 11,896,028</u> |

City of Muscatine, Iowa

Non-Major Enterprise Funds
 Combining Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2008

| | <u>Refuse Collection</u> | <u>Airport Operations</u> | <u>Parking Operations</u> | <u>Transit Operations</u> | <u>Golf Course</u> |
|--|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|
| Operating revenues: | | | | | |
| Charges for sales and services: | | | | | |
| Charges for services | \$ 1,457,686 | \$ - | \$ - | \$ - | \$ - |
| Parking fees | - | - | 201,854 | - | - |
| Transit fees | - | - | - | 182,874 | - |
| Golf course fees | - | - | - | - | 670,749 |
| Boat harbor fees | - | - | - | - | - |
| Management fees | - | 8,700 | - | - | - |
| Rents | - | 26,469 | - | - | - |
| Other | 5,134 | 5,854 | 2,879 | 712 | 48,532 |
| Total operating revenues | <u>1,462,820</u> | <u>41,023</u> | <u>204,733</u> | <u>183,586</u> | <u>719,281</u> |
| Operating expenses: | | | | | |
| Cost of sales and services: | | | | | |
| Personal services | 593,261 | - | 139,382 | 552,421 | 285,529 |
| Commodities | 84,288 | 2,329 | 50,783 | 131,603 | 192,583 |
| Contractual services | 546,880 | 111,996 | 6,392 | 98,679 | 175,758 |
| Administration | 52,700 | 7,000 | 17,400 | 14,100 | 41,300 |
| Depreciation | 80,576 | 439,987 | 30,817 | 75,449 | 82,955 |
| Total operating expenses | <u>1,357,705</u> | <u>561,312</u> | <u>244,774</u> | <u>872,252</u> | <u>778,125</u> |
| Operating income (loss) | <u>105,115</u> | <u>(520,289)</u> | <u>(40,041)</u> | <u>(688,666)</u> | <u>(58,844)</u> |
| Non-operating revenues (expenses): | | | | | |
| Federal, state and local grants | - | - | - | 455,606 | - |
| Interest revenue | 647 | - | 2,541 | 3,979 | 4,355 |
| Interest expense | (32,145) | - | - | - | - |
| Bond issuance costs | (263) | - | - | - | - |
| Insurance recoveries | - | - | - | - | 175,936 |
| Non-operating revenues (expenses), net | <u>(31,761)</u> | <u>-</u> | <u>2,541</u> | <u>459,585</u> | <u>180,291</u> |
| Income (loss) before capital contributions and transfers | 73,354 | (520,289) | (37,500) | (229,081) | 121,447 |
| Capital contributions - grants | - | 101,883 | - | - | - |
| Capital contributions - government | - | - | - | - | - |
| Transfers in | - | 170,186 | - | 333,275 | - |
| Transfers out | - | - | - | - | - |
| Change in net assets | 73,354 | (248,220) | (37,500) | 104,194 | 121,447 |
| Net assets, June 30, 2007 | <u>751,876</u> | <u>4,774,721</u> | <u>765,780</u> | <u>503,453</u> | <u>1,066,838</u> |
| Net assets, June 30, 2008 | <u>\$ 825,230</u> | <u>\$ 4,526,501</u> | <u>\$ 728,280</u> | <u>\$ 607,647</u> | <u>\$ 1,188,285</u> |

| Boat Harbor | Marina Operations | Ambulance Operations | Public Housing | Total |
|--------------------|------------------------------|---------------------------------|---------------------------|----------------------|
| \$ - | \$ - | \$ 921,103 | \$ - | \$ 2,378,789 |
| - | - | - | - | 201,854 |
| - | - | - | - | 182,874 |
| - | - | - | - | 670,749 |
| 23,899 | - | - | - | 23,899 |
| - | - | - | - | 8,700 |
| - | - | - | 403,592 | 430,061 |
| - | 10,721 | 47,054 | 21,313 | 142,199 |
| <u>23,899</u> | <u>10,721</u> | <u>968,157</u> | <u>424,905</u> | <u>4,039,125</u> |
| 9,975 | - | 56,960 | 360,945 | 1,998,473 |
| 4,966 | 9,344 | 78,205 | 32,424 | 586,525 |
| 3,967 | 3,117 | 139,298 | 257,335 | 1,343,422 |
| 4,300 | - | 133,100 | - | 269,900 |
| 9,807 | - | 21,096 | 273,479 | 1,014,166 |
| <u>33,015</u> | <u>12,461</u> | <u>428,659</u> | <u>924,183</u> | <u>5,212,486</u> |
| <u>(9,116)</u> | <u>(1,740)</u> | <u>539,498</u> | <u>(499,278)</u> | <u>(1,173,361)</u> |
| - | - | - | 528,941 | 984,547 |
| - | - | - | 24,981 | 36,503 |
| - | - | - | - | (32,145) |
| - | - | - | - | (263) |
| - | - | - | - | 175,936 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>553,922</u> | <u>1,164,578</u> |
| (9,116) | (1,740) | 539,498 | 54,644 | (8,783) |
| - | - | - | - | 101,883 |
| - | - | 75,505 | - | 75,505 |
| - | 1,740 | - | - | 505,201 |
| - | - | (366,400) | - | (366,400) |
| (9,116) | - | 248,603 | 54,644 | 307,406 |
| <u>65,185</u> | <u>-</u> | <u>71,516</u> | <u>3,589,253</u> | <u>11,588,622</u> |
| <u>\$ 56,069</u> | <u>\$ -</u> | <u>\$ 320,119</u> | <u>\$ 3,643,897</u> | <u>\$ 11,896,028</u> |

City of Muscatine, Iowa
Non-Major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2008

| | <u>Refuse Collection</u> | <u>Airport Operations</u> | <u>Parking Operations</u> | <u>Transit Operations</u> | <u>Golf Course</u> |
|---|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Receipts from customers and users | \$ 1,428,941 | \$ 41,335 | \$ 207,808 | \$ 182,545 | \$ 718,576 |
| Receipts from operating insurance recoveries | - | - | - | - | 22,619 |
| Payments to suppliers | (514,308) | (103,258) | (57,590) | (50,119) | (513,846) |
| Payments to employees | (399,683) | - | (111,049) | (460,740) | (216,628) |
| Payments for employee benefits | (181,022) | - | (28,827) | (87,999) | (68,883) |
| Payments for interfund services used | (173,238) | (15,270) | (17,400) | (182,457) | (44,046) |
| Net cash provided (used) by operating activities | <u>160,690</u> | <u>(77,193)</u> | <u>(7,058)</u> | <u>(598,770)</u> | <u>(102,208)</u> |
| Cash flows from noncapital financing activities | | | | | |
| Transfers to other funds | - | - | - | - | - |
| Transfers from other funds | - | 170,186 | - | 333,275 | - |
| Advances from other funds | 6,220 | - | - | - | - |
| Advances to other funds | - | - | (2,150) | - | - |
| Repayment of advances from other funds | - | (64,530) | - | - | - |
| Repayment of advances to other funds | - | - | 4,946 | - | - |
| Subsidies from federal, state and local grants | - | - | - | 445,818 | - |
| Net cash provided (used) by noncapital financing activities | <u>6,220</u> | <u>105,656</u> | <u>2,796</u> | <u>779,093</u> | <u>-</u> |
| Cash flows from capital and related financing activities | | | | | |
| Proceeds from refunding debt | 537,086 | - | - | - | - |
| Capital contributions | - | 150,018 | - | - | - |
| Purchase of capital assets | (106,283) | (139,800) | - | - | (139,688) |
| Principal paid on capital debt | (75,047) | - | - | - | - |
| Interest paid on capital debt | (29,042) | - | - | - | - |
| Principal paid on refunded debt | (536,763) | - | - | - | - |
| Refunding debt issuance costs | (2,147) | - | - | - | - |
| Insurance recoveries for loss of capital assets | - | - | - | - | - |
| Net cash provided (used) by capital and related financing activities | <u>(212,196)</u> | <u>10,218</u> | <u>-</u> | <u>-</u> | <u>190,250</u> |
| Cash flows from investing activities | | | | | |
| Proceeds from sales and maturities of investments | - | - | - | - | - |
| Purchase of investments | - | - | - | - | - |
| Interest received | 1,637 | - | 2,797 | 3,823 | 4,899 |
| Net cash provided (used) by investing activities | <u>1,637</u> | <u>-</u> | <u>2,797</u> | <u>3,823</u> | <u>4,899</u> |
| Net increase (decrease) in cash and pooled investments | (43,649) | 38,681 | (1,465) | 184,146 | (46,747) |
| Cash and pooled investments, June 30, 2007 | 43,649 | - | 77,784 | 48,046 | 173,415 |
| Cash and pooled investments, June 30, 2008 | <u>\$ -</u> | <u>\$ 38,681</u> | <u>\$ 76,319</u> | <u>\$ 232,192</u> | <u>\$ 126,668</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ 105,115 | \$ (520,289) | \$ (40,041) | \$ (688,666) | \$ (58,844) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 80,576 | 439,987 | 30,817 | 75,449 | 82,955 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (33,779) | 494 | 526 | (1,376) | 21,116 |
| Intergovernmental receivable | - | - | - | - | - |
| Inventories | - | - | - | - | - |
| Prepaid items | - | - | - | - | (3,074) |
| Increase (decrease) in: | | | | | |
| Accounts payable and accruals | (3,618) | 2,797 | (417) | 11,805 | (145,175) |
| Compensated absences payable | 12,496 | - | (492) | 3,682 | 16 |
| Deferred revenue | (100) | (182) | 2,549 | 336 | 798 |
| Deposits | - | - | - | - | - |
| Total adjustments | <u>55,575</u> | <u>443,096</u> | <u>32,983</u> | <u>89,896</u> | <u>(43,364)</u> |
| Net cash provided (used) by operating activities | <u>\$ 160,690</u> | <u>\$ (77,193)</u> | <u>\$ (7,058)</u> | <u>\$ (598,770)</u> | <u>\$ (102,208)</u> |
| Non-cash capital and related financing activities: | | | | | |
| Contribution of capital asset from government | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>Boat Harbor</u> | <u>Marina Operations</u> | <u>Ambulance Operations</u> | <u>Public Housing</u> | <u>Total</u> |
|--------------------|------------------------------|---------------------------------|---------------------------|-----------------------|
| \$ 24,699 | \$ 11,983 | \$ 986,256 | \$ 425,840 | \$ 4,027,983 |
| - | - | - | - | 22,619 |
| (10,279) | (10,959) | (125,875) | (218,587) | (1,604,821) |
| (6,889) | - | (62,237) | (259,481) | (1,516,707) |
| (2,742) | - | (15,576) | (94,949) | (479,998) |
| (4,300) | - | (161,078) | (69,934) | (667,723) |
| <u>489</u> | <u>1,024</u> | <u>621,490</u> | <u>(217,111)</u> | <u>(218,647)</u> |
| - | - | (366,400) | - | (366,400) |
| - | 1,740 | - | - | 505,201 |
| - | 2,150 | - | - | 8,370 |
| - | - | - | - | (2,150) |
| (32) | (4,914) | (153,463) | - | (222,939) |
| - | - | - | - | 4,946 |
| - | - | - | 535,272 | 981,090 |
| <u>(32)</u> | <u>(1,024)</u> | <u>(519,863)</u> | <u>535,272</u> | <u>908,118</u> |
| - | - | - | - | 537,086 |
| - | - | - | - | 150,018 |
| - | - | - | - | (385,771) |
| - | - | - | - | (75,047) |
| - | - | - | - | (29,042) |
| - | - | - | - | (536,763) |
| - | - | - | - | (2,147) |
| - | - | - | - | 190,250 |
| - | - | - | - | (151,416) |
| - | - | - | 1,449,000 | 1,449,000 |
| - | - | - | (1,784,083) | (1,784,083) |
| - | - | - | 19,090 | 32,246 |
| - | - | - | (315,993) | (302,837) |
| 457 | - | 101,627 | 2,168 | 235,218 |
| - | - | - | 2,028 | 344,922 |
| <u>\$ 457</u> | <u>\$ -</u> | <u>\$ 101,627</u> | <u>\$ 4,196</u> | <u>\$ 580,140</u> |
| <u>\$ (9,116)</u> | <u>\$ (1,740)</u> | <u>\$ 539,498</u> | <u>\$ (499,278)</u> | <u>\$ (1,173,361)</u> |
| 9,807 | - | 21,096 | 273,479 | 1,014,166 |
| 800 | 1,262 | 8,316 | (831) | (3,472) |
| - | - | 16,233 | - | 16,233 |
| - | 5,496 | - | - | 2,422 |
| - | - | 1,092 | - | 1,092 |
| (1,346) | (3,994) | 62,558 | 3,418 | (73,972) |
| 344 | - | (20,853) | 4,335 | (472) |
| - | - | (6,450) | (591) | (3,640) |
| - | - | - | 2,357 | 2,357 |
| <u>9,605</u> | <u>2,764</u> | <u>81,992</u> | <u>282,167</u> | <u>954,714</u> |
| <u>\$ 489</u> | <u>\$ 1,024</u> | <u>\$ 621,490</u> | <u>\$ (217,111)</u> | <u>\$ (218,647)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 75,505</u> | <u>\$ -</u> | <u>\$ 75,505</u> |

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Net Assets
June 30, 2008**

| | <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 | \$ - | \$ - | \$ 1,001,428 | \$ 24,258 | \$ 1,025,686 |
| Receivables: | | | | | |
| Interest | - | - | 4,227 | 105 | 4,332 |
| Accounts | 6,069 | - | 66,100 | - | 72,169 |
| Advances to other funds | - | - | 27,152 | - | 27,152 |
| Inventories | <u>162,791</u> | <u>2,144</u> | <u>-</u> | <u>-</u> | <u>164,935</u> |
| Total current assets | <u>168,860</u> | <u>2,144</u> | <u>1,098,907</u> | <u>24,363</u> | <u>1,294,274</u> |
| Capital assets: | | | | | |
| Equipment | 122,889 | - | - | - | 122,889 |
| Vehicles | 48,140 | - | - | - | 48,140 |
| Less accumulated depreciation | <u>(162,090)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(162,090)</u> |
| Total capital assets net of accumulated depreciation | <u>8,939</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,939</u> |
| Total assets | <u>177,799</u> | <u>2,144</u> | <u>1,098,907</u> | <u>24,363</u> | <u>1,303,213</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accruals | 74,624 | - | 216,228 | 3,275 | 294,127 |
| Compensated absences payable | 14,518 | - | - | - | 14,518 |
| Advances from other funds | <u>25,544</u> | <u>1,608</u> | <u>-</u> | <u>-</u> | <u>27,152</u> |
| Total current liabilities | 114,686 | 1,608 | 216,228 | 3,275 | 335,797 |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | <u>20,035</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,035</u> |
| Total liabilities | <u>134,721</u> | <u>1,608</u> | <u>216,228</u> | <u>3,275</u> | <u>355,832</u> |
| Net assets: | | | | | |
| Net assets invested in capital assets | 8,939 | - | - | - | 8,939 |
| Unrestricted | <u>34,139</u> | <u>536</u> | <u>882,679</u> | <u>21,088</u> | <u>938,442</u> |
| Total net assets | <u>\$ 43,078</u> | <u>\$ 536</u> | <u>\$ 882,679</u> | <u>\$ 21,088</u> | <u>\$ 947,381</u> |

City of Muscatine, Iowa

Internal Service Funds
 Combining Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2008

| | <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 | \$ 516,755 | \$ - | \$ - | \$ - | \$ 516,755 |
| Fuel | 491,114 | - | - | - | 491,114 |
| Supply charges | - | 1,958 | - | - | 1,958 |
| Employer contributions | - | - | 2,074,289 | 54,306 | 2,128,595 |
| Employee contributions | - | - | 91,227 | 50,046 | 141,273 |
| Other contributions | - | - | 171,565 | 4,217 | 175,782 |
| Other operating revenue | 6,587 | - | - | - | 6,587 |
| Total operating revenues | <u>1,014,456</u> | <u>1,958</u> | <u>2,337,081</u> | <u>108,569</u> | <u>3,462,064</u> |
| Operating expenses: | | | | | |
| Cost of sales and services: | | | | | |
| Personal services | 262,428 | - | - | - | 262,428 |
| Commodities | 617,905 | 2,042 | - | - | 619,947 |
| Contractual services | 145,499 | - | 1,825,902 | 98,768 | 2,070,169 |
| Administration | 13,100 | - | 3,000 | - | 16,100 |
| Depreciation | 1,978 | - | - | - | 1,978 |
| Total operating expenses | <u>1,040,910</u> | <u>2,042</u> | <u>1,828,902</u> | <u>98,768</u> | <u>2,970,622</u> |
| Operating income (loss) | (26,454) | (84) | 508,179 | 9,801 | 491,442 |
| Non-operating revenues: | | | | | |
| Interest revenue | - | - | 29,708 | 781 | 30,489 |
| Income (loss) before transfers | (26,454) | (84) | 537,887 | 10,582 | 521,931 |
| Transfers out | - | - | (47,204) | - | (47,204) |
| Change in net assets | (26,454) | (84) | 490,683 | 10,582 | 474,727 |
| Net assets, June 30, 2007 | <u>69,532</u> | <u>620</u> | <u>391,996</u> | <u>10,506</u> | <u>472,654</u> |
| Net assets, June 30, 2008 | <u>\$ 43,078</u> | <u>\$ 536</u> | <u>\$ 882,679</u> | <u>\$ 21,088</u> | <u>\$ 947,381</u> |

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2008

| | Equipment Services | Central Supplies | Health Insurance | Dental Insurance | Total |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Receipts from interfund services provided | \$ 1,018,786 | \$ 1,958 | \$ 2,309,984 | \$ 108,569 | \$ 3,439,297 |
| Payments to suppliers | (759,887) | (2,886) | (1,744,336) | (103,933) | (2,611,042) |
| Payments to employees | (181,694) | - | - | - | (181,694) |
| Payments for employee benefits | (79,266) | - | - | - | (79,266) |
| Payments for interfund services used | (13,100) | - | (3,000) | - | (16,100) |
| Net cash provided (used) by operating activities | <u>(15,161)</u> | <u>(928)</u> | <u>562,648</u> | <u>4,636</u> | <u>551,195</u> |
| Cash flows from noncapital financing activities | | | | | |
| Transfers to other funds | - | - | (47,204) | - | (47,204) |
| Advances from other funds | 25,544 | 1,608 | - | - | 27,152 |
| Advances to other funds | (10,383) | - | (27,152) | - | (37,535) |
| Repayment of advances from other funds | - | (680) | - | - | (680) |
| Repayment of advances to other funds | - | - | 11,063 | - | 11,063 |
| Net cash provided (used) by noncapital financing activities | <u>15,161</u> | <u>928</u> | <u>(63,293)</u> | <u>-</u> | <u>(47,204)</u> |
| Cash flows from investing activities | | | | | |
| Interest received | - | - | 33,829 | 857 | 34,686 |
| Net increase in cash and pooled investments | - | - | 533,184 | 5,493 | 538,677 |
| Cash and pooled investments, June 30, 2007 | - | - | 468,244 | 18,765 | 487,009 |
| Cash and pooled investments, June 30, 2008 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,001,428</u> | <u>\$ 24,258</u> | <u>\$ 1,025,686</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ (26,454) | \$ (84) | \$ 508,179 | \$ 9,801 | \$ 491,442 |
| 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 | 4,330 | - | (27,097) | - | (22,767) |
| Inventories | (36,601) | (844) | - | - | (37,445) |
| Increase (decrease) in: | | | | | |
| Accounts payable and accruals | 40,119 | - | 81,566 | (5,165) | 116,520 |
| Compensated absences payable | 1,467 | - | - | - | 1,467 |
| Total adjustments | <u>11,293</u> | <u>(844)</u> | <u>54,469</u> | <u>(5,165)</u> | <u>59,753</u> |
| Net cash provided (used) by operating activities | <u>\$ (15,161)</u> | <u>\$ (928)</u> | <u>\$ 562,648</u> | <u>\$ 4,636</u> | <u>\$ 551,195</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, 2008**

| | <u>Payroll Clearing</u> | <u>Miscellaneous Clearing</u> | <u>Housing Revolving</u> | <u>Totals</u> |
|-------------------------------|-----------------------------|-----------------------------------|------------------------------|-------------------|
| Assets: | | | | |
| Cash and pooled investments | \$ 418,300 | \$ 1,194 | \$ - | \$ 419,494 |
| Accounts receivable | - | 762 | 47,764 | 48,526 |
| Advances to other funds | <u>47,583</u> | <u>-</u> | <u>-</u> | <u>47,583</u> |
| Total assets | <u>465,883</u> | <u>1,956</u> | <u>47,764</u> | <u>515,603</u> |
| Liabilities: | | | | |
| Accounts payable and accruals | 465,883 | 1,956 | 181 | 468,020 |
| Advances from other funds | <u>-</u> | <u>-</u> | <u>47,583</u> | <u>47,583</u> |
| Total liabilities | <u>\$ 465,883</u> | <u>\$ 1,956</u> | <u>\$ 47,764</u> | <u>\$ 515,603</u> |

City of Muscatine, Iowa
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2008

| | <u>Balance</u> <u>June 30, 2007</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2008</u> |
|---|--|----------------------|----------------------|--|
| <u>Payroll Clearing Fund</u> | | | | |
| Assets: | | | | |
| Cash and pooled investments | \$ 388,212 | \$ 12,950,152 | \$ 12,920,064 | \$ 418,300 |
| Advances to other funds | <u>52,782</u> | <u>-</u> | <u>5,199</u> | <u>47,583</u> |
| Total assets | <u>\$ 440,994</u> | <u>\$ 12,950,152</u> | <u>\$ 12,925,263</u> | <u>\$ 465,883</u> |
| Liabilities: | | | | |
| Accounts payable and accruals | <u>\$ 440,994</u> | <u>\$ 3,605,861</u> | <u>\$ 3,580,972</u> | <u>\$ 465,883</u> |
| <u>Miscellaneous Clearing Fund</u> | | | | |
| Assets: | | | | |
| Cash and pooled investments | \$ 168 | \$ 1,026 | \$ - | \$ 1,194 |
| Accounts receivable | <u>401</u> | <u>361</u> | <u>-</u> | <u>762</u> |
| Total assets | <u>\$ 569</u> | <u>\$ 1,387</u> | <u>\$ -</u> | <u>\$ 1,956</u> |
| Liabilities: | | | | |
| Accounts payable and accruals | <u>\$ 569</u> | <u>\$ 1,387</u> | <u>\$ -</u> | <u>\$ 1,956</u> |
| <u>Housing Revolving Fund</u> | | | | |
| Assets: | | | | |
| Accounts receivable | <u>\$ 52,034</u> | <u>\$ -</u> | <u>\$ 4,270</u> | <u>\$ 47,764</u> |
| Liabilities: | | | | |
| Accounts payable and accruals | \$ 159 | \$ 22 | \$ - | \$ 181 |
| Advances from other funds | <u>51,875</u> | <u>-</u> | <u>4,292</u> | <u>47,583</u> |
| Total liabilities | <u>\$ 52,034</u> | <u>\$ 22</u> | <u>\$ 4,292</u> | <u>\$ 47,764</u> |
| <u>Vehicle Impoundment Fund</u> | | | | |
| Assets: | | | | |
| Cash and pooled investments | \$ - | \$ 8,679 | \$ 8,679 | \$ - |
| Accounts receivable | <u>907</u> | <u>-</u> | <u>907</u> | <u>-</u> |
| Total assets | <u>\$ 907</u> | <u>\$ 8,679</u> | <u>\$ 9,586</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Accounts payable and accruals | \$ - | \$ 20,692 | \$ 20,692 | \$ - |
| Advances from other funds | <u>907</u> | <u>-</u> | <u>907</u> | <u>-</u> |
| Total liabilities | <u>\$ 907</u> | <u>\$ 20,692</u> | <u>\$ 21,599</u> | <u>\$ -</u> |
| <u>Total</u> | | | | |
| Assets: | | | | |
| Cash and pooled investments | \$ 388,380 | \$ 12,959,857 | \$ 12,928,743 | \$ 419,494 |
| Accounts receivable | 53,342 | 361 | 5,177 | 48,526 |
| Advances to other funds | <u>52,782</u> | <u>-</u> | <u>5,199</u> | <u>47,583</u> |
| Total assets | <u>\$ 494,504</u> | <u>\$ 12,960,218</u> | <u>\$ 12,939,119</u> | <u>\$ 515,603</u> |
| Liabilities: | | | | |
| Accounts payable and accruals | \$ 441,722 | \$ 3,627,962 | \$ 3,601,664 | \$ 468,020 |
| Advances from other funds | <u>52,782</u> | <u>-</u> | <u>5,199</u> | <u>47,583</u> |
| Total liabilities | <u>\$ 494,504</u> | <u>\$ 3,627,962</u> | <u>\$ 3,606,863</u> | <u>\$ 515,603</u> |

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) | 89-94 |
| <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) | 95-98 |
| <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) | 99-102 |
| <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) | 103-104 |
| <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) | 105-107 |
| <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 Six Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 |
| 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 |
| Restricted | 4,262,984 | 3,044,136 | 2,948,998 | 3,420,397 | 3,305,450 | 5,644,659 |
| Unrestricted | 5,974,714 | 7,329,316 | 5,250,409 | 5,466,892 | 6,823,222 | 6,272,247 |
| Total governmental activities net assets | \$ 56,446,702 | \$ 59,328,606 | \$ 59,420,637 | \$ 58,898,427 | \$ 61,709,676 | \$ 62,749,911 |
| 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 |
| Unrestricted | 6,395,421 | 6,547,924 | 6,529,619 | 6,582,593 | 6,023,561 | 7,796,532 |
| Total business-type activities net assets | \$ 53,713,020 | \$ 53,558,607 | \$ 54,080,162 | \$ 57,683,753 | \$ 58,504,923 | \$ 61,052,531 |
| 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 |
| Restricted | 4,262,984 | 3,044,136 | 2,948,998 | 3,420,397 | 3,305,450 | 5,644,659 |
| Unrestricted | 12,370,135 | 13,877,240 | 11,780,028 | 12,049,485 | 12,846,783 | 14,068,779 |
| Total primary government net assets | \$ 110,159,722 | \$ 112,887,213 | \$ 113,500,799 | \$ 116,582,180 | \$ 120,214,599 | \$ 123,802,442 |

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 Six Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| Public safety | \$ 5,309,173 | \$ 5,561,580 | \$ 6,081,788 | \$ 6,164,169 | \$ 6,476,982 | \$ 6,972,493 |
| Public works | 3,409,044 | 2,970,927 | 3,220,525 | 3,802,168 | 3,299,503 | 3,498,689 |
| Health and social services | 18,400 | 16,560 | 15,700 | 16,660 | 26,700 | 16,660 |
| Culture and recreation | 3,146,370 | 2,957,891 | 3,466,568 | 3,967,702 | 3,774,353 | 3,773,895 |
| Community and economic development | 2,659,516 | 3,849,722 | 3,217,531 | 2,234,880 | 2,446,232 | 2,757,190 |
| General government | 1,639,035 | 1,659,438 | 1,725,955 | 1,844,803 | 1,866,359 | 1,880,724 |
| Interest and fees on long-term debt | 424,222 | 397,429 | 422,410 | 379,549 | 432,626 | 391,759 |
| Total governmental activities expense | <u>16,605,760</u> | <u>17,413,547</u> | <u>18,150,477</u> | <u>18,409,931</u> | <u>18,322,755</u> | <u>19,291,410</u> |
| Business-type activities: | | | | | | |
| Water pollution control | 3,900,792 | 4,094,791 | 4,134,898 | 4,329,934 | 4,581,077 | 4,649,437 |
| Refuse collection | 1,177,342 | 1,221,882 | 1,243,306 | 1,283,743 | 1,423,922 | 1,390,113 |
| Transfer station | 2,090,482 | 2,002,761 | 2,181,508 | 2,130,005 | 2,363,530 | 2,486,114 |
| Airport | 550,558 | 621,520 | 551,070 | 579,586 | 545,259 | 561,312 |
| Parking | 191,746 | 204,879 | 205,301 | 220,508 | 210,405 | 244,774 |
| Transit | 636,108 | 618,308 | 678,757 | 763,123 | 781,763 | 872,252 |
| Golf course | 449,905 | 451,551 | 468,149 | 439,438 | 586,908 | 778,125 |
| Boat harbor | 42,253 | 41,486 | 33,273 | 33,630 | 37,325 | 33,015 |
| Marina | 15,662 | 8,430 | 8,004 | 27,176 | 24,203 | 12,461 |
| Cable Television | 37,340 | 31,137 | - | - | - | - |
| Ambulance | 660,808 | 749,644 | 914,100 | 908,058 | 912,403 | 428,659 |
| Public housing | 792,855 | 831,545 | 935,354 | 882,502 | 911,298 | 924,183 |
| Total business-type activities expense | <u>10,545,851</u> | <u>10,877,934</u> | <u>11,353,720</u> | <u>11,597,703</u> | <u>12,378,093</u> | <u>12,380,445</u> |
| Total primary government expense | <u>\$ 27,151,611</u> | <u>\$ 28,291,481</u> | <u>\$ 29,504,197</u> | <u>\$ 30,007,634</u> | <u>\$ 30,700,848</u> | <u>\$ 31,671,855</u> |
| Program Revenues | | | | | | |
| Governmental activities: | | | | | | |
| Charges for services: | | | | | | |
| Public safety | \$ 293,522 | \$ 310,762 | \$ 356,703 | \$ 306,954 | \$ 383,518 | \$ 421,978 |
| Public works | 157,213 | 143,089 | 179,104 | 141,803 | 140,649 | 151,785 |
| Culture and recreation | 421,507 | 537,726 | 599,761 | 577,257 | 616,982 | 598,707 |
| Community and economic development | 244,164 | 349,250 | 372,703 | 407,977 | 398,479 | 405,832 |
| General government | 324,125 | 307,054 | 324,733 | 432,880 | 382,812 | 410,042 |
| Operating grants and contributions | 3,940,767 | 4,271,667 | 4,617,475 | 4,805,002 | 4,263,038 | 4,229,961 |
| Capital grants and contributions | 644,403 | 2,544,051 | 894,158 | 1,733,592 | 2,018,077 | 963,114 |
| Total governmental activities program revenues | <u>6,025,701</u> | <u>8,463,599</u> | <u>7,344,637</u> | <u>8,405,465</u> | <u>8,203,555</u> | <u>7,181,419</u> |
| 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 |
| Refuse collection | 1,254,825 | 1,257,199 | 1,261,040 | 1,312,208 | 1,364,809 | 1,462,820 |
| Transfer station | 1,944,351 | 1,750,444 | 1,898,293 | 1,767,744 | 1,893,083 | 2,090,391 |
| Airport | 43,446 | 43,639 | 46,086 | 43,564 | 47,351 | 41,023 |
| Parking | 183,525 | 171,614 | 161,344 | 188,146 | 178,128 | 204,733 |
| Transit | 76,497 | 86,731 | 90,457 | 106,144 | 129,429 | 183,586 |
| Golf course | 408,070 | 412,069 | 402,214 | 402,832 | 532,104 | 719,281 |
| Boat harbor | 32,389 | 19,552 | 18,745 | 21,782 | 26,022 | 23,899 |
| Marina | 14,069 | 7,129 | 5,200 | 26,616 | 22,494 | 10,721 |
| Cable Television | 194,049 | 236,479 | - | - | - | - |
| Ambulance | 742,151 | 792,432 | 850,406 | 735,295 | 817,532 | 968,157 |
| Public housing | 389,880 | 373,202 | 362,487 | 367,010 | 382,556 | 424,905 |
| Operating grants and contributions | 600,280 | 594,674 | 551,160 | 619,692 | 674,031 | 1,017,826 |
| Capital grants and contributions | 143,759 | 364,601 | 296,941 | 642,818 | 324,539 | 353,324 |
| Total business-type activities program revenues | <u>8,976,141</u> | <u>9,647,739</u> | <u>9,556,579</u> | <u>9,979,735</u> | <u>10,246,806</u> | <u>11,760,009</u> |
| Total primary government program revenues | <u>\$ 15,001,842</u> | <u>\$ 18,111,338</u> | <u>\$ 16,901,216</u> | <u>\$ 18,385,200</u> | <u>\$ 18,450,361</u> | <u>\$ 18,941,428</u> |

| | Fiscal Year | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 |
| Net (Expense)/Revenue | | | | | | |
| Governmental activities | \$ (10,580,059) | \$ (8,949,948) | \$ (10,805,840) | \$ (10,004,466) | \$ (10,119,200) | \$ (12,109,991) |
| Business-type activities | <u>(1,569,710)</u> | <u>(1,230,195)</u> | <u>(1,797,141)</u> | <u>(1,617,968)</u> | <u>(2,131,287)</u> | <u>(620,436)</u> |
| Total primary government net expense | <u>\$ (12,149,769)</u> | <u>\$ (10,180,143)</u> | <u>\$ (12,602,981)</u> | <u>\$ (11,622,434)</u> | <u>\$ (12,250,487)</u> | <u>\$ (12,730,427)</u> |
| 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 |
| Utility taxes | 79,468 | 67,339 | 63,638 | 59,209 | 63,986 | 67,703 |
| Local option sales tax | 2,103,843 | 2,210,111 | 1,938,370 | 2,290,018 | 2,589,592 | 2,688,049 |
| Hotel/motel taxes | 274,654 | 310,798 | 327,575 | 306,075 | 338,818 | 366,261 |
| Cable franchise taxes | - | - | 238,788 | 245,132 | 242,164 | 239,812 |
| Intergovernmental, unrestricted | 472,310 | 129,974 | 64,870 | 61,834 | 99,002 | 150,424 |
| Unrestricted investment income | 113,151 | 111,595 | 203,275 | 337,227 | 455,562 | 399,317 |
| 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 |
| Transfers | <u>(225,183)</u> | <u>(993,773)</u> | <u>(2,185,755)</u> | <u>(4,991,391)</u> | <u>(2,630,548)</u> | <u>(2,911,195)</u> |
| Total governmental activities | <u>12,573,968</u> | <u>11,831,852</u> | <u>10,897,871</u> | <u>9,482,256</u> | <u>12,930,449</u> | <u>13,150,226</u> |
| Business-type activities: | | | | | | |
| Unrestricted investment income | 103,668 | 78,901 | 130,688 | 230,168 | 317,561 | 256,849 |
| Gain on sale of capital assets | - | 3,108 | 2,253 | - | 4,348 | - |
| Transfers | <u>225,183</u> | <u>993,773</u> | <u>2,185,755</u> | <u>4,991,391</u> | <u>2,630,548</u> | <u>2,911,195</u> |
| Total business-type activities | <u>328,851</u> | <u>1,075,782</u> | <u>2,318,696</u> | <u>5,221,559</u> | <u>2,952,457</u> | <u>3,168,044</u> |
| Total primary government | <u>\$ 12,902,819</u> | <u>\$ 12,907,634</u> | <u>\$ 13,216,567</u> | <u>\$ 14,703,815</u> | <u>\$ 15,882,906</u> | <u>\$ 16,318,270</u> |
| Changes in Net Assets | | | | | | |
| Governmental activities | \$ 1,993,909 | \$ 2,881,904 | \$ 92,031 | \$ (522,210) | \$ 2,811,249 | \$ 1,040,235 |
| Business-type activities | <u>(1,240,859)</u> | <u>(154,413)</u> | <u>521,555</u> | <u>3,603,591</u> | <u>821,170</u> | <u>2,547,608</u> |
| Total primary government | <u>\$ 753,050</u> | <u>\$ 2,727,491</u> | <u>\$ 613,586</u> | <u>\$ 3,081,381</u> | <u>\$ 3,632,419</u> | <u>\$ 3,587,843</u> |

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)

| | 1998/99 | 1999/2000 | 2000/01 | 2001/02 | 2002/03 (1) | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 23,165 | \$ 37,728 | \$ 5,347 | \$ 18,846 | \$ 28,252 | \$ 36,674 | \$ 27,589 | \$ 27,156 | \$ 65,640 | \$ 11,833 |
| Unreserved | 2,049,460 | 1,911,902 | 2,080,719 | 1,821,534 | 1,926,667 | 1,877,669 | 1,697,668 | 1,715,921 | 1,670,285 | 1,733,810 |
| Total General Fund | \$ 2,072,625 | \$ 1,949,630 | \$ 2,086,066 | \$ 1,840,380 | \$ 1,954,919 | \$ 1,914,343 | \$ 1,725,257 | \$ 1,743,077 | \$ 1,735,925 | \$ 1,745,643 |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 60,612 | \$ 257,565 | \$ 135,194 | \$ 145,899 | \$ 3,227,576 | \$ 1,847,902 | \$ 3,534,473 | \$ 2,111,183 | \$ 2,675,724 | \$ 4,162,323 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 5,038,944 | 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 |
| Capital projects funds | 364,864 | (499,368) | 1,431,083 | 1,728,241 | 665,228 | 510,981 | 184,922 | (460,420) | (688,952) | (4,856) |
| Total all other governmental funds | \$ 5,464,420 | \$ 4,014,100 | \$ 4,033,694 | \$ 4,623,637 | \$ 9,071,474 | \$ 9,231,382 | \$ 6,921,459 | \$ 7,942,852 | \$ 8,952,251 | \$ 12,747,340 |

2 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 Six Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> | <u>2005/06</u> | <u>2006/07</u> | <u>2007/08</u> |
|--|---------------------|--------------------|-----------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 12,184,799 | \$ 12,571,769 | \$ 12,810,981 | \$ 13,817,099 | \$ 14,997,698 | \$ 15,503,700 |
| Licenses and permits | 237,283 | 312,573 | 301,322 | 332,378 | 324,913 | 319,931 |
| Fines and forfeitures | 156,130 | 143,730 | 149,785 | 126,720 | 144,427 | 203,136 |
| Intergovernmental | 4,585,829 | 4,391,299 | 4,613,775 | 5,695,585 | 5,170,180 | 4,247,598 |
| Charges for services | 306,335 | 390,484 | 478,454 | 416,045 | 418,119 | 437,472 |
| Use of money and property | 238,720 | 270,222 | 354,965 | 532,674 | 654,064 | 620,396 |
| 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 |
| Total revenues | <u>18,809,714</u> | <u>20,979,297</u> | <u>20,411,322</u> | <u>22,399,347</u> | <u>23,201,177</u> | <u>22,533,706</u> |
| Expenditures (1) | | | | | | |
| Public safety | 4,949,302 | 5,237,847 | 5,397,682 | 5,743,778 | 6,122,631 | 6,704,267 |
| Public works | 1,585,422 | 1,399,487 | 1,487,544 | 1,553,652 | 1,640,026 | 1,821,559 |
| Health and social services | 18,400 | 16,560 | 15,700 | 16,660 | 26,700 | 16,660 |
| Culture and recreation | 2,237,717 | 2,233,786 | 2,366,457 | 2,445,399 | 2,513,499 | 2,632,617 |
| Community and economic development | 2,435,788 | 2,800,999 | 2,388,844 | 2,076,963 | 2,271,322 | 2,548,056 |
| General government | 1,575,566 | 1,564,697 | 1,594,378 | 1,754,878 | 1,754,039 | 1,803,850 |
| Capital outlay | 2,891,805 | 6,881,185 | 5,709,323 | 4,300,157 | 3,611,445 | 4,127,296 |
| Debt service: | | | | | | |
| Principal | 1,587,384 | 1,681,018 | 1,377,790 | 1,397,975 | 1,343,176 | 1,361,385 |
| Interest | 380,812 | 395,867 | 418,977 | 370,960 | 431,653 | 378,304 |
| Paying agent | 2,100 | 2,582 | 2,400 | 2,500 | 2,800 | 2,800 |
| Refunding bond issuance costs | - | - | - | - | - | 6,962 |
| Total expenditures | <u>17,664,296</u> | <u>22,214,028</u> | <u>20,759,095</u> | <u>19,662,922</u> | <u>19,717,291</u> | <u>21,403,756</u> |
| Excess of revenues over (under) expenditures | <u>1,145,418</u> | <u>(1,234,731)</u> | <u>(347,773)</u> | <u>2,736,425</u> | <u>3,483,886</u> | <u>1,129,950</u> |
| 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 |
| Transfers out | (4,963,653) | (6,235,052) | (7,225,499) | (9,853,176) | (8,368,958) | (9,295,371) |
| Total other financing sources (uses) | <u>1,602,615</u> | <u>1,354,063</u> | <u>(2,151,236)</u> | <u>(1,697,212)</u> | <u>(2,481,639)</u> | <u>2,674,857</u> |
| Net change in fund balances | <u>\$ 2,748,033</u> | <u>\$ 119,332</u> | <u>\$ (2,499,009)</u> | <u>\$ 1,039,213</u> | <u>\$ 1,002,247</u> | <u>\$ 3,804,807</u> |
| Debt service as a percentage of non-capital expenditures | 13.3% | 13.6% | 12.0% | 11.5% | 11.0% | 10.1% |

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

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

| Fiscal Year | General Property Tax | Incremental Property Tax (TIF Districts) | Utility Excise Tax (1) | Mobile Home Tax | Hotel/Motel Tax | Cable Franchise Tax (2) | Local Option Sales Tax | Total |
|-----------------------------|----------------------|--|------------------------|-----------------|-----------------|-------------------------|------------------------|--------------|
| | 1998/99 | \$ 7,467,075 | \$ 322,425 | \$ - | \$ 17,107 | \$ 298,822 | \$ - | \$ 2,266,753 |
| 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 |
| Change 1998/99 to 2007/2008 | 49.1% | 207.1% | 16.5% | 16.5% | 22.6% | 18.6% | 18.6% | 49.5% |

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)

| Tax Collection Year | Residential Property | Commercial Property | Industrial Property | Machinery & Equipment (1) | Railroads and Utilities | Less: Military Exemption | Total Taxable Value | Total Direct Tax Rate (per \$1,000 of Valuation) | Estimated Actual Value | Taxable Value as a Percentage of Estimated of Actual Value |
|---------------------|----------------------|---------------------|---------------------|---------------------------|-------------------------|--------------------------|---------------------|--|------------------------|--|
| 1998/99 | \$ 264,347,762 | \$ 126,616,570 | \$ 85,061,816 | \$ 84,167,858 | \$ 10,710,915 | \$ 3,149,442 | \$ 567,755,479 | \$ 13.24425 | \$ 791,893,130 | 71.7% |
| 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% |

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 | Total Direct Rate | County Consolidated | Muscatine Community | Louisie-Muscatine Community | Muscatine Community | Louisie-Muscatine Community | Muscatine Community | Louisie-Muscatine Community |
| 1998/99 | \$ 8.10000 | \$ 1.98965 | \$ 2.41445 | \$ 0.36371 | \$ 0.30894 | \$ 0.06750 | \$ - | \$ 13.24425 | \$ 7.80018 | \$ 16.00286 | \$ 12.62077 | \$ 37.04729 | \$ 33.66520 | | |
| 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 | 3.21143 | 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 | | |

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, \$ 0.0675 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, 2006 Valuation (for 2007/2008 Tax Levy) | | | January 1, 1997 Valuation (for 1998/1999 Tax Levy) | | |
|--|---|-------------|--|---|-------------|--|
| | Assessed Valuation | Rank | Percent of Total Assessed Value | Assessed Valuation (1) | Rank | Percent of Total Assessed Value |
| Grain Processing/Kent Feeds | \$ 40,579,160 | 1 | 6.1% | \$ 78,704,904 | 1 | 13.9% |
| HNI Corporation (HON Industries/HON Financial) | 36,790,640 | 2 | 5.5% | 33,587,807 | 2 | 5.9% |
| Bandag, Inc. | 15,002,970 | 3 | 2.2% | 16,319,528 | 4 | 2.9% |
| Heinz, U.S.A. | 11,055,680 | 4 | 1.7% | 18,565,135 | 3 | 3.3% |
| Riverbend Leasing, LLC | 9,444,540 | 5 | 1.4% | | | |
| Wal-Mart Stores, Inc. | 7,846,540 | 6 | 1.2% | 2,985,260 | 11 | 0.5% |
| Central State Bank | 6,485,290 | 7 | 1.0% | 2,969,151 | 12 | 0.5% |
| Warehouse Distributing, LLC | 6,377,570 | 8 | 1.0% | | | |
| First National Bank of Muscatine | 6,341,240 | 9 | 0.9% | 4,743,109 | 6 | 0.8% |
| Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet) | 6,121,320 | 10 | 0.9% | | | |
| GRIDCO, LLC | 5,910,190 | 11 | 0.9% | | | |
| BT Prime Mover | 5,859,680 | 12 | 0.9% | | | |
| Hy-Vee Inc. | 5,593,210 | 13 | 0.8% | 3,082,530 | 10 | 0.5% |
| SECO Investment Co. (Stanley Engineering Co.) | 5,108,910 | 14 | 0.8% | 4,703,830 | 7 | 0.8% |
| W I D, Inc. | 5,043,010 | 15 | 0.8% | | | |
| TJD, LLC (CAM II) | 4,232,290 | 16 | 0.6% | | | |
| Tri State Joint Ventures (Muscatine Mall) | | | | 4,207,900 | 8 | 0.7% |
| Muscatine Plaza | | | | 5,270,960 | 5 | 0.9% |
| Carver Pump Company | | | | 3,228,552 | 9 | 0.6% |
| | <u>\$ 177,792,240</u> | | <u>26.7%</u> | <u>\$ 178,368,666</u> | | <u>31.3%</u> |

1. January 1, 1997 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)

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Delinquent Tax Collections (2) | Total Tax Collections (2) | Ratio of Total Tax Collections to Total Tax Levy |
|--------------------|---|---|--|---|--|---|
| | | Amount (1) | Percent of Levy Collected | | | |
| 1998/99 | \$ 7,560,049 | \$ 7,465,048 | 98.74% | \$ 2,027 | \$ 7,467,075 | 98.77% |
| 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% |

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 | | | |
| 1998/99 | \$ 6,914,403 | \$ 1,745,000 | \$ - | \$ 12,297,321 | \$ - | \$ 20,956,724 | 3.7% | \$ 916 |
| 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 | N/A | 796 |

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 (Table 14) 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 |
|--------------------|---|---|---|-----------------------|-----------------------|
| 1998/99 | \$ 19,211,724 | \$ 791,893,130 | 2.4% | 22,881 | \$ 840 |
| 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 |

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, 2008
(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 | \$ 1,180,000 | 12.42% | \$ 146,556 |
| Muscatine County | 3,547,000 | 48.37% | 1,715,684 |
| Eastern Iowa Community College (EICC) | 1,765,000 | 6.83% | 120,550 |
| Other debt | | | |
| Eastern Iowa Community College (EICC) | 46,045,000 | 6.83% | <u>3,144,874</u> |
| Subtotal, overlapping debt | | | \$ 5,127,664 |
| City direct debt (2) | | 100.00% | <u>12,877,294</u> |
| Total direct and overlapping debt | | | <u><u>\$ 18,004,958</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)

| | 1998/99 | 1999/2000 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt limit (1) | \$ 39,594,657 | \$ 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 |
| Total debt applicable to limit | 21,620,000 | 19,715,000 | 22,060,000 | 19,885,000 | 19,264,653 | 18,997,039 | 16,704,249 | 17,356,273 | 15,028,097 | 17,770,000 |
| Legal debt margin | \$ 17,974,657 | \$ 20,621,870 | \$ 18,938,876 | \$ 22,036,801 | \$ 26,830,089 | \$ 26,730,800 | \$ 30,074,938 | \$ 31,141,174 | \$ 38,150,199 | \$ 36,050,599 |
| Total debt applicable to the limit as a percentage of debt limit | 54.60% | 48.88% | 53.81% | 47.43% | 41.79% | 41.54% | 35.71% | 35.79% | 28.26% | 33.02% |

Legal Debt Margin Calculation for Fiscal Year 2006/2007

| | |
|--|------------------|
| Total assessed valuation as of January 1, 2006 | \$ 1,076,411,985 |
| Debt limit - 5% of assessed valuation | \$ 53,820,599 |
| Amount of debt applicable to debt limit: | |
| General obligation bonds | 15,355,000 |
| Tax increment revenue bonds | 2,415,000 |
| Total debt applicable to debt limit | 17,770,000 |
| Legal debt margin | \$ 36,050,599 |

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) |
|--------------------|---------------------------------|------------------------------------|---|-------------------------------|--|--------------------------------------|--|
| 1998/99 | 22,881 | \$ 567,403,038 | \$ 24,798 | 35.3 | 74.2% | 5,277 | 2.7% |
| 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 | 733,794,010 | 32,330 | 35.8 | 80.3% | 5,305 | 4.2% |
| 2006/2007 | 22,697 | 782,025,135 | 34,455 | 35.8 | 80.3% | 5,387 | 3.2% |
| 2007/2008 | 22,697 | N/A | N/A | 35.8 | 80.3% | 5,403 | 3.5% |

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 2007.
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 | 2008 | | | 1999 | | |
|--|--|-------------|--|--|-------------|--|
| | 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 (HON Industries/HON Financial) | 3,900 | 1 | 16.3% | 2,250 | 1 | 10.0% |
| Grain Processing/Kent Feeds | 1,033 | 2 | 4.3% | 1,250 | 2 | 5.6% |
| Muscatine Community School District | 900 | 3 | 3.8% | 683 | 4 | 3.0% |
| Unity Health Care (Formerly Muscatine General Hospital) | 520 | 4 | 2.2% | 283 | 7 | 1.3% |
| Monsanto Company | 400 | 5 | 1.7% | 520 | 5 | 2.3% |
| Hy-Vee Food Store | 380 | 6 | 1.6% | 280 | 8 | 1.2% |
| Musco Sports Lighting | 375 | 7 | 1.6% | 115 | 14 | 0.5% |
| Heinz, U.S.A. | 350 | 8 | 1.5% | 517 | 6 | 2.3% |
| SECO Investment Co. (Stanley Engineering Co.) | 340 | 9 | 1.4% | 240 | 11 | 1.1% |
| Wal-Mart Superstore | 325 | 10 | 1.4% | N/A | | |
| Bridgestone Bandag LLC (Formerly Bandag, Inc.) | 300 | 11 | 1.3% | 828 | 3 | 3.7% |
| Muscatine Power & Water | 300 | 12 | 1.3% | 260 | 10 | 1.2% |
| City of Muscatine | 221 | 13 | 0.9% | 225 | 12 | 1.0% |
| Muscatine County | 210 | 14 | 0.9% | 150 | 13 | 0.7% |
| Raymond-Muscatine, Inc. (Previously BT Prime Mover) | 200 | 15 | 0.8% | 270 | 9 | 1.2% |
| | 9,754 | | 41.0% | 7,871 | | 35.1% |

Sources:

1. Muscatine Chamber of Commerce & Industry provided the 2008 employment figures. The 1999 figures were provided by Bi-State Regional Commission 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 23,950 in 2008 and 22,520 in 1999.

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

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 1997/98 | 1998/99 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
| General government | 17.91 | 17.46 | 18.94 | 18.94 | 18.54 | 17.12 | 16.80 | 17.50 | 17.85 | 17.35 |
| Public Safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers (1) | 40.00 | 40.00 | 40.00 | 40.00 | 38.00 | 37.00 | 37.75 | 38.00 | 38.00 | 38.00 |
| Civilians (2) | 9.50 | 9.50 | 13.50 | 13.50 | 13.50 | 13.50 | 4.87 | 3.60 | 3.75 | 3.88 |
| Fire | | | | | | | | | | |
| Firefighters and officers (3) | 32.00 | 32.00 | 31.50 | 31.50 | 30.50 | 29.50 | 28.50 | 29.00 | 29.50 | 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 | 14.50 | 15.00 | 16.00 | 16.00 | 16.00 | 15.58 | 15.75 | 15.75 | 15.75 | 15.75 |
| Art center | 3.00 | 4.25 | 4.58 | 4.60 | 4.55 | 4.30 | 4.43 | 4.33 | 4.33 | 4.33 |
| Parks and recreation (4) | 14.75 | 14.75 | 15.25 | 15.25 | 13.75 | 13.75 | 13.25 | 12.82 | 13.00 | 12.75 |
| Community and economic development (5) | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 7.00 | 7.00 | 7.00 | 6.50 |
| Public works (6) | 21.75 | 20.75 | 20.75 | 20.75 | 20.75 | 16.75 | 16.75 | 16.75 | 16.74 | 16.84 |
| Business-type: | | | | | | | | | | |
| Parking | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.65 | 3.65 | 3.65 | 3.60 | 3.60 |
| Golf course (7) | 2.25 | 2.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 2.75 | 2.00 | 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 | 2.35 | 3.00 | 2.62 | 2.83 | 2.83 | 2.83 | 2.83 | 2.83 | 3.03 |
| Refuse collection | 8.83 | 0.83 | 9.00 | 9.00 | 9.80 | 9.80 | 9.80 | 9.80 | 9.80 | 10.30 |
| Landfill | - | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.67 | 3.67 | 0.33 |
| Transfer station | 4.50 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.67 | 3.67 | 0.33 |
| Water pollution control | 26.50 | 26.75 | 28.75 | 29.75 | 29.75 | 29.75 | 29.50 | 29.50 | 29.50 | 29.70 |
| Ambulance (8) | - | - | 6.00 | 6.75 | 7.75 | 7.75 | 8.75 | 8.25 | 7.75 | 1.25 |
| Housing | 9.45 | 9.45 | 9.30 | 9.30 | 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) | 224.54 | 224.76 | 240.82 | 242.21 | 240.47 | 232.53 | 221.88 | 220.78 | 220.65 | 221.53 |

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 services.

Source: City of Muscatine records

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

| <u>Calendar Year Indicators</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|----------------|------------------|----------------|----------------|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Public Safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Calls for service | 23,490 | 22,689 | 26,125 | 26,205 | 26,543 | 26,555 | 24,590 | 21,638 | 20,427 | 21,437 |
| Traffic enforcement | 4,296 | 4,697 | 5,524 | 4,284 | 5,574 | 5,535 | 4,946 | 4,020 | 5,188 | 4,616 |
| Arrests | 2,183 | 2,066 | 2,159 | 2,113 | 1,789 | 2,229 | 2,068 | 1,971 | 2,062 | 2,114 |
| Parking tickets issued | 1,893 | 1,892 | 1,914 | 2,033 | 1,792 | 2,037 | 2,122 | 1,852 | 1,764 | 1,710 |
| Fire (includes ambulance) (1) | | | | | | | | | | |
| Calls for service | 1,327 | 1,446 | 2,127 | 2,954 | 2,779 | 3,143 | 3,085 | 3,161 | 2,963 | 3,530 |
| Culture and recreation: | | | | | | | | | | |
| Parks and recreation | | | | | | | | | | |
| Weed Park Pool/Aquatic | | | | | | | | | | |
| Center attendance (2) | 17,562 | 20,084 | 15,060 | 17,026 | 19,152 | - | 46,576 | 55,948 | 45,891 | 41,076 |
| Adult program participants (3) | 865 | 906 | 879 | 859 | 862 | 1,075 | 1,006 | 272 | 328 | 376 |
| Children's program participants | 1,959 | 1,938 | 1,834 | 1,621 | 1,684 | 1,333 | 1,558 | 1,698 | 1,547 | 1,602 |
| Cemetery burials | 113 | 133 | 108 | 108 | 132 | 126 | 111 | 99 | 104 | 99 |
| Community and economic development: | | | | | | | | | | |
| Building-related permits | 1,543 | 1,258 | 1,273 | 1,247 | 1,277 | 1,150 | 1,231 | 1,063 | 969 | 1,195 |
| Business-type: | | | | | | | | | | |
| Transit (4) | | | | | | | | | | |
| Total passengers | 109,964 | 122,536 | 134,354 | 135,437 | (See fiscal year indicators below) | | | | | |
| Golf course | | | | | | | | | | |
| Rounds played | 49,706 | 48,985 | 45,190 | 41,329 | 37,666 | 35,989 | 32,768 | 33,195 | 31,825 | 29,748 |
| Fiscal Year Indicators | | | | | | | | | | |
| Function/Department | 1998/99 | 1999/2000 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
| Culture and recreation: | | | | | | | | | | |
| Library | | | | | | | | | | |
| Registered borrowers | 20,736 | 20,722 | 20,117 | 19,421 | 19,779 | 19,910 | 20,756 | 22,298 | 20,315 | 16,504 |
| Circulation | 246,101 | 257,540 | 285,425 | 291,544 | 306,950 | 312,623 | 331,445 | 324,179 | 319,446 | 346,433 |
| Art center | | | | | | | | | | |
| Attendance | 13,102 | 13,343 | 16,067 | 16,730 | 16,653 | 18,451 | 17,945 | 18,088 | 15,640 | 22,582 |
| Public works: | | | | | | | | | | |
| Miles of streets maintained | 135 | 136 | 136 | 136 | 136 | 138 | 139 | 140 | 140 | 140 |
| Business-type activities: | | | | | | | | | | |
| Transit (4) | | | | | | | | | | |
| Total passengers | | | | | | | | | | |
| Parking | | | | | | | | | | |
| Tickets issued | 24,350 | 20,997 | 15,223 | 20,144 | 17,708 | 15,763 | 14,764 | 15,598 | 15,764 | 13,204 |
| Refuse collection | | | | | | | | | | |
| Tons of refuse collected | 8,825 | 8,850 | 8,837 | 8,906 | 8,593 | 8,521 | 8,888 | 9,449 | 9,482 | 8,731 |
| Transfer station | | | | | | | | | | |
| Tons of waste processed | 62,317 | 60,869 | 63,799 | 48,797 | 45,911 | 41,435 | 44,423 | 41,356 | 44,883 | 49,263 |
| Tons recycled (contractor) | 6,185 | 6,333 | 6,198 | 5,741 | 5,571 | 4,734 | 4,854 | 5,721 | 6,215 | 5,830 |
| Water pollution control | | | | | | | | | | |
| Cubic feet of wastewater treated (in millions) | 160.02 | 147.54 | 142.55 | 133.16 | 192.78 | 187.47 | 183.18 | 173.38 | 208.26 | 279.03 |

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 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 | 1998/99 | 1999/2000 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Public Safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol vehicles | 8 | 8 | 8 | 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 pumps | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Hazmat vehicle | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ambulances | - | - | 3 | 3 | 3 | 3 | 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 | 18 | 14 | 14 | 14 | 14 |
| Park acreage | 258 | 258 | 258 | 258 | 258 | 258 | 246 | 254 | 254 | 254 |
| Swimming pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Softball and baseball diamonds | 22 | 22 | 22 | 21 | 20 | 19 | 19 | 19 | 19 | 19 |
| Soccer fields | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Tennis courts | 11 | 11 | 11 | 10 | 10 | 10 | 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 | 135 | 136 | 136 | 136 | 136 | 138 | 139 | 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 |

Source: City of Muscatine records

**INFORMATION PROVIDED TO COMPLY WITH
GOVERNMENT AUDITING STANDARDS
AND
OMB CIRCULAR A-133**



CPAs & BUSINESS ADVISORS

**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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2008. 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.

Internal Control Over Financial Reporting

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

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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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 City's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 a certain immaterial instance of noncompliance or other matters that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the 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 interpretations of those statutes.

We noted certain matters that we reported to management of the City of Muscatine, Iowa, in a separate letter dated December 4, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Muscatine, Iowa, and other parties to whom the City of Muscatine, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 4, 2008



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON 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

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, 2008. The City's major federal programs are identified in the summary of the independent 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's management. Our responsibility is to express an opinion on the City'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 Non-Profit 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'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'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, 2008.

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'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's internal control over compliance.

A control deficiency in the City'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 City'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 City'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 the City'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, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Muscatine, Iowa, and other parties to whom the City of Muscatine, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 4, 2008

CITY OF MUSCATINE, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Program Expenditures</u> |
|--|------------------------|--|---------------------------------|
| Direct: | | | |
| Department of Housing and Urban Development: | | | |
| Public and Indian Housing | 14.850 | IA04900107D/108D | \$ <u>159,614</u> |
| Section 8 Housing Choice Vouchers | 14.871 | IA049VO0062/0068 | <u>1,397,479</u> |
| Public Housing Capital Fund | 14.872 | IA05-P049-50106 | 180,602 |
| Public Housing Capital Fund | 14.872 | IA05-P049-50107 | <u>188,725</u> |
| | | | <u>369,327</u> |
| Department of Justice: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | <u>1,523</u> |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2005-DJ-BX-0013 | 1,039 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2007-DJ-BX-0016 | <u>29,970</u> |
| | | | <u>31,009</u> |
| Department of Transportation: | | | |
| Airport Improvement Program | 20.106 | 3-19-0063-14 | 8,763 |
| Airport Improvement Program | 20.106 | 3-19-0063-13 | <u>93,120</u> |
| | | | <u>101,883</u> |
| Department of Homeland Security: | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2006-FG-12356 | <u>93,196</u> |
| Total Direct | | | <u>2,154,031</u> |
| Indirect: | | | |
| Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: | | | |
| Community Development Block Grants/ State's Program | 14.228 | 06-HSG-037 | <u>221,636</u> |
| Department of Justice: | | | |
| Governor's Office of Drug Control Policy: | | | |
| Violence Against Women Formula Grants | 16.588 | VW-08-48B | <u>8,472</u> |
| Iowa Governor's Alliance on Substance Abuse and Muscatine County: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 07-JAG/C06-A07 | <u>42,917</u> |

(continued)

CITY OF MUSCATINE, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|----------------------------------|-------------------------|
| Indirect: (continued) | | | |
| Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-E-5330(611)- -8V-70 | \$ 100,000 |
| Highway Planning and Construction | 20.205 | STP-E-5330(612)- -8V-70 | <u>100,000</u> |
| | | | <u>200,000</u> |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-006 | 244 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-120 | 85 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-096 | 335 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-169 | 231 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-254 | 140 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-276 | 519 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-284 | 212 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | TF2008-285 | 105 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | 18-4028-533-08 | 238,644 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | 18-0028-533-06 | 1,444 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | 18-0028-533-07 | <u>2,318</u> |
| | | | <u>244,277</u> |
| Job Access – Reverse Commute | 20.516 | 37-X009-533-03 | 3,260 |
| Job Access – Reverse Commute | 20.516 | 37-X011-533-06 | <u>30,261</u> |
| | | | <u>33,521</u> |
| New Freedom Program | 20.521 | 57-X002-533-06 | 4,987 |
| New Freedom Program | 20.521 | 57-X002-533-07 | <u>446</u> |
| | | | <u>5,433</u> |
| Iowa Department of Public Safety: | | | |
| State and Community Highway Safety | 20.600 | PAP 07-163, Task 61 | 5,059 |
| State and Community Highway Safety | 20.600 | PAP 07-02, Task 20 | 2,302 |
| State and Community Highway Safety | 20.600 | PAP 08-04, Task 21 | <u>13,364</u> |
| | | | <u>20,725</u> |
| | | | (continued) |

CITY OF MUSCATINE, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Program Expenditures</u> |
|---|------------------------|--|---------------------------------|
| Indirect: (continued) | | | |
| Environmental Protection Agency: Iowa Finance Authority: Capitalization Grants for Clean Water State Revolving Funds | 66.458 | PDCW0695 | \$ <u>147,975</u> |
| Department of Homeland Security: Iowa Department of Public Defense, Homeland Security and Emergency Management Division: Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | 139-55110-00 | <u>63,275</u> |
| Scott County: Law Enforcement Terrorism Prevention Program | 97.074 | FY2006-LETPP-LEIN6-01 | <u>81,563</u> |
| Office of National Drug Control Policy: Iowa Department of Public Safety: High Intensity Drug Trafficking Area Grant | N/A | 17 PMWP556 | 19,620 |
| High Intensity Drug Trafficking Area Grant | N/A | 15 PMWP556 | 814 |
| High Intensity Drug Trafficking Area Grant | N/A | 16 PMWP556 | 13,258 |
| High Intensity Drug Trafficking Area Grant | N/A | 18 PMWP556 | <u>45,462</u> |
| | | | <u>79,154</u> |
| Total Indirect | | | <u>1,148,948</u> |
| Total | | | <u>\$ 3,302,979</u> |

N/A = Not Available

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF MUSCATINE, IOWA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Muscatine, Iowa, and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Muscatine, Iowa, provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|---|--------------------------------|---|
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | \$ 16,245 |

CITY OF MUSCATINE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 14.871 – Section 8 Housing Choice Vouchers
 - CFDA Number 14.872 – Public Housing Capital Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Muscatine, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008, did not exceed the amount budgeted for any function prior to the budget being amended or at year end.
- II-B-08 Questionable Disbursements – We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-08 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 | \$ 118,301 |

| Name, Title, and Business Connection | Transaction Description | Amount |
|---|--------------------------------|--------|
| Eric Hutmacher, owner of Hutmacher's Nuisance Service | Animal removal services | \$ 160 |
| Cindy Carver, Art Center, husband owns Carver Construction Co. | Housing rehab program, per bid | 3,088 |
| Andy Kral, equipment operator, wife is part owner of Wilson True Value Hardware | Supplies | 15,179 |

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Hutmacher's Nuisance Service does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year. The transactions with Carver Construction Co. and Spectrum Personnel, Ltd. do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa. The transactions with Wilson True Value Hardware may represent a conflict of interest since they were not entered into through competitive bidding.

Response – 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 non-decision making, non-purchasing 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%) from the level prior to the hiring of this employee.

Conclusion – Response accepted.

- II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-08 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.
- II-H-08 Revenue Bonds – We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.



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, for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 16, 2008, and in our meeting about planning matters on July 29, 2008.

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To the Honorable Mayor and
Members of the City Council
City of Muscatine, Iowa
Page 2

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Muscatine are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives is based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on accounts which are past due with no special arrangement for payment. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred but not reported health insurance liability is based on third party administrator's calculations and estimates. We evaluated the key factors and assumptions used to develop the incurred but not reported health insurance liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the sick leave liability is based on the requirements for employees to be eligible to receive the benefit and the likelihood employees will reach those requirements before termination. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Honorable Mayor and
Members of the City Council
City of Muscatine, Iowa
Page 3

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Comments

We have included additional comments regarding the financial statements and operations. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of our audit. Our observations indicate that overall financial operations of the City continue to be conducted in an efficient and effective manner.

This information is intended solely for the use of the officials, employees, and citizens of the City of Muscatine and other parties to whom the City of Muscatine may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

To the Honorable Mayor and
Members of the City Council
City of Muscatine, Iowa
Page 4

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to the City of Muscatine, Iowa.

Eide Bailly LLP

Dubuque, Iowa
December 4, 2008

CITY OF MUSCATINE

YEAR ENDED JUNE 30, 2008

OTHER COMMENTS

Accounting Policies and Procedures

We noted that the City is continuing to develop a written manual of accounting policies and procedures. Such a manual helps to define the roles and duties of employees and to ensure those policies and procedures are consistently applied. The City should continue to develop the remainder of the manual of accounting policies and procedures and complete it as soon as possible.

Collection of Receivables

During the course of the audit, we noticed that two of the City's largest transfer station customers are still several months behind in their payments. We recommend that the City continue to monitor this situation and work to get the receivable balance more current.

Disaster Recovery Plan

Per discussions with management, we noted that the City does not have a formal disaster recovery plan for information technology and finance. We recommend that the City develop such a plan to minimize risk in the case of a disaster and to test the provisions of the plan periodically after it has been implemented.

Information Technology Policies and Procedures

In our discussions regarding information technology, it came to our attention that written policies and procedures do not exist for the department. We recommend that the department develop a written manual of policies and procedures. Such a manual helps to define the roles and duties of employees and to ensure that those policies and procedures are consistently applied. The manual would also be very beneficial in the case of employee turnover or long-term absence.

Notification to Information Technology

In our discussions regarding information technology (IT), we addressed the current processes in place in order for IT to obtain information regarding employee termination or transfers between departments. Currently, the IT manager periodically composes a list of employees with access to IT systems and has department heads or Human Resources review it for any changes. We recommend that Human Resources develop a procedure to notify IT immediately upon employee terminations (voluntary or involuntary) and transfers between departments. This procedure is necessary to maintain proper security of IT systems.

Governmental Accounting Standards Board (GASB)

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

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

CITY OF MUSCATINE

YEAR ENDED JUNE 30, 2008

OTHER COMMENTS

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement was effective for the fiscal year ended June 30, 2006.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the fiscal year ending June 30, 2009. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

City of Muscatine
Summary of Audit Differences
June 30, 2008

| | <u>Overstatement (Understatement) of Current Year Operating Net</u> |
|---|---|
| <u>General Fund</u> | |
| Unadjusted audit differences: | |
| Inventory | \$ (26,900) |
| Effect of unadjusted audit differences – prior year | <u>30,674</u> |
| Cumulative effect (after effect of prior year differences) | <u>\$ 3,774</u> |
| | |
| <u>Aggregate Remaining Funds</u> | |
| Unadjusted audit differences: | |
| Inventory | \$ (25,193) |
| Effect of unadjusted audit differences – prior year | <u>12,356</u> |
| Cumulative effect (after effect of prior year differences) | <u>\$ (12,837)</u> |