City of Muscatine, Iowa

Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

CITY OF MUSCATINE, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

SUBMITTED BY:

FINANCE DEPARTMENT
CITY OF MUSCATINE, IOWA

Nancy A. Lueck
Finance Director

LeAnna Osborn
Accountant

COVER:

Bridge Tribute Plaza and Bike Trail Kiosk

Located in Riverside Park along the riverfront bike trail, this plaza provides a clear view of the abutment of the former high bridge as well as the current Norbert Beckey Bridge over the Mississippi River. This project was completed in 2010 by the City with the assistance of a Leadership Muscatine group and is part of the National Scenic Byways.

PHOTO BY:

Dan Beenen

CITY OF MUSCATINE, IOWA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

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MUSCATINE

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FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 18, 2010

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, 2010.

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

McGladrey & Pullen, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Muscatine's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of the Government

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

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

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

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

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

Local Economy

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include H.J. Heinz LP, food processing; Bandag, makers of pre-cured tire tread rubber, Monsanto Company, herbicides and plastics; Raymond-Muscatine, front-end loaders, etc.; Muscatine Foods Corporation, corn distillates and feed; Stanley Consultants Inc., consulting engineers and architects; and Musco Sports Lighting LLC, sports lighting systems. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten calendar years ranged from 2.9% to 8.1% with the rate for 2009 at 8.1%. Prior to 2009, the highest previous rate was 4.6% in 2008. The recent higher rates are attributed to the local effect from the national economy. Muscatine Power and Water, the City of Muscatine's municipal light, water, and communications utility, operates the largest municipal power plant in the State of Iowa. This plant provides for abundant supplies of low cost electricity. The City's Water Pollution Control Plant has undergone renovation over the

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

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

Long-term Financial Planning

On May 10, 1994, the citizens of Muscatine first voted to implement a 1% local option sales tax for the purpose of funding storm and sanitary sewer renovation and extension projects. The tax was imposed effective July 1, 1994, for a five-year period. Voters approved continuation of the local option sales tax for two subsequent 5-year periods through June 30, 2009. This tax was used primarily for storm and sanitary storm sewer projects with the exception of 10% that was allocated to the Pearl of the Mississippi project from May 1, 2003 through June 30, 2009. The 1% local option sales tax generated over $2.5 million in the most recent year.

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

The City began a comprehensive Pavement Management Program in 2007. Allocations totaling over $5 million funded the initial upgrade of streets throughout the City. These improvements were substantially completed by June 30, 2010. The initial costs of this program were funded with general obligation bond proceeds. Annual allocations to maintain all streets at this higher level will begin in 2010/2011 with funding from the 20% allocation of local option sales tax.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. Construction of a parallel taxiway for the crosswind runway was completed in 2009/2010. Projects for the upcoming year include the purchase of a snow removal tractor and construction of a hangar access road.

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

In response to these factors, the City made a number of significant budget changes which included personnel reductions, funding transfers and consolidation of services. Full-time equivalent employees of the City are fifteen (15) less than what was included in the original 2003/2004 budget. As directed by Council these reductions were done, when possible, by not filling a number of positions as they became vacant either by retirement or attrition. Nine (9) of these positions were eliminated when the City of Muscatine and Muscatine County combined

their emergency dispatch services effective in September, 2004. Both entities have and will continue to benefit both financially and operationally by combining their dispatch services.

A key issue during the development of the City's 2010/2011 budget was the consideration of and ultimate adoption of a Utility Franchise Fee on Alliant Energy, the provider of natural gas to the community. The ordinance change adopting this fee provides that the fee may be up to 5% on natural gas sales by Alliant in the community. The initial rate was set at 2% which will be effective July 1, 2010. The Revenue Purpose Statement adopted with this fee provides that a minimum of 25% of the fees collected will be used for property tax relief with the remainder available to fund a variety of other General Fund Services. A conservative estimate of $180,000 of revenue from these fees was included in the 2010/2011 budget. The establishment of this new revenue source should assist the City in continuing to fund its core General Fund services in upcoming years.

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, 2010 was $1,720,635 which was 11.7% of General Fund expenditures. This unreserved balance was $79,146 higher than the prior year unreserved balance. This increase is attributed to most General Fund departments operating under their budget allocations.

For the 2010/2011 budget taxable property values increased by 1.6% which will provide $92,574 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 residential and commercial property valuations for 2010/2011. Industrial valuations, however, decreased due to revaluation of these properties by the County Assessor.

As noted in the previous section, beginning in 2010/2011 the City implemented a 2% utility franchise fee on the provider of natural gas services in the community. The availability of this new revenue source will assist in continuing to fund the City's core General Fund services to the community.

The City continues to claim less than the full amount of incremental taxes available from the Downtown and Southend Tax Increment Financing (TIF) areas. As growth in valuations in these areas has exceeded original projections, balances have been accumulating in these funds in advance of the debt schedules in effect. Not claiming the full amount allows a portion of the increased values in each area to go back onto regular taxable valuations of all taxing entities affected. Approximately $497,600 of incremental taxes were not claimed by the City for 2009/2010 and this amount increased to $606,000 for 2010/2011. This results in increased regular taxable values and increased taxes generated by the $8.10 General Fund levy.

The effects of the changes implemented by City Council in previous years in reducing the General Fund workforce, combining services with Muscatine County, and claiming less than the full amount of incremental taxes will continue to be realized in future years. These changes as well as the implementation of the utility franchise fee beginning in 2010/2011 have placed the City in a more favorable position to address funding requirements for the provision of General Fund services in future years.

Major Initiatives

The City continues to strive to make significant capital improvements to the City's infrastructure and facilities. Major budget initiatives for 2010/2011 include (1) design or construction of major improvements to Cedar Street, Colorado Street and Hershey Avenue; (2) completion of the construction on the Hershey sewer separation project funded from local option sales tax revenues; (3) engineering design for separation of the combined sewers in the West Hill area; and (4) continued construction on the comprehensive facilities improvements at the Water Pollution Control Plant (WPCP). The WPCP improvements are estimated at $18.5 million and are scheduled to be completed by the fall of 2011. These improvements will address plant and process requirements for the next 20-25 years.

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, 2009. This was the 16th 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 2010/2011. 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 2010/2011 budget was the 26th 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 2011/2012 fiscal year to the GFOA to again be considered for this award.

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

Respectfully submitted,

Gregg Mandsager
City 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, 2009

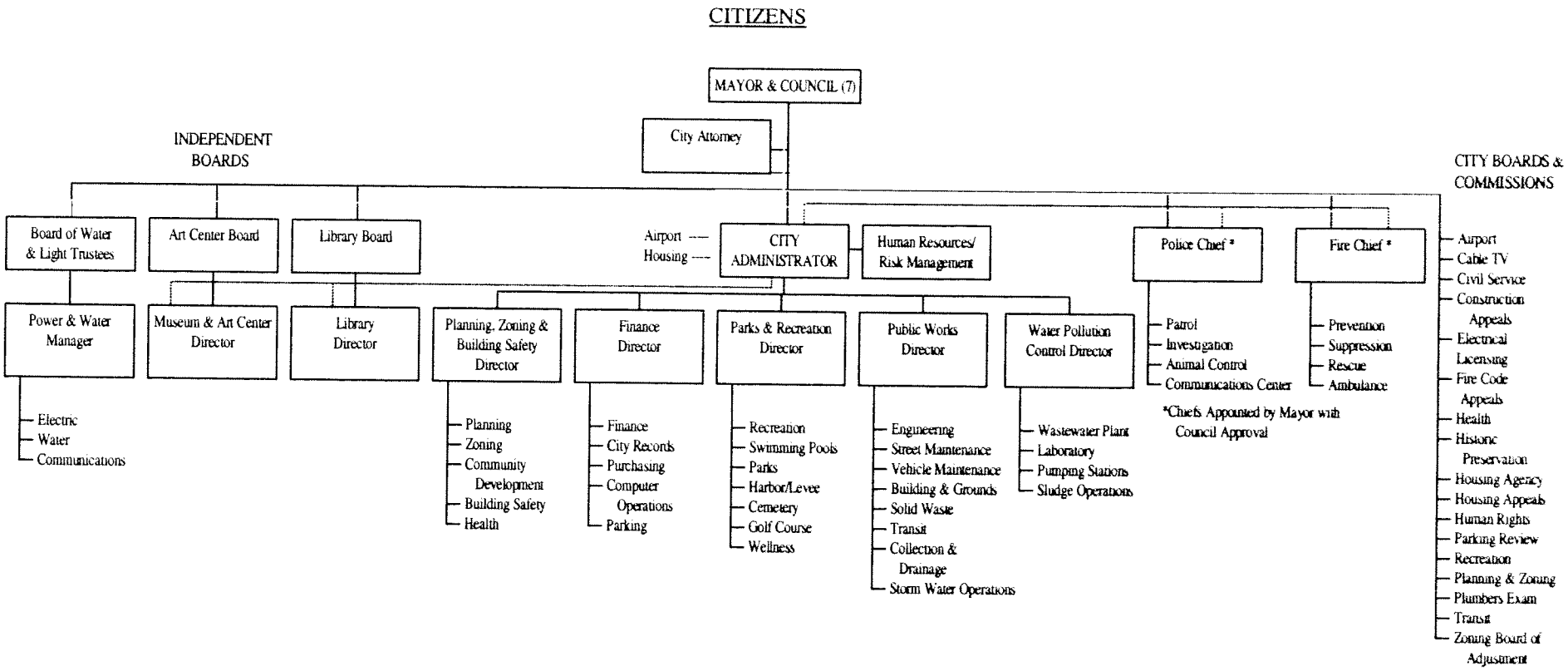
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

CITY OF MUSCATINE, IOWA

ORGANIZATIONAL STRUCTURE



CITY OF MUSCATINE, IOWA

List of Principal Officials
June 30, 2010

Richard W. O'Brien, Mayor

CITY COUNCIL

Scott Natvig At Large	Osama Shihadeh At Large
Philip Fitzgerald First Ward	Mark LeRette Second Ward
Jerry Lange Third Ward	Bob Bynum Fourth Ward

Dyann Roby
Fifth Ward

COUNCIL APPOINTED OFFICIALS

City Administrator	Gregg Mandsager
Corporation Counsel	Harvey G. Allbee, Jr.

DEPARTMENT DIRECTORS

Art Center Director	Barbara Christensen
Finance Director	Nancy A. Lueck
Fire Chief	Jerry Ewers
Library Director	Pam Collins
Parks & Recreation Director	Richard Klimes
Planning, Zoning and Building Safety Director	Steve Boka
Police Chief	Gary Coderoni
Public Works Director	Randall E. Hill
Water Pollution Control Director	Roger Kirby

McGladrey

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Muscatine, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Muscatine Power & Water, which represents 98 percent, 101 percent and 99 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power & Water, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa as of June 30, 2010, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010, on our consideration of the City of Muscatine, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey is the brand under which RSM McGladrey, Inc. and McGladrey & Pullen, LLP serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure.

Member of RSM International network, a network of independent accounting, tax and consulting firms.

The management's discussion and analysis on pages 14 through 27, budgetary comparison schedule of revenues, expenditures and changes in fund balance budget to GAAP reconciliation and schedule of funding progress for other postemployment benefit plan on pages 65 through 68 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 18, 2010

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, 2010. 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 $127,942,228 (net assets). Of this amount, $15,405,545 (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 $2,737,339 during the year. This most significant increase is in the Water Pollution Control Fund where net assets increased by $3,080,591.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,996,701, an increase of $1,844,931 in comparison with the prior year. Of the ending balance, approximately 68% ($8,181,917) was unreserved and is available for spending within the statutory guidelines pertaining to each fund at the City's discretion. The overall increase in governmental fund balances is primarily in the capital projects funds and is due to the issuance of general obligation bonds during the year which funded prior and current year capital projects costs as well as costs that will be incurred in the upcoming year.

- At the end of the current fiscal year, the City's unreserved fund balance for the general fund was $1,720,635, or 11.7% of total general fund expenditures.

- The City's total debt increased by $14,921,964 (80.6%) during the current fiscal year. This increase was due to the issuance of $7,425,000 of general obligation bonds and $9,690,867 in revenue bonds for the Water Pollution Control Plant comprehensive facilities improvement project.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 28-29 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 four major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, and the Debt Service 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 30-32 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. Three of the enterprise funds, the Water Pollution Control Fund, Transfer Station Fund, and Refuse Collection Fund, are considered major funds and are reported individually throughout the report. The other eight (8) 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 eight (8) 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 33-35 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 36 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 37-64.

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

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

Government-wide Financial Analysis

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $127,942,228 at the close of the fiscal year ended June 30, 2010.

By far the largest portion of the City's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MUSCATINE'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 27,810,754	$ 25,152,126	$ 10,611,273	$ 9,545,079	$ 38,422,027	$ 34,697,205
Capital assets	63,872,537	61,595,984	76,674,665	64,438,439	140,547,202	126,034,423
Total assets	91,683,291	86,748,110	87,285,938	73,983,518	178,969,229	160,731,628
Long-term liabilities outstanding	18,556,394	12,556,488	16,589,699	7,504,533	35,146,093	20,061,021
Other liabilities	13,586,793	13,567,936	2,294,115	1,897,782	15,880,908	15,465,718
Total liabilities	32,143,187	26,124,424	18,883,814	9,402,315	51,027,001	35,526,739
Net assets:						
Invested in capital assets, net of related debt	48,735,481	50,303,012	60,488,326	57,286,029	109,223,807	107,589,041
Restricted	2,899,555	2,989,872	413,321	190,093	3,312,876	3,179,965
Unrestricted	7,905,068	7,330,802	7,500,477	7,105,081	15,405,545	14,435,883
Total net assets	$ 59,540,104	$ 60,623,686	$ 68,402,124	$ 64,581,203	$ 127,942,228	$ 125,204,889

A portion of the City's net assets (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($15,405,545) 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 $1,634,766 during the year. Restricted net assets increased by $132,911. Unrestricted net assets increased by $969,662 during the year primarily due to the use of local option sales tax funds to fund a major sewer improvement project.

CITY OF MUSCATINE CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 2,006,122	$ 2,084,554	$ 11,209,973	$ 10,255,848	$ 13,216,095	$ 12,340,402
Operating grants, contributions and restricted interest	5,211,201	4,736,388	961,896	1,008,488	6,173,097	5,744,876
Capital grants and contributions	1,726,091	108,213	919,232	1,317,819	2,645,323	1,426,032
General revenues:						
Property taxes	12,114,066	12,040,376	-	-	12,114,066	12,040,376
Utility taxes	63,449	64,358	-	-	63,449	64,358
Local option sales tax	2,471,108	2,864,582	-	-	2,471,108	2,864,582
Hotel/motel tax	302,273	344,354	-	-	302,273	344,354
Cable franchise tax	236,192	239,039	-	-	236,192	239,039
Intergovernmental, not restricted to specific programs	151,270	149,913	-	-	151,270	149,913
Unrestricted investment earnings	45,999	267,227	43,652	182,286	89,651	449,513
Other	5,550	6,620	-	-	5,550	6,620
Total revenues	24,333,321	22,905,624	13,134,753	12,764,441	37,468,074	35,670,065
Expenses:						
Public safety	6,038,292	7,136,808	-	-	6,038,292	7,136,808
Public works	4,392,189	5,262,061	-	-	4,392,189	5,262,061
Health and social service	17,100	16,660	-	-	17,100	16,660
Culture and recreation	4,393,742	3,970,285	-	-	4,393,742	3,970,285
Community and economic development	2,918,941	2,656,737	-	-	2,918,941	2,656,737
General government	2,877,107	1,967,161	-	-	2,877,107	1,967,161
Interest and fees on long-term debt	439,305	473,916	-	-	439,305	473,916
Water pollution control	-	-	5,413,555	4,992,317	5,413,555	4,992,317
Transfer station	-	-	2,240,614	2,228,048	2,240,614	2,228,048
Refuse collection	-	-	1,798,493	1,519,980	1,798,493	1,519,980
Airport	-	-	709,883	605,009	709,883	605,009
Parking	-	-	228,674	201,409	228,674	201,409
Transit	-	-	1,028,876	907,562	1,028,876	907,562
Golf course	-	-	798,587	825,757	798,587	825,757
Boat harbor	-	-	31,605	34,648	31,605	34,648
Marina	-	-	19,451	10,961	19,451	10,961
Ambulance	-	-	390,308	483,223	390,308	483,223
Public housing	-	-	994,013	975,076	994,013	975,076
Total expenses	21,076,676	21,483,628	13,654,059	12,783,990	34,730,735	34,267,618
Increase (decrease) in net assets before transfers	3,256,645	1,421,996	(519,306)	(19,549)	2,737,339	1,402,447
Tranfers in (out)	(4,340,227)	(3,548,221)	4,340,227	3,548,221	-	-
Increase (decrease) in net assets	(1,083,582)	(2,126,225)	3,820,921	3,528,672	2,737,339	1,402,447
Net assets, beginning of year	60,623,686	62,749,911	64,581,203	61,052,531	125,204,889	123,802,442
Net assets, end of year	$ 59,540,104	$ 60,623,686	$ 68,402,124	$ 64,581,203	$ 127,942,228	$ 125,204,889

Governmental activities. Governmental activities decreased the City's net assets by $1,083,582. This overall decrease was in part due to the transfer of $3,430,734 of local option sales tax funds to the Water Pollution Control enterprise fund for sewer extension and improvement projects. Key elements of the overall decrease are as follows:

- Revenues for governmental activities increased by $1,427,697 or 6.2% from the previous year due primarily to an increase in capital grants and contributions.

- Charges for services for governmental activities decreased by $78,432. Increases in community and economic develop and general government charges for services were more than offset by decreases in public safety, public works and culture and recreation service charges.

- Operating grants and contributions for governmental activities increased by $474,813 due primarily to an increase in federal (HUD) funding for the Section 8 housing choice voucher program and an increase in road use taxes.

- Capital grants and contributions increased by $1,617,878 from the previous year. Capital grants for the year included $733,544 in federal stimulus funds for street improvements, $674,940 in FEMA funds for public facility improvements, and $164,597 in federal homeland security funds for equipment for the Fire department.

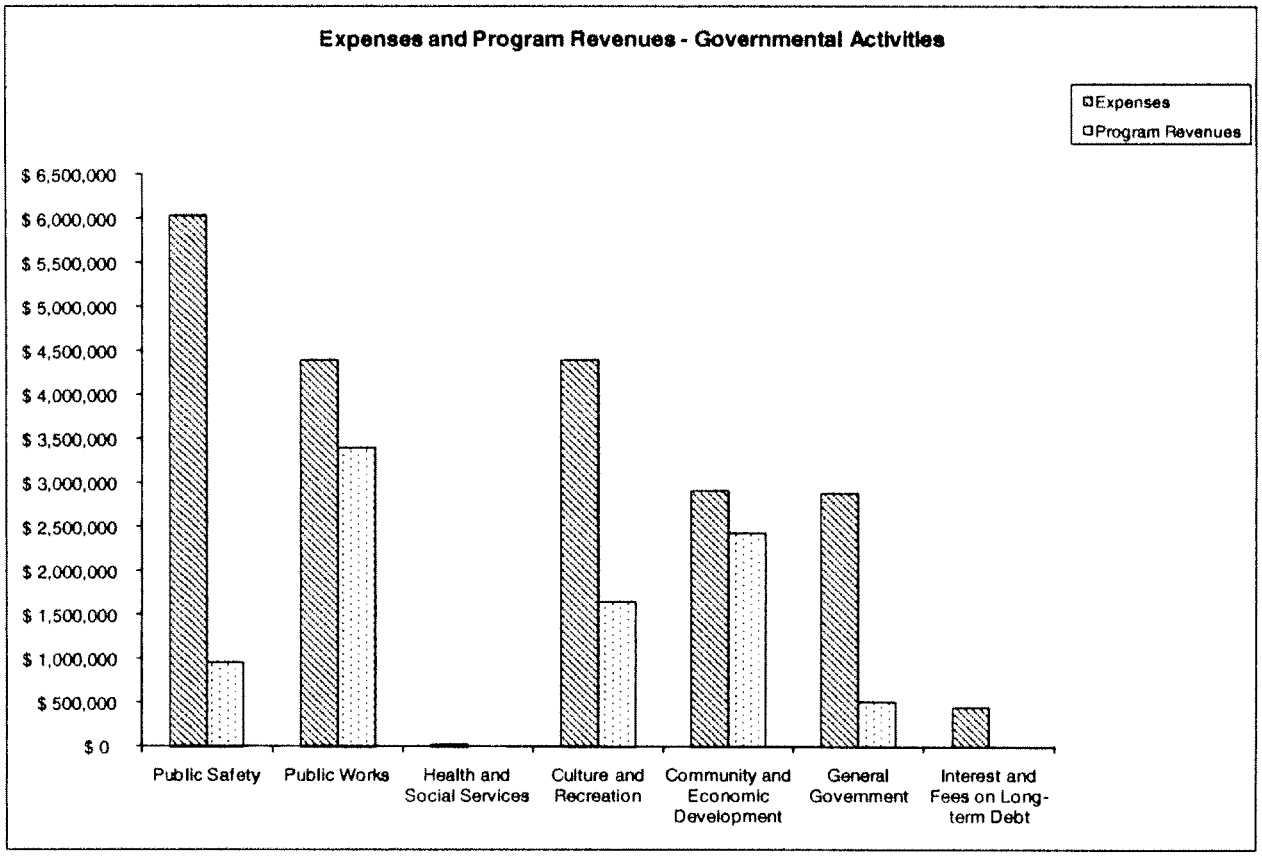
- Property taxes increased in by $73,690 during the year or .6%.

- Local option sales tax decreased by $393,474 or 13.7% during the year.

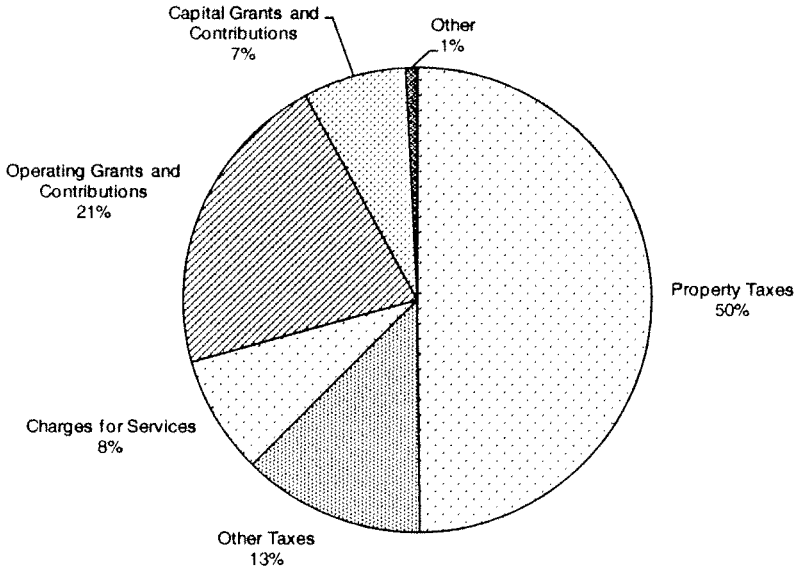
- Unrestricted investment earnings decreased by $221,228 during the year due to the significant decrease in interest rates.

- Expenses for governmental activities decreased by $406,952 or 1.9% from the previous year.

- The most significant decreases in governmental expenses were in the public works ($869,872) and public safety ($1,098,516) functions. Interest and fee expenses also decreased by $34,611. There were increases in governmental expenses in the general government ($909,946), culture and recreation ($423,457), and community and economic development ($262,204) functions.



Revenues By Source - Governmental Activities



Business-type activities. Business-type activities increased the City's total net assets by $3,820,921, accounting for 100% of the total increase in the City of Muscatine's net assets during the year. Increases in net assets were reported in the Water Pollution Control, Transfer Station, Refuse Collection, Parking, Transit, Golf Course, Marina, Ambulance and Public Housing funds. Decreases in net assets were reported in the Airport and Boat Harbor funds. Key elements of these changes are as follows:

- Net assets of the Water Pollution Control fund increased by $3,080,591 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded $3,430,734 of sewer-related capital project costs.

- Net assets of the Transfer Station fund increased by $332,093 during the year. This overall increase is the result of a $719,190 funding transfer from the debt service fund to fund the Transfer Station debt requirements for the year.

- Net assets of the Refuse Collection fund increased by $107,418 due to a fee increase which resulted in increased revenues for the year.

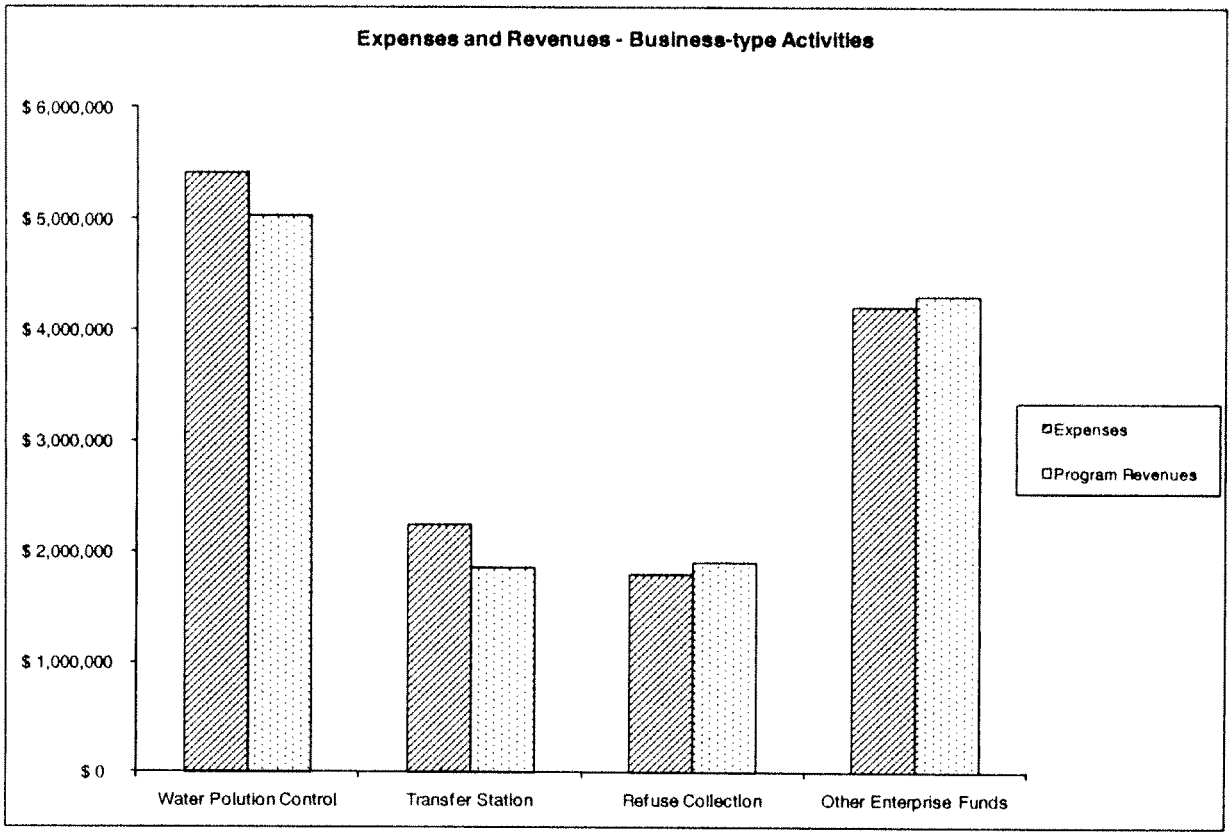
- Revenues for the business-type activities increased in total by $370,312 (2.9%).

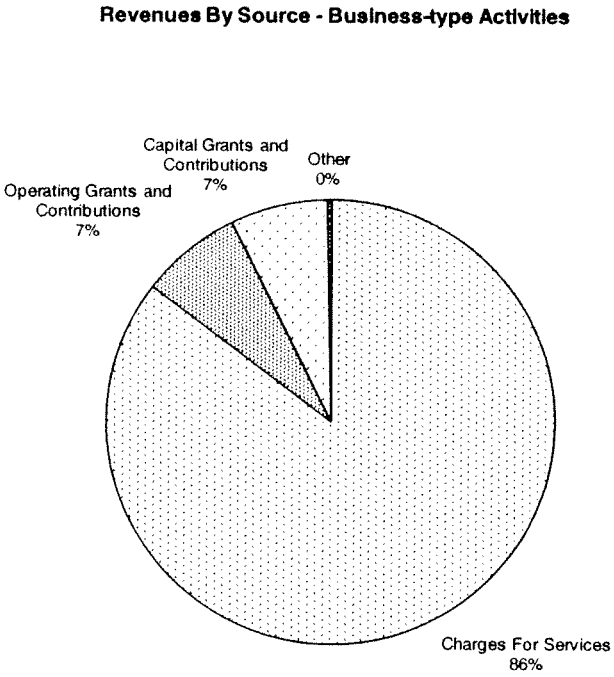
- Charges for services increased in total by $954,125. Water Pollution Control Plant service charges increased by $108,601, Transfer Station increased by $323,805, and refuse collection charges by $350,255 due to rate increases. Golf fees and charges increased by $56,326 due to increased play at the course and public housing charges for service increased by $137,527 due to increased rents and other tenant charges.

- Operating grants and contributions decreased by $46,592. The prior year amount included FEMA reimbursements for operating expenses related to the 2008 flood and windstorm.

- Capital grants and contributions decreased by $398,587. The prior year capital grants included a $1.1 million grant from the Federal Aviation Administration for the taxiway to the crosswind runway. Unrestricted interest earning decreased by $138,634 due to the significant decrease in interest rates.

- Expenses for the business-type activities increased $870,069 (6.8%). Of this overall increase $291,079 is reflected in the Transfer Station and Refuse Collection funds and is primarily related to increased landfill disposal fees.


Expenses and Revenues - Business-type Activities
$ 6,000,000
$ 5,000,000
$ 4,000,000
$ 3,000,000
$ 2,000,000
$ 1,000,000
$ 0
Water Polution Control
Transfer Station
Refuse Collection
Other Enterprise Funds
Expenses
Program Revenues


Revenues By Source - Business-type Activities
Capital Grants and Contributions 7%
Other 0%
Operating Grants and Contributions 7%
Charges For Services 86%

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 $11,996,701, an increase of $1,844,931 in comparison with the prior year. This increase was primarily due to the $2,924,382 increase in fund balance in the capital projects funds resulting from the issuance of general obligation bonds which financed capital project expenditures incurred in the prior and current fiscal years as well as project costs that will be incurred in the upcoming year. There was a decrease of $1,045,606 in the balance in the Local Option Sales Tax fund due to funding transfers for sewer extension and improvement projects accounted for in the Water Pollution Control fund.

Approximately 68% of the total combined ending fund balances ($8,181,917) 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 $1,720,635, while total fund balance was $1,875,767. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved and total general fund balances at the end of the fiscal year represent 11.7% and 12.7%, respectively, of total general fund expenditures. The City' of Muscatine's general fund balance increased by $115,056 during the current fiscal year.

The Employee Benefits fund balance decreased during the year by $79,958. Taxes are levied in this fund for employee benefits for general fund employees. The decrease in fund balance during the year is due to the budgeted use of prior year accumulated fund balance for current year employee benefits.

The Local Option Sales Tax fund balance decreased during the fiscal year by $1,045,606. Funds accumulated in prior years were used to fund sewer improvement costs accounted for in the Water Pollution Control fund.

The Debt Service Fund balance increased $73,804 due to the receipt of excess bond proceeds since the general obligation bonds issued during the year were sold at a premium. These funds will be used for future year debt service costs.

The fund balances in the Other Governmental Funds in total increased by $2,781,635. This was primarily due to general obligation bonds issued during the year which funded prior and current year capital project costs as well as costs that will be incurred in the upcoming year.

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, 2010 was $68,402,124, an increase of $3,820,921 from the previous fiscal year. Of the net assets of the enterprise funds, $60,488,326 is invested in capital assets, net of related debt. Restricted net assets totaled $413,321. Unrestricted net assets totaled $7,500,477, an increase of $395,396 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance and Dental Insurance. Net assets for the internal service funds totaled $1,580,089 as of June 30, 2010, an increase of $376,434 from the previous year. This increase was primarily in the Health Insurance Fund.

General Fund Budgetary Highlights

During the year there was a $680,600 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 $726,203 from the original to the amended budget. Of the increases in both appropriations and budgeted revenues, $431,000 is for purchases funded from federal, state and local grants that were not anticipated when the original budget was prepared. Following are the main components of the overall budget increases during the year:

- The increase in the public safety function of $300,600 includes $57,000 in the police department and $246,800 in the fire department. Budgeted grant funds in the Police department and the related appropriations increased by $178,800 compared to the original budget. These increases were partially offset by reductions in other areas of the budget. Budgeted grant-funded expenditures in the fire department increased by $178,900 compared to the original budget due to a federal grant for the purchase of fire radio equipment. The amended fire department budget also includes $27,000 in matching funds for a fire training trailer shared by area fire departments and $15,000 in overtime related to increased ambulance calls.

- Increases in the culture and recreation function totaled $108,000. The park maintenance activity budget was increased by $70,100 with a portion of this increase related to cleanup costs from the 2008 flood and windstorm events. The Art Center budget was increased a total of $24,500. Of this increase $14,400 was funded from a State Cultural Affairs grant with the balance for contracted custodial services and retirement pay for an Art Center staff member.

- The community and economic development function appropriation was increased by $30,000 for the year due to increases in the Planning, Zoning and Building Safety budget. Amendments included increased funding for contracted nuisance abatement costs and costs for a senior training program. Revenues were amended by $14,800 for the grant funding related to the senior training program.

- Public works department expenditures were amended in total by $228,400. The Roadway Maintenance budget was increased by $168,500. This increase included $31,500 related to a train derailment, $64,200 for street repairs, $21,100 for guardrails on Cedar Street, with the balance for increased operating and repair and maintenance costs. The Snow and Ice Control budget was amended by $62,600 for increases in salt and salt delivery, contracted downtown snow removal, and equipment repair and maintenance costs. The budget increase in the public works activities was funded from increased transfers from the Road Use Tax fund.

- The amended budget included a $13,600 increase in the general government function. Increases in the Legal Services, Human Resources, Wellness, and Building and Grounds budgets were partially offset by decreases in the other general government activities.

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, 2010, amounts to $140,547,202 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building 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 $2,276,553 for governmental activities compared to the prior year and increased by $12,236,226 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 $20,468,596.

- Major asset additions included $3,337,556 for street improvements; $10,010,855 for the Water Pollution Control Plant Comprehensive Facilities Improvement project; $3,226,075 in sewer system improvements; $238,556 for a geothermal heating, ventilation, and air conditioning system for the Public Safety Building, $583,851 for parking lot resurfacing and retaining wall improvements; $273,227 for improvements to the City's public housing facilities; $321,481 for new tennis courts at Weed Park; and $648,197 for riverfront improvements including the bulkhead for Pearl City Station and additional concrete and railing on the riverfront.

- Depreciation expense totaled $6,328,030 for the year with $3,045,786 in the governmental activities and $3,282,244 in the business-type activities.

City of Muscatine Capital Assets

(Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land, art work and construction in progress, not being depreciated	$ 14,980,720	$ 15,504,003	$ 21,738,787	$ 8,209,619	$ 36,719,507	$ 23,713,622
Other capital assets net of accumulated depreciation	48,891,817	46,091,981	54,935,878	56,228,820	103,827,695	102,320,801
Total capital assets	$ 63,872,537	$ 61,595,984	$ 76,674,665	$ 64,438,439	$ 140,547,202	$ 126,034,423

Additional information on the City of Muscatine's capital assets can be found in note 6 on pages 51-53 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $33,443,872. Of this amount, $18,349,810 is debt backed by the full faith and credit of the city. Of this amount $2,897,277 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 $15,452,533 reflected as debt of the governmental activities. The remainder of the City of Muscatine's debt represents revenue bonds secured solely by specific revenue sources.

City of Muscatine Outstanding Debt

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	$ 15,452,533	$ 9,254,498	$ 2,897,277	$ 3,554,215	$ 18,349,810	$ 12,808,713
Revenue bonds	1,805,000	2,115,000	13,289,062	3,598,195	15,094,062	5,713,195
Total	$ 17,257,533	$ 11,369,498	$ 16,186,339	$ 7,152,410	$ 33,443,872	$ 18,521,908

The City's total bonded debt increased by $14,921,964 during the year. The City issued $7,425,000 in general obligation bonds and $9,690,867 in new sewer revenue debt and $2,010,000 in general obligation bonds and $310,000 of tax increment revenue bonds were retired.

State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is $57,874,116. The amount of debt applicable to the debt limit totals $20,275,000. The City's debt is significantly less than the maximum debt limit allowed.

The City was assigned an Aa2 rating from Moody's for the general obligation debt issue in June of 2010. This rating was assigned using Moody's new rating scale.

Additional information on the City's long-term debt can be found in note 7 on pages 54-58 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Muscatine County was 8.1% for calendar year 2009 compared to 4.6% the previous year which follows the national trend. Separate unemployment figures are not maintained for the City of Muscatine.

- The City's taxable value increased by 3.8% for the 2009/2010 year and increased by 1.6% for the upcoming 2010/2011 fiscal year.

- The upcoming budget provides funding for capital improvement projects to continue in 2010/2011. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (80%) and also ongoing costs of the City's pavement management program (20%).

- In 2010 the City will complete the final street improvements included in the Comprehensive Pavement Management Program plan to upgrade the City's overall street conditions. Funding allocations totaling over $5 million were used to complete the initial upgrade of the City's streets. Annual allocations to maintain streets at this higher level will be funded from the 20% allocation of local option sales tax.

- In 2007 the City signed a Consent Order with the Environmental Protection Agency (E.P.A.) which requires the City to complete specific major sewer separation projects by 2024. Local option sales tax funds will fund a significant portion of the cost of these projects. Construction on the second and final phase of the Hershey Avenue sewer improvement project is underway and is scheduled to be completed in the fall of 2011. This was a major project mandated by the Consent Order. The remaining project in the Consent Order will be the separation of the combined sewer in the West Hill area. This will be a lengthy project with a significant cost. Preliminary design work is underway for this project.

- In 2010/2011 construction will continue on the comprehensive facilities improvements project at the Water Pollution Control Plant. These improvements are estimated at $18.5 million and are scheduled to be completed by the fall of 2011.

- The 2010/2011 budget provides for increases in sewer and boat harbor fees. No fee increases are budgeted for the transfer station, refuse collection, golf course, or transit.

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, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
ASSETS					
Cash and pooled investments	$ 11,255,622	$ 4,678,987	$ 15,934,609	$ -	$ 1,392,206
Investments	1,470,418	998,541	2,468,959	-	738,000
Receivables (net of allowance for uncollectibles):					
Interest	11,803	905	12,708	-	337,085
Taxes	12,609,326	-	12,609,326	-	-
Accounts	343,822	1,627,047	1,970,869	-	7,788,408
Intergovernmental	1,827,048	238,696	2,065,744	-	-
Loan receivable from component unit	-	2,450,245	2,450,245	-	-
Inventories	136,118	20,607	156,725	-	20,482,172
Prepaids	27,922	4,400	32,322	-	632,722
Deferred charges	128,675	178,523	307,198	-	62,048
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	413,322	413,322	1,068,098	10,244,157
Investments	-	-	-	-	28,445,201
Capital assets:					
Land, art work and construction in progress, not being depreciated	14,980,718	21,738,787	36,719,505	1,080,608	3,270,741
Other capital assets net of accumulated depreciation	48,891,819	54,935,878	103,827,697	2,140,408	-
Utility plant in service	-	-	-	-	149,948,745
Intangible assets (net of accumulated depreciation)	-	-	-	-	2,319,410
Joint venture rights	-	-	-	-	197,510
Total assets	91,683,291	87,285,938	178,969,229	4,289,114	225,858,405
LIABILITIES					
Accounts payable and accruals	784,741	1,310,981	2,095,722	55,217	9,206,904
Retainages payable	266,812	822,537	1,089,349	-	-
Deposits	-	41,125	41,125	-	2,638,438
Matured bonds and interest payable	419	-	419	-	-
Accrued interest payable	48,262	45,961	94,223	-	-
Unearned revenue	12,486,559	73,511	12,560,070	-	17,903,162
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	11,930,000
Accrued interest payable	-	-	-	-	1,060,184
Noncurrent liabilities:					
Due within one year	2,425,926	1,389,235	3,815,161	620	-
Due in more than one year	16,130,468	15,171,369	31,301,837	138	26,767,254
Loan due to primary government	-	-	-	2,450,245	-
Closure/post-closure obligation	-	29,095	29,095	2,590,026	-
Total liabilities	32,143,187	18,883,814	51,027,001	5,096,246	69,505,942
NET ASSETS					
Invested in capital assets, net of related debt	48,735,481	60,488,326	109,223,807	3,221,016	114,965,217
Restricted for:					
Debt service	256,511	384,226	640,737	-	-
Public works	593,898	-	593,898	-	-
Community and economic development	305,700	-	305,700	-	-
Public safety	10,606	-	10,606	-	-
Employee benefits	127,450	-	127,450	-	-
Perpetual care, nonexpendable	829,093	-	829,093	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	644,297	-	644,297	-	-
Other purposes	-	29,095	29,095	-	37,629,402
Unrestricted	7,905,068	7,500,477	15,405,545	(4,028,148)	3,757,844
Total net assets	$ 59,540,104	$ 68,402,124	$ 127,942,228	$ (807,132)	$ 156,352,463

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

City of Muscatine, Iowa

Statement of Activities
For the Year Ended June 30, 2010

Functions:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Muscatine County Solid Waste Agency	Component Units: Muscatine Power & Water
Primary Government:									
Governmental activities:									
Public safety	$ 6,038,292	$ 339,786	$ 408,253	$ 219,171	$ (5,071,082)	$ -	$ (5,071,082)		
Public works	4,392,189	231,564	2,384,940	783,544	(992,141)	-	(992,141)		
Health and social services	17,100	-	-	-	(17,100)	-	(17,100)		
Culture and recreation	4,393,742	448,271	493,358	706,176	(2,745,937)	-	(2,745,937)		
Community and economic development	2,918,941	480,137	1,924,650	17,200	(496,954)	-	(496,954)		
General government	2,877,107	506,364	-	-	(2,370,743)	-	(2,370,743)		
Interest and fees on long-term debt	439,305	-	-	-	(439,305)	-	(439,305)		
Total governmental activities	21,076,676	2,006,122	5,211,201	1,726,091	(12,133,262)	-	(12,133,262)		
Business-type activities:									
Water pollution control	5,413,555	4,627,301	41,798	364,041	-	(380,415)	(380,415)		
Refuse collection	1,798,493	1,905,643	-	-	-	107,150	107,150		
Transfer station	2,240,614	1,822,105	31,412	-	-	(387,097)	(387,097)		
Airport	709,883	37,647	11,400	34,385	-	(626,451)	(626,451)		
Parking	228,674	176,103	-	-	-	(52,571)	(52,571)		
Transit	1,028,876	175,505	492,979	289,888	-	(70,504)	(70,504)		
Golf course	798,587	821,005	-	-	-	22,418	22,418		
Boat harbor	31,605	29,104	-	-	-	(2,501)	(2,501)		
Marina	19,451	19,623	-	-	-	172	172		
Ambulance	390,308	1,038,306	-	-	-	647,998	647,998		
Public housing	994,013	557,631	384,307	230,918	-	178,843	178,843		
Total business-type activities	13,654,059	11,209,973	961,896	919,232	-	(562,958)	(562,958)		
Total primary government	$ 34,730,735	$ 13,216,095	$ 6,173,097	$ 2,645,323	(12,133,262)	(562,958)	(12,696,220)		
Component Units:									
Muscatine County Solid Waste Agency	$ 1,650,202	$ 1,155,302	$ 117,177	$ -				$ (377,723)	$ -
Muscatine Power & Water	94,600,957	94,357,739	-	346,262				-	103,044
Total component units	$ 96,251,159	$ 95,513,041	$ 117,177	$ 346,262				(377,723)	103,044
General revenues:									
Property taxes					12,114,066	-	12,114,066	-	-
Utility taxes					63,449	-	63,449	-	-
Local option sales tax					2,471,108	-	2,471,108	-	-
Hotel/motel taxes					302,273	-	302,273	-	-
Cable franchise taxes					236,192	-	236,192	-	-
Intergovernmental, unrestricted					151,270	-	151,270	-	-
Unrestricted investment income					45,999	43,652	89,651	-	1,988,998
Contributions to endowments					5,550	-	5,550	-	-
Transfers					(4,340,227)	4,340,227	-	-	-
Total general revenues, contributions to endowments and transfers					11,049,680	4,383,879	15,433,559	-	1,988,998
Change in net assets					(1,083,582)	3,820,921	2,737,339	(377,723)	2,092,042
Net assets, June 30, 2009					60,623,686	64,581,203	125,204,889	(429,409)	154,260,421
Net assets, June 30, 2010					$ 59,540,104	$ 68,402,124	$ 127,942,228	$ (807,132)	$ 156,352,463

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

City of Muscatine, Iowa

Balance Sheet
Governmental Funds
June 30, 2010

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and pooled investments	$ 1,324,948	$ 94,487	$ 3,286,070	$ 229,404	$ 4,678,205	$ 9,613,114
Investments	-	-	-	-	1,470,418	1,470,418
Receivables (net of allowance for uncollectibles):						
Interest	300	-	155	-	11,289	11,744
Taxes	6,535,182	2,829,221	-	2,411,923	833,000	12,609,326
Accounts	311,075	-	-	-	7,111	318,186
Intergovernmental	379,025	-	435,965	-	1,012,058	1,827,048
Advances to other funds	-	-	-	-	33,515	33,515
Prepaid insurance	27,922	-	-	-	-	27,922
Total assets	8,578,452	2,923,708	3,722,190	2,641,327	8,045,596	25,911,273
Liabilities and fund balances						
Liabilities:						
Accounts payable and accruals	160,618	-	-	-	439,975	600,593
Retainages payable	-	-	-	-	266,812	266,812
Advances from other funds	-	-	-	-	33,515	33,515
Matured general obligation bond interest payable	-	-	-	419	-	419
Deferred revenue	6,542,067	2,796,258	20,000	2,384,397	1,270,511	13,013,233
Total liabilities	6,702,685	2,796,258	20,000	2,384,816	2,010,813	13,914,572
Fund balances:						
Reserved for:						
Prepaid items	27,922	-	-	-	-	27,922
Encumbrances	127,210	-	-	-	14,606	141,816
Advances to other funds	-	-	-	-	33,515	33,515
Housing assistance payments	-	-	-	-	218,268	218,268
Perpetual care	-	-	-	-	828,150	828,150
Endowments	-	-	-	-	188,125	188,125
Debt service	-	-	-	256,511	-	256,511
Capital projects	-	-	-	-	2,120,477	2,120,477
Unreserved, reported in:						
General fund	1,720,635	-	-	-	-	1,720,635
Special revenue funds	-	127,450	3,702,190	-	3,196,912	7,026,552
Capital projects funds	-	-	-	-	(565,270)	(565,270)
Total fund balances	1,875,767	127,450	3,702,190	256,511	6,034,783	11,996,701
Total liabilities and fund balances	$ 8,578,452	$ 2,923,708	$ 3,722,190	$ 2,641,327	$ 8,045,596	

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.	63,867,554
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	526,674
Unamortized balance of deferred charge for bond issuance costs not reported in the funds	128,675
Internal service funds are used by management to charge the costs of equipment services, central supplies and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,580,089
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(17,257,533)
Accrued interest payable	(48,262)
Compensated absences	(1,184,473)
Other post-employment benefits	(69,321)
Net assets of governmental activities	$ 59,540,104

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

City of Muscatine, Iowa

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

For the Year Ended June 30, 2010

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	$ 6,408,307	$ 2,579,034	$ -	$ 2,167,678	$ 959,047	$ 12,114,066
Utility	36,010	14,503	-	11,835	1,101	63,449
Hotel/motel	302,273	-	-	-	-	302,273
Cable franchise	236,192	-	-	-	-	236,192
Local option sales	-	-	2,519,108	-	-	2,519,108
Licenses and permits	285,956	-	-	-	-	285,956
Fines and forfeitures	183,714	-	-	-	-	183,714
Intergovernmental	886,150	-	-	116,167	5,459,551	6,461,868
Charges for services	449,346	-	-	-	-	449,346
Use of money and property	160,744	-	18,899	4,111	48,971	232,725
Other	896,505	-	-	-	215,822	1,112,327
Total revenues	9,845,197	2,593,537	2,538,007	2,299,791	6,684,492	23,961,024
Expenditures:						
Current:						
Public safety	6,681,178	-	-	-	6,517	6,687,695
Public works	2,017,868	-	-	-	-	2,017,868
Health and social services	17,100	-	-	-	-	17,100
Culture and recreation	2,714,620	-	-	-	109,204	2,823,824
Community and economic development	666,008	-	-	-	2,223,965	2,889,973
General government	1,846,437	-	-	-	-	1,846,437
Debt service:						
Principal	-	-	-	1,310,615	310,000	1,620,615
Interest	-	-	-	313,973	108,933	422,906
Paying agent	-	-	-	1,800	-	1,800
Capital outlay:						
Public safety	309,344	-	-	-	239,148	548,492
Public works	283,961	-	-	-	3,929,004	4,212,965
Culture and recreation	160,092	-	-	-	2,215,928	2,376,020
Community and economic development	1,827	-	-	-	60,795	62,622
General government	18,608	-	-	-	320,504	339,112
Total expenditures	14,717,043	-	-	1,626,388	9,523,998	25,867,429
Revenues over (under) expenditures	(4,871,846)	2,593,537	2,538,007	673,403	(2,839,506)	(1,906,405)
Other financing sources (uses):						
General obligation bonds issued	-	-	-	119,591	7,305,409	7,425,000
General obligation bond premium	-	-	-	-	21,741	21,741
Transfers in	5,548,311	-	-	-	828,750	6,377,061
Transfers out	(561,409)	(2,673,495)	(3,583,613)	(719,190)	(2,534,759)	(10,072,466)
Total other financing sources (uses)	4,986,902	(2,673,495)	(3,583,613)	(599,599)	5,621,141	3,751,336
Net change in fund balances	115,056	(79,958)	(1,045,606)	73,804	2,781,635	1,844,931
Fund balances, June 30, 2009	1,760,711	207,408	4,747,796	182,707	3,253,148	10,151,770
Fund balances, June 30, 2010	$ 1,875,767	$ 127,450	$ 3,702,190	$ 256,511	$ 6,034,783	$ 11,996,701

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, 2010

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

Net change in fund balances - total governmental funds	$ 1,844,931
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:	
Capital asset purchases capitalized	5,193,114
Depreciation expense	(3,043,808)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets:	
Capital contributions	17,200
Capital assets funded by enterprise funds	122,045
Loss on disposal of capital assets	(10,020)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	526,674
Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	(178,268)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
General obligation bond proceeds	(7,425,000)
General obligation bond principal payments	1,310,615
Tax increment bond principal payments	310,000
Net effects of bond issuance costs, premiums and discounts	(9,046)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absenses	(52,464)
Other post-employment benefits	(52,969)
Change in accrued interest payable	(13,020)
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.	376,434
Change in net assets of governmental activities	$ (1,083,582)

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, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	
Assets:						
Current assets:						
Cash and pooled investments	$ 4,121,348	$ -	$ 737	$ 556,902	$ 4,678,987	$ 1,642,508
Investments	-	-	-	998,541	998,541	-
Receivables (net of allowance for uncollectibles):						
Interest	217	-	-	688	905	59
Accounts	554,126	658,579	271,466	142,876	1,627,047	25,636
Intergovernmental:						
Federal	89	-	-	134,538	134,627	-
State	46,703	234	4,694	52,438	104,069	-
Due from other funds	106,429	-	-	1,529	107,958	1,239
Inventories	-	-	-	20,607	20,607	136,118
Prepaid items	-	-	-	4,400	4,400	-
Total current assets	4,828,912	658,813	276,897	1,912,519	7,677,141	1,805,560
Noncurrent assets:						
Restricted cash and pooled investments	384,227	29,095	-	-	413,322	-
Deferred charges	166,695	10,397	1,431	-	178,523	-
Advances to component unit	2,450,245	-	-	-	2,450,245	-
Advances to other funds	928,802	-	-	-	928,802	-
Capital assets:						
Land	474,486	175,000	-	2,173,659	2,823,145	-
Land improvements	62,346	1,019,897	-	11,562,499	12,644,742	-
Buildings and building improvements	30,546,549	7,428,336	1,312,083	10,291,510	49,578,478	-
Equipment	4,380,386	311,607	202,600	565,954	5,460,547	122,889
Vehicles	994,680	560,263	573,548	1,401,177	3,529,668	50,408
Infrastructure	36,447,382	-	-	-	36,447,382	-
Construction in progress	18,896,036	-	-	19,606	18,915,642	-
Less accumulated depreciation	(32,060,167)	(4,248,121)	(926,370)	(15,490,281)	(52,724,939)	(168,314)
Total capital assets net of accumulated depreciation	59,741,698	5,246,982	1,161,861	10,524,124	76,674,665	4,983
Total noncurrent assets	63,671,667	5,286,474	1,163,292	10,524,124	80,645,557	4,983
Total assets	68,500,579	5,945,287	1,440,189	12,436,643	88,322,698	1,810,543
Liabilities:						
Current liabilities:						
Accounts payable and accruals	1,026,654	55,860	13,061	215,406	1,310,981	184,148
Retainages payable	822,537	-	-	-	822,537	-
Compensated absences payable	94,708	6,029	24,415	39,462	164,614	21,241
Due to other funds	-	-	-	107,958	107,958	1,239
Deposits	-	-	-	41,125	41,125	-
Accrued interest payable	37,809	7,166	986	-	45,961	-
Unearned revenue	35,093	-	435	37,983	73,511	-
State revolving fund loan	525,000	-	-	-	525,000	-
General obligation bonds	-	614,100	85,521	-	699,621	-
Total current liabilities	2,541,801	683,155	124,418	441,934	3,791,308	206,628
Noncurrent liabilities:						
Advance from other funds	-	928,802	-	-	928,802	-
General obligation bonds	-	1,929,141	268,515	-	2,197,656	-
State revolving fund loan	12,764,062	-	-	-	12,764,062	-
Compensated absences	112,566	1,857	25,539	43,685	183,647	21,902
Other post-employment benefits	13,882	1,924	4,570	5,628	26,004	1,924
Transfer station closure obligation	-	29,095	-	-	29,095	-
Total noncurrent liabilities	12,890,510	2,890,819	298,624	49,313	16,129,266	23,826
Total liabilities	15,432,311	3,573,974	423,042	491,247	19,920,574	230,454
Net assets:						
Invested in capital assets, net of related debt	46,452,636	2,703,741	807,825	10,524,124	60,488,326	4,983
Restricted	384,226	29,095	-	-	413,321	-
Unrestricted	6,231,406	(361,523)	209,322	1,421,272	7,500,477	1,575,106
Total net assets	$ 53,068,268	$ 2,371,313	$ 1,017,147	$ 11,945,396	$ 68,402,124	$ 1,580,089

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, 2010

	Business-type Activities - Enterprise Funds					
	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Operating revenues:						
Charges for sales and services	$ 4,546,814	$ 1,808,294	$ 1,901,138	$ 2,607,297	$ 10,863,543	$ 1,043,684
Employer contributions	-	-	-	-	-	2,252,279
Employee contributions	-	-	-	-	-	180,851
Other contributions	-	-	-	-	-	152,985
Other	80,487	13,811	4,505	247,627	346,430	646
Total operating revenues	4,627,301	1,822,105	1,905,643	2,854,924	11,209,973	3,630,445
Operating expenses:						
Cost of sales and services:						
Personal services	1,892,000	252,195	705,657	1,581,297	4,431,149	282,038
Commodities	187,484	39,831	64,616	452,881	744,812	517,550
Contractual services	1,376,233	1,505,848	855,408	905,163	4,642,652	2,393,351
Administration	152,900	2,200	56,500	121,100	332,700	17,100
Depreciation	1,795,515	296,868	97,520	1,092,341	3,282,244	1,978
Total operating expenses	5,404,132	2,096,942	1,779,701	4,152,782	13,433,557	3,212,017
Operating income (loss)	(776,831)	(274,837)	125,942	(1,297,858)	(2,223,584)	418,428
Non-operating revenues (expenses):						
Intergovernmental	40,319	31,412	-	888,686	960,417	-
Interest revenue	31,751	-	268	13,112	45,131	6,691
Interest expense	(1,501)	(141,072)	(18,434)	-	(161,007)	-
Bond issuance costs	(6,125)	(2,600)	(358)	-	(9,083)	-
Gain (loss) on sale of capital assets	(1,797)	-	-	(48,615)	(50,412)	-
Non-operating revenues (expenses), net	62,647	(112,260)	(18,524)	853,183	785,046	6,691
Income (loss) before capital contributions and transfers	(714,184)	(387,097)	107,418	(444,675)	(1,438,538)	425,119
Capital contributions - grants	364,041	-	-	555,191	919,232	-
Capital contributions - government	-	-	-	718,182	718,182	-
Transfers in	3,430,734	719,190	-	343,058	4,492,982	-
Transfers out	-	-	-	(870,937)	(870,937)	(48,685)
Change in net assets	3,080,591	332,093	107,418	300,819	3,820,921	376,434
Net assets, June 30, 2009	49,987,677	2,039,220	909,729	11,644,577	64,581,203	1,203,655
Net assets, June 30, 2010	$ 53,068,268	$ 2,371,313	$ 1,017,147	$ 11,945,396	$ 68,402,124	$ 1,580,089

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, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	
Cash flows from operating activities						
Receipts from customers and users	$ 4,593,679	$ 1,977,258	$ 1,856,082	$ 2,888,505	$ 11,315,524	$ -
Receipts from interfund services provided	-	-	-	-	-	3,631,650
Payments to suppliers	(1,588,219)	(1,485,689)	(805,638)	(986,488)	(4,866,034)	(2,893,915)
Payments to employees	(1,330,993)	(180,241)	(475,578)	(1,239,672)	(3,226,484)	(190,507)
Payments for employee benefits	(523,449)	(70,807)	(215,807)	(343,361)	(1,153,424)	(85,094)
Payments for interfund services used	(188,589)	(58,734)	(184,290)	(457,986)	(889,599)	(17,100)
Net cash provided (used) by operating activities	962,429	181,787	174,769	(139,002)	1,179,983	445,034
Cash flows from noncapital financing activities						
Transfers to other funds	-	-	-	(748,892)	(748,892)	(48,685)
Transfers from other funds	3,430,734	719,190	-	343,058	4,492,982	-
Advances from other funds	-	-	-	107,959	107,959	1,239
Advances to other funds	(106,430)	-	-	(1,529)	(107,959)	(1,239)
Advance to solid waste component unit	(599,320)	-	-	-	(599,320)	-
Repayment of advances from other funds	-	(160,180)	-	(87,401)	(247,581)	(12,481)
Repayment of advances to other funds	266,494	-	(23,064)	4,151	247,581	12,481
Subsidies from federal, state and local grants	121,378	31,412	-	869,028	1,021,818	-
Net cash provided (used) by noncapital financing activities	3,112,856	590,422	(23,064)	486,374	4,166,588	(48,685)
Cash flows from capital and related financing activities						
Proceeds from capital debt	9,690,867	-	-	-	9,690,867	-
Capital contributions	328,856	-	-	522,484	851,340	-
Purchase of capital assets	(13,381,325)	(53,019)	(52,615)	(695,551)	(14,182,510)	-
Principal paid on capital debt	-	(614,759)	(84,626)	-	(699,385)	-
Interest paid on capital debt	(273,724)	(104,431)	(14,376)	-	(392,531)	-
Proceeds from sales of capital assets	-	-	-	7,334	7,334	-
Net cash provided (used) by capital and related financing activities	(3,635,326)	(772,209)	(151,617)	(165,733)	(4,724,885)	-
Cash flows from investing activities						
Proceeds from sales and maturities of investments	-	-	-	1,794,230	1,794,230	-
Purchase of investments	-	-	-	(1,888,118)	(1,888,118)	-
Interest received	52,199	-	649	21,270	74,118	10,064
Net cash provided (used) by investing activities	52,199	-	649	(72,618)	(19,770)	10,064
Net increase (decrease) in cash and pooled investments	492,158	-	737	109,021	601,916	406,413
Cash and pooled investments, June 30, 2009	4,013,417	29,095	-	447,881	4,490,393	1,236,095
Cash and pooled investments, June 30, 2010	$ 4,505,575	$ 29,095	$ 737	$ 556,902	$ 5,092,309	$ 1,642,508
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Cash flows from operating activities:						
Operating income (loss)	$ (776,831)	$ (274,837)	$ 125,942	$ (1,297,858)	$ (2,223,584)	$ 418,428
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,795,515	296,868	97,520	1,092,341	3,282,244	1,978
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(33,622)	155,153	(49,631)	47,236	119,136	1,205
Inventories	-	-	-	1,144	1,144	(13,991)
Prepaid items	-	-	-	(1,200)	(1,200)	-
Increase (decrease) in:						
Accounts payable and accruals	(60,191)	3,457	(13,404)	34,728	(35,410)	30,976
Compensated absences payable	26,937	(326)	10,776	(6,043)	31,344	4,966
Other post-employment benefits	10,621	1,472	3,496	4,305	19,894	1,472
Unearned revenue	-	-	70	(15,535)	(15,465)	-
Deposits	-	-	-	1,880	1,880	-
Total adjustments	1,739,260	456,624	48,827	1,158,856	3,403,567	26,606
Net cash provided (used) by operating activities	$ 962,429	$ 181,787	$ 174,769	$ (139,002)	$ 1,179,983	$ 445,034
Non-cash capital and related financing activities:						
Contribution of capital assets from government	$ -	$ -	$ -	$ 718,182	$ 718,182	$ -
Transfer of capital assets to governmental activities	-	-	-	(122,045)	(122,045)	-
Change in accounts payable used to purchase capital assets	818,399	-	-	(113,819)	704,580	-

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, 2010

	Agency Funds
Assets:	
Cash and pooled investments	$ 489,272
Accounts receivable	51,541
Advances to other funds	49,910
Total assets	590,723
Liabilities:	
Accounts payable and accruals	540,813
Advances from other funds	49,910
Total liabilities	$ 590,723

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

CITY OF MUSCATINE, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

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, and cultural and park facilities. The City also operates an airport, parking facilities, public housing facilities, transit system, sewer and sanitation utilities, a municipal golf course, public library and a municipal museum and art center.

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

Discretely Presented Component Units

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

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

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

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

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

Joint Venture

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

Jointly Governed Organizations

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, other then 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. Effective July 1, 2009, voters approved using up to 20% of future local option tax for the City's pavement management program with the remaining funds to be used for storm and sanitary sewer improvements.

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 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.

The *refuse collection fund* accounts for the collection of solid waste from residential property in the City as well as from some commercial customers.

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, 2010, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2009 and March 31, 2010. Any County collections on the 2009-2010 tax levy remitted to the City within sixty days subsequent to June 30, 2010, 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, 2010, are delinquent and have been recorded as receivables and deferred revenue in the governmental fund statements. By statute, the city is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax askings and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in both the governmental fund statements and the government-wide statements.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

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

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

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

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

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

7. Intangible Asset

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

8. Long-Term Obligations

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

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

9. Fund Equity

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

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent bond proceeds. As of June 30, 2010, there were unspent bond proceeds totaling $2,120,477 in the non-major Capital Projects funds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted through enabling legislation consists of $593,898 for public works, $127,450 for employee benefits and $10,606 for public safety.

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

NOTE 2. BUDGETS

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa requires the annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. Preliminary budget review of all operating department requests is conducted by the City Administrator. The budget proposal as presented to the City Council by the City Administrator is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the City Administrator, Finance Director, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts

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

After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. For the year ended June 30, 2010, the budget was amended twice which decreased expenditures in total by $170,974. The overall decrease is primarily due to changes in capital project construction schedules.

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

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

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

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

For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. Unencumbered appropriations lapse at year-end.

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

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

NOTE 3. DEPOSITS AND INVESTMENTS

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

As of June 30, 2010, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	$ 52,980
Cash in bank	59,553
Savings accounts	41,320
Money market accounts	15,220,915
Iowa Public Agency Investment Trust	1,647,492
Certificates of deposit	3,352,000
	$ 20,374,260

As of June 30, 2010 the carrying amount of the City's deposits with financial institutions totaled $18,673,788 and the bank balances were $18,720,536. 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, 2009 MP&W's deposits and investments consist primarily of U.S. Treasury obligations, federal agency obligations, and certificates of deposit as follows:

	Fair Value
Cash	$ 11,636,363
U.S. government securities	29,183,201
	$ 40,819,564

As of December 31, 2009 the carrying amount of MP&W's deposits with financial institutions totaled $11,633,727, and the bank balances were $11,669,716. 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, 2009, Muscatine Power & Water's investments were rated as follows:

Investment Type	*Standard & Poor's*	*Moody's*
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, 2009, Muscatine Power & Water investments held with issuers, each totaling more than 5 percent of the total portfolio, were concentrated as follows:

Issuer	*% of Portfolio*
Federal Home Loan Bank	82.2%
Federal Home Loan Mortgage Corp.	11.4%

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, 2009, Muscatine Power & Water's investments were as follows:

Investment Type	*Maturity In Years*			
	Fair Value	Less than 1 Year	1-5 Years	Greater than 5 Years
U.S. agencies	$ 10,760,201	$ 3,605,061	$ 5,346,329	$ 1,808,811

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, 2010 consist of the following:

		Due from/advance to					
		Nonmajor Governmental	Transfer Station	Nonmajor Enterprise	Internal Service	Fiduciary	Totals
Due to/Advance from	Nonmajor governmental	$ 33,515	$ -	$ -	$ -	$ -	$ 33,515
	Water pollution control	-	928,802	106,429	-	-	1,035,231
	Nonmajor enterprise	-	-	1,529	-	-	1,529
	Internal service	-	-	-	1,239	-	1,239
	Fiduciary	-	-	-	-	49,910	49,910
	Total	$ 33,515	$ 928,802	$ 107,958	$ 1,239	$ 49,910	$ 1,121,424

The $928,802 balance due from the Transfer Station is the result of a loan for working capital needs resulting from amounts in accounts receivable at year end and reduced waste volumes being received at this facility. It is not expected that this amount will be eliminated in the subsequent year. The remaining balances result from (1) working capital for inventory in the enterprise and internal service funds, and (2) the time lag of receipts into the various funds.

In addition, the City has a loan to Muscatine County Solid Waste Agency, a discretely presented component unit of $2,450,245 as of June 30, 2010. The loan is for capital costs including costs for the development of new cells for disposal of waste at the landfill. The new cells are expected to have a remaining capacity of 270,000 tons of waste or 7.5 years of use based on projected annual waste volumes.

Interfund transfers for the year are as follows:

		Transfers from							
		General	Employee Benefits	Local Option Sales Tax	Debt Service	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Totals
Transfers to	General	$ -	$ 2,673,495	$ -	$ -	$ 2,178,531	$ 48,685	$ 647,600	$ 5,548,311
	Nonmajor governmental	241,542	-	152,879	-	333,037	-	101,292	828,750
	Water pollution control	-	-	3,430,734	-	-	-	-	3,430,734
	Transfer station	-	-	-	719,190	-	-	-	719,190
	Nonmajor enterprise	319,867	-	-	-	23,191	-	-	343,058
	Total	$ 561,409	$ 2,673,495	$ 3,583,613	$ 719,190	$ 2,534,759	$ 48,685	$ 748,892	$ 10,870,043

In addition, the nonmajor enterprise funds transferred $122,045 of capital assets to governmental activities.

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

NOTE 5. RESTRICTED ASSETS

Transfer Station assets of $29,095 at June 30, 2010 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Water Pollution Control assets of $384,227 at June 30, 2010 are classified as restricted because their use is restricted under the State Revolving Fund loan.

Solid Waste Agency assets of $1,068,098, at June 30, 2010 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

Muscatine Power & Water's restricted assets represent amounts set aside under the terms of the bond resolutions relating to the electric revenue bonds, or under the terms of the communications loan agreement, or by the Board. In accordance with the covenants of the bond resolutions, the amounts have been segregated into various funds or accounts. The extraordinary operation and maintenance account may be used for extraordinary operating expenses and debt service at the discretion of the Board. In accordance with the communications loan agreement, the communications system loan repayment sinking fund is used solely for the purpose of paying the interest on and principal of the bank loans.

The composition of the restricted funds as of December 31, 2009 was as follows:

Current accounts:	
Bond sinking fund	$ 12,969,088
Debt service reserve	7,474,030
Extraordinary operation and maintenance account	18,225,372
Communications loan sinking fund	20,868
Total restricted assets	$ 38,689,358

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is as follows:

Primary government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 8,943,587	$ 23,311	$ -	$ -	$ 8,966,898
Art work	5,309,776	-	-	-	5,309,776
Construction in progress	1,250,640	-	(546,596)	-	704,044
Total capital assets, not being depreciated	15,504,003	23,311	(546,596)	-	14,980,718
Capital assets, being depreciated:					
Land improvements	15,386,930	1,272,452	-	-	16,659,382
Buildings	7,730,030	9,490	-	-	7,739,520
Building improvements	1,137,191	932,516	-	-	2,069,707
Equipment	4,656,241	394,670	(66,449)	-	4,984,462
Vehicles	4,380,266	195,232	(194,235)	4,372	4,385,635
Infastructure	53,964,814	3,051,284	-	-	57,016,098
Total capital assets, being depreciated	87,255,472	5,855,644	(260,684)	4,372	92,854,804
Less accumulated depreciation for:					
Land improvements	(6,530,223)	(699,487)	-	-	(7,229,710)
Buildings	(4,506,592)	(178,334)	-	-	(4,684,926)
Building improvements	(537,534)	(97,711)	-	-	(635,245)
Equipment	(2,802,422)	(293,453)	65,146	-	(3,030,729)
Vehicles	(3,179,675)	(238,514)	185,518	(4,372)	(3,237,043)
Infastructure	(23,607,045)	(1,538,287)	-	-	(25,145,332)
Total accumulated depreciation	(41,163,491)	(3,045,786)	250,664	(4,372)	(43,962,985)
Total capital assets, being depreciated, net	46,091,981	2,809,858	(10,020)	-	48,891,819
Governmental activities capital assets, net	$ 61,595,984	$ 2,833,169	$ (556,616)	$ -	$ 63,872,537

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 2,823,145	$ -	$ -	$ -	$ 2,823,145
Construction in progress	5,386,474	13,549,542	(20,374)	-	18,915,642
Total capital assets, not being depreciated	8,209,619	13,549,542	(20,374)	-	21,738,787
Capital assets, being depreciated:					
Land improvements	12,003,488	641,254	-	-	12,644,742
Buildings	46,194,045	-	-	-	46,194,045
Building improvements	3,084,478	319,584	(19,629)	-	3,384,433
Equipment	4,759,655	738,135	(37,243)	-	5,460,547
Vehicles	3,308,388	348,075	(122,423)	(4,372)	3,529,668
Sewer system	36,447,382	-	-	-	36,447,382
Total capital assets, being depreciated	105,797,436	2,047,048	(179,295)	(4,372)	107,660,817
Less accumulated depreciation for:					
Land improvements	(8,473,345)	(675,591)	-	-	(9,148,936)
Buildings	(25,055,919)	(1,098,879)	-	-	(26,154,798)
Building improvements	(1,694,561)	(161,218)	12,759	-	(1,843,020)
Equipment	(2,329,406)	(331,308)	34,768	-	(2,625,946)
Vehicles	(1,676,354)	(286,300)	74,021	4,372	(1,884,261)
Sewer system	(10,339,030)	(728,948)	-	-	(11,067,978)
Total accumulated depreciation	(49,568,615)	(3,282,244)	121,548	4,372	(52,724,939)
Total capital assets, being depreciated, net	56,228,821	(1,235,196)	(57,747)	-	54,935,878
Business type activities capital assets, net	$ 64,438,440	$ 12,314,346	$ (78,121)	$ -	$ 76,674,665

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

Governmental activities:	
Public safety	$ 307,402
Public works	1,681,086
Culture and recreation	1,014,932
Community and economic development	2,158
General government	38,230
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	$ 3,045,786
Business-type activities:	
Water pollution control plant	$ 1,795,515
Refuse collection	97,520
Transfer station	296,868
Airport	547,628
Parking	57,115
Transit	74,142
Golf course	89,449
Boat harbor	8,282
Ambulance	33,687
Public housing	282,038
Total depreciation expense – business-type activities	$ 3,282,244

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,080,608	$ -	$ -	$ 1,080,608
Construction in progress	1,084,217	-	(1,084,217)	-
Total capital assets, not being depreciated	2,164,825	-	(1,084,217)	1,080,608
Capital assets, being depreciated:				
Land improvements	96,343	1,777,244	-	1,873,587
Buildings	37,314	-	-	37,314
Equipment	31,317	-	-	31,317
Leachate collection system	616,835	-	-	616,835
Total capital assets, being depreciated	781,809	1,777,244	-	2,559,053
Less accumulated depreciation for:				
Land improvements	(27,657)	(130,907)	-	(158,564)
Buildings	(13,527)	(933)	-	(14,460)
Equipment	(10,985)	(1,932)	-	(12,917)
Leachate collection system	(212,838)	(19,866)	-	(232,704)
Total accumulated depreciation	(265,007)	(153,638)	-	(418,645)
Total capital assets, being depreciated, net	516,802	1,623,606	-	2,140,408
Solid Waste Agency capital assets, net	$ 2,681,627	$ 1,623,606	$ (1,084,217)	$ 3,221,016

Activity for Muscatine Power & Water for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land and land rights	$ 2,926,921	$ -	$ -	$ -	$ 2,926,921
Construction work in progress	1,704,193	5,517,393	(145,173)	(6,732,593)	343,820
Total capital assets, not being depreciated	4,631,114	5,517,393	(145,173)	(6,732,593)	3,270,741
Capital assets, being depreciated:					
Generation plant	324,566,999	76,412	(547,477)	3,462,558	327,558,492
Transmission and distribution plant	54,422,985	531,871	(306,691)	608,629	55,256,794
General plant	21,392,284	40,260	(269,435)	316,577	21,479,686
Source of supply	1,874,873	(210)	-	-	1,874,663
Pumping equipment	1,536,828	(131)	(51,029)	134,415	1,620,083
Purification equipment	1,052,164	-	-	-	1,052,164
Distribution system	15,135,545	25,730	(739,298)	1,537,985	15,959,962
Network operations plant	26,757,721	1,325,857	(1,462,459)	672,429	27,293,548
Total capital assets being depreciated	446,739,399	1,999,789	(3,376,389)	6,732,593	452,095,392
Less accumulated depreciation for:					
Generation plant	(213,890,203)	(10,530,768)	547,905	-	(223,873,066)
Transmission and distribution plant	(37,179,785)	(2,091,288)	230,126	-	(39,040,947)
General plant	(15,304,837)	(1,601,796)	265,922	-	(16,640,711)
Source of supply	(1,045,315)	(62,496)	-	-	(1,107,811)
Pumping equipment	(477,920)	(49,512)	51,028	-	(476,404)
Purification system	(692,214)	(28,080)	-	-	(720,294)
Distribution system	(5,308,365)	(333,396)	739,347	-	(4,902,414)
Network operations plant and general plant	(14,871,445)	(1,929,924)	1,416,369	-	(15,385,000)
Total accumulated depreciation	(288,770,084)	(16,627,260)	3,250,697	-	(302,146,647)
Total capital assets, being depreciated, net	157,969,315	(14,627,471)	(125,692)	6,732,593	149,948,745
Muscatine Power & Water capital assets, net	$ 162,600,429	$ (9,110,078)	$ (270,865)	$ -	$ 153,219,486
Muscatine Power & Water intangible asset	$ 3,092,469	$ -	$ (773,059)	$ -	$ 2,319,410

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The general obligation bonds outstanding as of June 30, 2010 total $18,349,810. These bonds bear interest at rates ranging from 2.00% to 4.00%. Portions of the general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general obligation debt principal and interest. The liability for those bonds, which are expected to be paid by the enterprise funds, is included in those funds.

General obligation bonds as of June 30, 2010 consist of the following individual issues:

	Issue Date	Amount Issued	Interest Rates	Balance 6/30/2010		Governmental Activities	Business-Type Activities
General obligation bonds							
General corporate	6/1/2003	$ 1,780,000	2.60-3.00	$ 626,915	(1)	$ 626,915	$ -
General corporate	6/1/2006	2,990,000	3.75-4.00	2,060,672	(2)	2,060,672	-
General corporate	6/1/2008	5,120,000	3.00-3.50	4,717,124	(3)	4,717,124	-
General refunding	6/1/2008	6,560,000	3.00-3.25	3,449,489	(4)	552,212	2,897,277
General refunding	6/1/2010	7,425,000	2.00-3.125	7,495,610	(5)	7,495,610	-
				$ 18,349,810		$ 15,452,533	$ 2,897,277

1. Net of unamoritzed discount of $3,085
2. Net of unamoritzed discount of $9,328
3. Net of unamoritzed premium of $2,124
4. Net of unamoritzed premium/deferred charges of $180,511
5. Net of unamoritzed premium of $70,610

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

Year Ending	Governmental		Business-Type	
June 30	Principal	Interest	Principal	Interest
2011	$ 1,499,386	$ 484,974	$ 699,621	$ 97,825
2012	1,277,086	438,918	707,553	75,563
2013	1,461,992	399,106	732,552	51,188
2014	1,277,800	353,294	757,551	26,000
2015	1,897,493	314,056	-	-
2016-2020	8,038,776	699,190	-	-
	$ 15,452,533	$ 2,689,538	$ 2,897,277	$ 250,576

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

TIF Revenues Pledged. The City has pledged a portion of future urban renewal tax increment revenues to repay the Tax Increment Revenue Bonds noted above. The urban renewal tax increment revenues were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are $2,312,249 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were $418,933 and $592,068, respectively.

Tax increment revenue bonds as of June 30, 2010 consist of the following issues:

	Issue Date	Amount Issued	Interest Rates	Balance June 30, 2010
Tax Increment Revenue Bonds:				
Urban Renewal Tax Increment Revenue Bonds	6/26/1997	$ 1,795,000	5.65-5.75%	$ 300,000
Urban Renewal Tax Increment Revenue Bonds	4/23/2004	420,000	3.75-4.25	160,000
Urban Renewal Tax Increment Revenue Bonds	6/24/2004	1,885,000	4.05-5.80	1,345,000
				$ 1,805,000

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

Year Ending	Governmental	
June 30	Principal	Interest
2011	$ 325,000	$ 94,173
2012	340,000	78,323
2013	105,000	61,308
2014	110,000	56,320
2015	115,000	50,930
2016-2020	660,000	157,495
2021	150,000	8,700
	$ 1,805,000	$ 507,249

State Revolving Fund (SRF) Revenue Loan. In November of 2008, the City entered into a State Revolving Fund Loan with the State of Iowa in the amount of $16,500,000 to finance comprehensive improvements at the City's Water Pollution Control Plant. As of June 30, 2010, $13,289,062 of loan funds had been drawn down to fund construction costs incurred through that date. The Loan has an interest rate of 3% and a loan servicing fee of .25% per annum of the principal amount of the loan outstanding. Repayment of this loan is to come from future revenues of the Plant.

State Revolving Fund Revenues Pledged. The City is required to establish, impose, adjust, and provide for the collection of fees to be charged to customers of the Water Pollution Control Plant to produce gross revenues at least sufficient to pay operating and maintenance costs of the plant and to leave a net balance equal to at least 110% of the principal and interest on all of the bonds and any other parity obligations due in such fiscal year as they become due. The City is also required to establish a Sewer Revenue Bond Sinking Fund into which there shall be set aside from net revenues, sufficient funds to pay interest on and principal of all of the bonds and any parity obligations as the same become due.

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

Year Ending	Business-Type		
June 30	Principal	Interest	Fees
2011	$ 525,000	$ 398,672	$ 41,250
2012	542,000	382,922	39,938
2013	560,000	366,662	38,583
2014	578,000	349,862	37,183
2015	597,000	332,522	35,738
2016-2020	3,287,000	1,382,140	155,316
2021-2025	3,859,000	855,880	111,461
2026-2029	3,341,062	244,808	52,511
	$ 13,289,062	$ 4,313,468	$ 511,980

Long-term liability activity for the year ended June 30, 2010 was as follows:

Primary government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 9,288,547	$ 7,425,000	$ (1,310,615)	$ 15,402,932	$ 1,502,932
Tax increment revenue bonds	2,115,000	-	(310,000)	1,805,000	325,000
Less issuance discounts	(34,049)	70,610	13,040	49,601	(3,546)
Total bonds payable	11,369,498	7,495,610	(1,607,575)	17,257,533	1,824,386
Compensated absences	1,170,186	686,484	(629,054)	1,227,616	601,540
Governmental activity long-term liabilities	$ 12,539,684	$ 8,182,094	$ (2,236,629)	$ 18,485,149	$ 2,425,926
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 3,766,453	$ -	$ (699,385)	$ 3,067,068	$ 742,068
State revolving fund loan	3,598,195	9,690,867	-	13,289,062	525,000
Less issuance discounts-general obligation bonds	(212,238)	-	42,447	(169,791)	(42,447)
Total bonds payable	7,152,410	9,690,867	(656,938)	16,186,339	1,224,621
Compensated absences	316,918	251,445	(220,101)	348,262	164,614
Closure/post-closure obligation	29,095	-	-	29,095	-
Business-type activity long-term liabilities	$ 7,498,423	$ 9,942,312	$ (877,039)	$ 16,563,696	$ 1,389,235

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 $43,143, of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 933	$ 859	$ (1,034)	$ 758	$ 620
Closure/post-closure obligation	1,826,505	763,521	-	2,590,026	-
Total liabilities	$ 1,827,438	$ 764,380	$ (1,034)	$ 2,590,784	$ 620

Activity for Muscatine Power & Water for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2001 revenue bonds	$ 49,090,000	$ -	$ (11,305,000.0)	$ 37,785,000
Unamortized portion of deferred loss on refundings	(419,449)	-	206,071	(213,378)
Unamortized portion of revenue bond premiums	474,174	-	(243,949)	230,225
State revolving fund loan	-	7,407	-	7,407
Note payable to bank	888,000	-	-	888,000
Total long-term debt	50,032,725	$ 7,407	$ (11,342,878)	38,697,254
Less current installments	11,305,000			11,930,000
Long-term debt, net of current portion	$ 38,727,725			$ 26,767,254

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, 2009, the revenue bonds and bank loan mature and bear interest as follows:

Maturity Date	Series 2001 Principal Amount	Series 2001 Interest	Bank Loan Principal Amount	Bank Loan Interest
January 1,				
2010	$ 11,930,000	$ 1,750,100	$ -	$ 41,736
2011	12,585,000	1,075,938	-	41,736
2012	13,270,000	364,925	163,725	37,888
2013	-	-	169,275	30,063
2014-2018	-	-	555,000	39,780
	$ 37,785,000	$ 3,190,963	$ 888,000	$ 191,203

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 $50,785,000 at December 31, 2009. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2009 as the outstanding bonds are considered defeased.

All electric utility revenues, net of specified operating expenses, are pledged as security of the electric debt until fully paid. Principal and interest paid in 2009 and electric utility net revenues are as follows:

Principal and interest paid	$13,694,063
Net revenues	25,881,477

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

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

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

NOTE 8. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $2,590,026 reported as landfill closure and post closure care liability at June 30, 2010, represents the cumulative amount reported to date based on the use of 64.81% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of $1,406,014 as the remaining estimated capacity is filled over the 19 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2010. The Agency expects the currently-permitted landfill property to reach its capacity in 2029. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

NOTE 9. RETIREMENT SYSTEMS

Iowa Public Employees Retirement System

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

In the current year plan members were required to contribute 4.3% of their annual covered salary and the City was required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were $470,940, $424,711, and $390,058 respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

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

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

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate for the year ended June 30, 2010 was 17.00% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009 and 2008 were $654,034, $689,566, and $864,972, 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 $9,849 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.

NOTE 10. DEFICIT FUND EQUITY

One of the City's funds has a fund balance deficit as of June 30, 2010. This fund and the amount of the deficit is as follows:

Fund	Deficit Amount
Capital projects:	
Community development improvements	$ 3,148

This deficit is not considered a violation of any law, and is expected to be eliminated through future operations.

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

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

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

after the fourth year. Participation by the City will cease in the fifth year. For police officers and firefighters, this provision is effective until the age of 55

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

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

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2010, the City contributed $87,406, which was net of retirees premiums received of $153,294.

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

Annual Required Contribution	$ 160,595
Interest on net OPEB obligation	1,146
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	161,741
Contributions and payments made	87,406
Increase in net OPEB obligation	74,335
Net OPEB obligation – July 1, 2009	22,914
Net OPEB obligation – June 30, 2010	$ 97,249

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 and the one proceeding year (2009 was the transition year) are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 160,595	85.7%	$ 22,914
June 30, 2010	161,741	54.04%	97,249

Funded status and funding progress: As of July 1, 2008 the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $1,437,500 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of $1,437,500. The covered payroll (annual payroll of active employees covered by the plan) was $9,589,347 and the ratio of the UAAL to the covered payroll was 15 percent.

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

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

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

NOTE 12. INDUSTRIAL REVENUE BONDS

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately $3,725,000 as of June 30, 2010.

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 $2,680,000 for 2010. 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 $147,611 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, 2010 and 2009 are summarized as follows:

Liabilities at July 1, 2008	$ 216,228
Claims and changes in estimates during fiscal year 2009	1,922,627
Claim payments	(2,018,794)
Liabilities at June 30, 2009	$ 120,061
Claims and changes in estimates during fiscal year 2010	1,819,250
Claim payments	(1,791,700)
Liabilities at June 30, 2010	$ 147,611

NOTE 14. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2010, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control, Airport, and Public Housing funds. The remaining commitment on these contracts as of June 30, 2010, is $9,024,992.

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 2011 is set at $60,000.

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.

Muscatine Power & Water has a two year coal supply contract for a total contract annual minimum of 350,000 ton of coal through the year 2011 with a fixed annual price.

The utility has rail transportation agreements 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 the Powder River Basin (PRB), Wyoming to an interchange with the local delivery carrier. The contract term is from 2010 through 2014 where the rate is firm for the first three years and adjusted quarterly for years 2013 and 2014 plus monthly fuel surcharges. The utility's minimum requirement is 100% of the tons shipped, up to the annual tonnage nomination, from the PRB. In the event the utility does not meet their minimum requirement, the utility has agreed to pay a per ton penalty for the shortfall.

The other rail agreement covers the shipment of coal from the interchange to the utility's electric generating station by the local delivery carrier. The contract rate is determined by the interchange that the train travels through, and is adjusted quarterly. There is no annual minimum tonnage requirement.

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 kilo pounds). 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 as agreed to reimburse the utility for any unrecovered capital improvements. The contract was amended in 2007 to add an additional ten years to the agreement. The amendment obligates the customer to certain environmental capital costs (approximately $2 million) and ongoing S02, NOX 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 Board-approved open contracts for approximately $1,808,000. As of December 31, 2009, approximately $1,213,000 of this amount has been expended.

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

The City adopted the following statements during the year ended June 30, 2010:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. This Statement requires the City to capitalize any intangibles purchased or donated. The City had no intangible assets purchased or donated in the current year.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of this Statement had no effect on the City in the current year.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this Statement had no effect on the City in the current year.

As of June 30, 2010, the GASB had issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

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

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued January 2010, will be effective for the City beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget to Actual Variance
Revenues:						
Taxes:						
Property	$ 11,332,799	$ -	$ 11,332,799	$ 11,350,546	$ 11,350,546	$ (17,747)
Tax increment financing	763,184	-	763,184	772,141	766,688	(3,504)
Other city tax	3,139,104	-	3,139,104	3,178,158	3,155,258	(16,154)
Licenses and permits	285,956	20,218	306,174	318,200	330,400	(24,226)
Use of money and property	232,726	786,753	1,019,479	1,275,900	1,049,130	(29,651)
Intergovernmental	6,345,701	1,996,813	8,342,514	7,446,500	9,190,042	(847,528)
Charges for services	449,346	11,274,027	11,723,373	12,708,600	11,749,850	(26,477)
Miscellaneous	1,296,040	2,898,144	4,194,184	4,625,900	4,717,600	(523,416)
Total revenues	23,844,856	16,975,955	40,820,811	41,675,945	42,309,514	(1,488,703)
Expenditures:						
Public safety	7,097,582	-	7,097,582	6,907,100	7,248,200	(150,618)
Public works	2,304,509	-	2,304,509	2,274,200	2,502,600	(198,091)
Health and social service	17,100	-	17,100	17,100	17,100	-
Culture and recreation	3,285,352	-	3,285,352	3,140,500	3,422,685	(137,333)
Community and economic development	2,891,800	-	2,891,800	2,843,975	3,004,410	(112,610)
General government	1,910,456	-	1,910,456	1,977,000	1,994,823	(84,367)
Debt service	2,863,512	-	2,863,512	2,864,714	2,864,214	(702)
Capital projects	6,221,885	-	6,221,885	8,118,800	7,675,000	(1,453,115)
Business type activities	-	28,007,299	28,007,299	30,185,904	29,429,287	(1,421,988)
Total expenditures	26,592,196	28,007,299	54,599,495	58,329,293	58,158,319	(3,558,824)
Revenues over (under) expenditures	(2,747,340)	(11,031,344)	(13,778,684)	(16,653,348)	(15,848,805)	2,070,121
Other financing sources (uses):						
Proceeds of long term debt	7,446,741	9,690,867	17,137,608	17,748,000	18,148,800	(1,011,192)
Transfers in	6,592,230	5,396,403	11,988,633	12,708,900	12,144,705	(156,072)
Transfers out	(9,353,276)	(2,635,357)	(11,988,633)	(12,708,900)	(12,144,705)	156,072
Total other financing sources (uses)	4,685,695	12,451,913	17,137,608	17,748,000	18,148,800	(1,011,192)
Net change in fund balances	1,938,355	1,420,569	3,358,924	1,094,652	2,299,995	1,058,929
Fund balances, June 30, 2009	9,912,881	6,384,587	16,297,468	16,394,216	16,289,229	8,239
Fund balances, June 30, 2010	$ 11,851,236	$ 7,805,156	$ 19,656,392	$ 17,488,868	$ 18,589,224	$ 1,067,168

See notes to Required Supplementary Information.

City of Muscatine, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

For the Year Ended June 30, 2010

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	GAAP Basis	Enterprise and Budgeted Internal Service Funds Budget Basis	Adjustments	Enterprise and Internal Service Funds GAAP Basis
Revenues	$ 23,844,856	$ 116,168	$ 23,961,024	$ 16,966,620	$ 523,451	$ 17,490,071
Expenditures/expenses	26,592,196	(724,767)	25,867,429	28,007,299	(11,141,223)	16,866,076
Net	(2,747,340)	840,935	(1,906,405)	(11,040,679)	11,664,674	623,995
Other financing sources (uses), net	4,685,695	(934,359)	3,751,336	12,461,248	(8,887,888)	3,573,360
Beginning fund balances/net assets	9,912,881	238,889	10,151,770	6,384,587	59,400,271	65,784,858
Ending fund balances/net assets	$ 11,851,236	$ 145,465	$ 11,996,701	$ 7,805,156	$ 62,177,057	$ 69,982,213

See notes to Required Supplementary Information.

City of Muscatine, Iowa

Other Postemployment Benefit Plan

Required Supplementary Information

Schedule of Funding Progress

Fiscal Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	7-1-2008	$ -	$ 1,437,500	1,437,500	0%	$ 9,070,314	15.8%
2009	7-1-2008	-	1,437,500	1,437,500	0%	9,589,347	15.0%

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

See notes to Required Supplementary Information.

CITY OF MUSCATINE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2010

NOTE 1. Basis of Budgeting

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

NOTE 2. Budget Functions

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds and certain Permanent and Internal Service Funds. Although the budget document presents expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments decreased budgeted disbursements in total by $170,974. This overall decrease is primarily due to changes in capital project construction schedules. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010 expenditures in each of the nine functions did not exceed their budgeted amounts.

NOTE 3. Other Postemployment Benefit Plan

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

FIRST TIME HOME OWNERS PROGRAM – Accounts for funds received to provide education and counseling services to assist persons interested in purchasing their own homes.

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.

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

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

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

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

PARKS DONATIONS – 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.

STREET AND SIDEWALK IMPROVEMENTS FUND - Accounts for the City's pavement management program including ongoing maintenance of the improved streets.

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

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

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, 2010

	Special Revenue	Capital Projects	Permanent	Totals
Assets:				
Cash and pooled investments	$ 2,563,698	$ 2,073,805	$ 40,702	$ 4,678,205
Investments	498,418	-	972,000	1,470,418
Receivables (net of allowance for uncollectibles):				
Interest	1,206	-	10,083	11,289
Taxes	833,000	-	-	833,000
Intergovernmental	421,903	590,155	-	1,012,058
Accounts	961	5,000	1,150	7,111
Advances to other funds	25,855	-	7,660	33,515
Total assets	4,345,041	2,668,960	1,031,595	8,045,596
Liabilities and fund balances				
Liabilities:				
Accounts payable and accruals	31,800	408,175	-	439,975
Retainages payable	-	266,812	-	266,812
Advances from other funds	25,855	-	7,660	33,515
Deferred revenue	831,745	438,766	-	1,270,511
Total liabilities	889,400	1,113,753	7,660	2,010,813
Fund balances:				
Reserved for:				
Advances to other funds	25,855	-	7,660	33,515
Encumbrances	14,606	-	-	14,606
Housing assistance payments	218,268	-	-	218,268
Perpetual care	-	-	828,150	828,150
Endowments	-	-	188,125	188,125
Capital projects	-	2,120,477	-	2,120,477
Unreserved	3,196,912	(565,270)	-	2,631,642
Total fund balances	3,455,641	1,555,207	1,023,935	6,034,783
Total liabilities and fund balances	$ 4,345,041	$ 2,668,960	$ 1,031,595	$ 8,045,596

City of Muscatine, Iowa

Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	Special Revenue	Capital Projects	Permanent	Totals
Revenues:				
Taxes:				
Property	$ 959,047	$ -	$ -	$ 959,047
Utility	1,101	-	-	1,101
Intergovernmental	4,228,974	1,230,577	-	5,459,551
Use of money and property	21,323	1,486	26,162	48,971
Other	126,772	83,500	5,550	215,822
Total revenues	5,337,217	1,315,563	31,712	6,684,492
Expenditures:				
Current:				
Public safety	6,517	-	-	6,517
Culture and recreation	101,014	-	8,190	109,204
Community and economic development	2,223,965	-	-	2,223,965
Debt service:				
Principal	310,000	-	-	310,000
Interest	108,933	-	-	108,933
Capital outlay:				
Public safety	191,565	47,583	-	239,148
Public works	-	3,929,004	-	3,929,004
Culture and recreation	305,418	1,910,510	-	2,215,928
Community and economic development	-	60,795	-	60,795
General government	46,511	273,993	-	320,504
Total expenditures	3,293,923	6,221,885	8,190	9,523,998
Revenues over (under) expenditures	2,043,294	(4,906,322)	23,522	(2,839,506)
Other financing sources (uses):				
General obligation bonds issued	-	7,305,409	-	7,305,409
General obligation bond premium	-	21,741	-	21,741
Transfers in	293,592	535,158	-	828,750
Transfers out	(2,481,000)	(31,604)	(22,155)	(2,534,759)
Total other financing sources (uses)	(2,187,408)	7,830,704	(22,155)	5,621,141
Net change in fund balances	(144,114)	2,924,382	1,367	2,781,635
Fund balances, June 30, 2009	3,599,755	(1,369,175)	1,022,568	3,253,148
Fund balances, June 30, 2010	$ 3,455,641	$ 1,555,207	$ 1,023,935	$ 6,034,783

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2010

	Community Development Block Grant	1st Time Home Owners Program	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures
Assets:								
Cash and pooled investments	$ -	$ 127,862	$ 236,754	$ 64,657	$ 20,581	$ 7,117	$ 77,497	$ 10,606
Investments	-	-	-	-	-	318,418	-	-
Receivables (net of allowance for uncollectibles):								
Interest	-	-	-	-	-	3	-	-
Taxes	-	-	-	-	-	-	61,457	-
Accounts	-	-	-	-	-	961	-	-
Intergovernmental	53,465	2,991	357,144	-	-	8,303	-	-
Advances to other funds	-	-	-	25,855	-	-	-	-
Total assets	53,465	130,853	593,898	90,512	20,581	334,802	138,954	10,606
Liabilities and fund balances								
Liabilities:								
Accounts payable and accruals	-	12	-	-	4,962	20,311	-	-
Advances from other funds	25,855	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	8,791	58,954	-
Total liabilities	25,855	12	-	-	4,962	29,102	58,954	-
Fund balances:								
Reserved for encumbrances	-	-	-	-	-	-	-	-
Reserved for advances to other funds	-	-	-	25,855	-	-	-	-
Reserved for housing assistance payments	-	-	-	-	-	218,268	-	-
Unreserved, undesignated	27,610	130,841	593,898	64,657	15,619	87,432	80,000	10,606
Total fund balances	27,610	130,841	593,898	90,512	15,619	305,700	80,000	10,606
Total liabilities and fund balances	$ 53,465	$ 130,853	$ 593,898	$ 90,512	$ 20,581	$ 334,802	$ 138,954	$ 10,606

Downtown Tax Increment	Southend Tax Increment	Cedar Development Tax Increment	Muscatine Mall Tax Increment	Art Center Special Funds	Library Special Funds	Parks Donations	Insurance	Total
$ 426,769	$ 1,091,382	$ 5,226	$ 2,357	$ 206,602	$ 199,289	$ 60,201	$ 26,798	$ 2,563,698
-	-	-	-	180,000	-	-	-	498,418
-	-	-	-	1,203	-	-	-	1,206
200,000	407,543	150,000	14,000	-	-	-	-	833,000
-	-	-	-	-	-	-	-	961
-	-	-	-	-	-	-	-	421,903
-	-	-	-	-	-	-	-	25,855
626,769	1,498,925	155,226	16,357	387,805	199,289	60,201	26,798	4,345,041
-	-	-	-	2,750	2,889	876	-	31,800
-	-	-	-	-	-	-	-	25,855
200,000	400,000	150,000	14,000	-	-	-	-	831,745
200,000	400,000	150,000	14,000	2,750	2,889	876	-	889,400
-	-	-	-	14,606	-	-	-	14,606
-	-	-	-	-	-	-	-	25,855
-	-	-	-	-	-	-	-	218,268
426,769	1,098,925	5,226	2,357	370,449	196,400	59,325	26,798	3,196,912
426,769	1,098,925	5,226	2,357	385,055	196,400	59,325	26,798	3,455,641
$ 626,769	$ 1,498,925	$ 155,226	$ 16,357	$ 387,805	$ 199,289	$ 60,201	$ 26,798	$ 4,345,041

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	Community Development Block Grant	1st Time Home Owners Program	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures
Revenues:								
Taxes:								
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ 195,863	$ -
Utility	-	-	-	-	-	-	1,101	-
Intergovernmental:								
HUD grants	-	-	-	-	-	1,845,347	-	-
Road use tax	-	-	2,188,288	-	-	-	-	-
Federal grants	53,465	6,426	27,103	-	-	-	-	-
State grants	-	-	93,517	-	-	-	-	-
Interest	-	243	-	98	57	703	-	72
Other:								
Donations	-	5,000	-	-	-	-	-	-
Miscellaneous	-	5,165	-	7,602	-	8,274	-	26,762
Total revenues	53,465	16,834	2,308,908	7,700	57	1,854,324	196,964	26,834
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	6,517
Culture and recreation	-	-	-	-	-	-	-	-
Community and economic development	-	20,119	-	-	-	1,769,287	-	-
Capital outlay:								
Public safety	-	-	-	144,019	-	-	-	47,546
Culture and recreation	-	-	-	56,732	-	-	-	-
General government	-	-	-	17,850	28,661	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	-	20,119	-	218,601	28,661	1,769,287	-	54,063
Revenues over (under) expenditures	53,465	(3,285)	2,308,908	(210,901)	(28,604)	85,037	196,964	(27,229)
Other financing sources (uses):								
Transfers in	-	101,292	-	152,300	40,000	-	-	-
Transfers out	(53,465)	-	(2,098,587)	-	-	-	(116,964)	-
Total other financing sources (uses)	(53,465)	101,292	(2,098,587)	152,300	40,000	-	(116,964)	-
Net change in fund balances	-	98,007	210,321	(58,601)	11,396	85,037	80,000	(27,229)
Fund balances, June 30, 2009	27,610	32,834	383,577	149,113	4,223	220,663	-	37,835
Fund balances, June 30, 2010	$ 27,610	$ 130,841	$ 593,898	$ 90,512	$ 15,619	$ 305,700	$ 80,000	$ 10,606

Downtown Tax Increment	Southend Tax Increment	Northeast Tax Increment	Cedar Develop Tax Increment	Musc Mall Tax Increment	Art Center Special Funds	Library Special Funds	Parks Donations	Insurance	Total
$ 198,809	$ 393,259	$ -	$ 161,035	$ 10,081	$ -	$ -	$ -	$ -	$ 959,047
-	-	-	-	-	-	-	-	-	1,101
-	-	-	-	-	-	-	-	-	1,845,347
-	-	-	-	-	-	-	-	-	2,188,288
-	-	-	-	-	-	-	-	-	86,994
-	-	-	-	-	-	14,828	-	-	108,345
2,371	5,247	-	47	10	7,488	4,634	275	78	21,323
-	-	-	-	-	5,511	31,298	-	-	41,809
-	4,617	-	-	1,600	1,000	3,160	-	26,783	84,963
201,180	403,123	-	161,082	11,691	13,999	53,920	275	26,861	5,337,217
-	-	-	-	-	-	-	-	-	6,517
-	-	-	-	-	41,095	55,271	4,648	-	101,014
56,565	224,876	-	146,201	6,917	-	-	-	-	2,223,965
-	-	-	-	-	-	-	-	-	191,565
-	-	-	-	-	3,751	244,935	-	-	305,418
-	-	-	-	-	-	-	-	-	46,511
215,000	95,000	-	-	-	-	-	-	-	310,000
34,700	74,233	-	-	-	-	-	-	-	108,933
306,265	394,109	-	146,201	6,917	44,846	300,206	4,648	-	3,293,923
(105,085)	9,014	-	14,881	4,774	(30,847)	(246,286)	(4,373)	26,861	2,043,294
-	-	-	-	-	-	-	-	-	293,592
-	-	(175,941)	(9,655)	(2,417)	-	-	-	(23,971)	(2,481,000)
-	-	(175,941)	(9,655)	(2,417)	-	-	-	(23,971)	(2,187,408)
(105,085)	9,014	(175,941)	5,226	2,357	(30,847)	(246,286)	(4,373)	2,890	(144,114)
531,854	1,089,911	175,941	-	-	415,902	442,686	63,698	23,908	3,599,755
$ 426,769	$ 1,098,925	$ -	$ 5,226	$ 2,357	$ 385,055	$ 196,400	$ 59,325	$ 26,798	$ 3,455,641

City of Muscatine, Iowa

Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2010

	Community Development Improvements	Street and Sidewalk Improvements	Other Street Improvements	Riverfront Improvement Projects
Assets:				
Cash and pooled investments	$ 4,447	$ 481,468	$ 172,693	$ 944,170
Receivables:				
Intergovernmental	-	-	157,159	379,002
Accounts	5,000	-	-	-
Total assets	9,447	481,468	329,852	1,323,172
Liabilities and fund balances				
Liabilities:				
Accounts payable	12,595	188,684	45,796	86,714
Retainages payable	-	87,984	79,305	28,171
Deferred revenue	-	-	131,587	300,100
Total liabilities	12,595	276,668	256,688	414,985
Fund balances:				
Reserved for capital projects	-	378,867	339,696	1,084,389
Unreserved, undesignated	(3,148)	(174,067)	(266,532)	(176,202)
Total fund balances	(3,148)	204,800	73,164	908,187
Total liabilities and fund balances	$ 9,447	$ 481,468	$ 329,852	$ 1,323,172

Other Public Improvements	Total
$ 471,027	$ 2,073,805
53,994	590,155
-	5,000
525,021	2,668,960
74,386	408,175
71,352	266,812
7,079	438,766
152,817	1,113,753
317,525	2,120,477
54,679	(565,270)
372,204	1,555,207
$ 525,021	$ 2,668,960

City of Muscatine, Iowa

Non-Major Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	Community Development Improvements	Street and Sidewalk Improvements	Other Street Improvements	Riverfront Improvement Projects
Revenues:				
Intergovernmental:				
Federal grants	$ -	$ 10,000	$ 681,335	$ 453,392
State grants	-	-	-	-
Interest	-	1,013	-	30
Other:				
Contributions	-	50,000	-	28,000
Reimbursement of costs	5,000	-	-	500
Total revenues	5,000	61,013	681,335	481,922
Expenditures:				
Capital outlay:				
Public safety	-	-	-	-
Public works	-	1,628,806	1,925,829	374,369
Culture and recreation	-	-	-	896,786
Community and economic development	60,795	-	-	-
General government	-	-	-	-
Total expenditures	60,795	1,628,806	1,925,829	1,271,155
Revenues over (under) expenditures	(55,795)	(1,567,793)	(1,244,494)	(789,233)
Other financing sources (uses):				
General obligation bonds issued	44,767	1,807,217	1,247,871	2,319,135
General obligation bond premium	133	5,381	3,713	6,901
Transfers in	49,549	252,013	184,354	49,242
Transfers out	-	(8,413)	-	-
Total other financing sources (uses)	94,449	2,056,198	1,435,938	2,375,278
Net change in fund balances	38,654	488,405	191,444	1,586,045
Fund balances (deficits), June 30, 2009	(41,802)	(283,605)	(118,280)	(677,858)
Fund balances (deficits), June 30, 2010	$ (3,148)	$ 204,800	$ 73,164	$ 908,187

Other Public Improvements	Total
$ -	$ 1,144,727
85,850	85,850
443	1,486
-	78,000
-	5,500
86,293	1,315,563
47,583	47,583
-	3,929,004
1,013,724	1,910,510
-	60,795
273,993	273,993
1,335,300	6,221,885
(1,249,007)	(4,906,322)
1,886,419	7,305,409
5,613	21,741
-	535,158
(23,191)	(31,604)
1,868,841	7,830,704
619,834	2,924,382
(247,630)	(1,369,175)
$ 372,204	$ 1,555,207

City of Muscatine, Iowa

Non-Major Permanent Funds
Combining Balance Sheet
June 30, 2010

	McWhirter-Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
Assets:					
Cash and pooled investments	$ 40,702	$ -	$ -	$ -	$ 40,702
Investments	60,000	827,000	-	85,000	972,000
Receivables:					
Interest	401	-	7,660	2,022	10,083
Accounts	-	1,150	-	-	1,150
Advances to other funds	3,889	943	-	2,828	7,660
Total assets	104,992	829,093	7,660	89,850	1,031,595
Liabilities and fund balances					
Liabilities:					
Advances from other funds	-	-	7,660	-	7,660
Fund balances:					
Reserved for advances to other funds	3,889	943	-	2,828	7,660
Reserved for perpetual care	-	828,150	-	-	828,150
Reserved for endowments	101,103	-	-	87,022	188,125
Total fund balances	104,992	829,093	-	89,850	1,023,935
Total liabilities and fund balances	$ 104,992	$ 829,093	$ 7,660	$ 89,850	$ 1,031,595

City of Muscatine, Iowa

Non-Major Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	McWhirter-Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
Revenues:					
Cemetery perpetual care	$ -	$ 5,550	$ -	$ -	$ 5,550
Interest	2,368	-	22,155	1,639	26,162
Total revenues	2,368	5,550	22,155	1,639	31,712
Expenditures:					
Current:					
Culture and recreation	4,624	-	-	3,566	8,190
Revenues over (under) expenditures	(2,256)	5,550	22,155	(1,927)	23,522
Other financing uses:					
Transfers out	-	-	(22,155)	-	(22,155)
Net change in fund balances	(2,256)	5,550	-	(1,927)	1,367
Fund balances, June 30, 2009	107,248	823,543	-	91,777	1,022,568
Fund balances, June 30, 2010	$ 104,992	$ 829,093	$ -	$ 89,850	$ 1,023,935

NON-MAJOR ENTERPRISE FUNDS

The Enterprise Funds are utilized to account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the cost of providing goods and services to the general public on a continuing basis is expected to be recovered primarily through user charges. The City has also established Enterprise Funds when the determination has been made that it is advantageous to segregate revenues earned, expenses incurred and/or net income for purposes of capital maintenance, public policy, management control or accountability.

AIRPORT OPERATIONS - Accounts for the activities of the Municipal Airport. This activity is supported by user charges and a subsidy from the General Fund.

PARKING OPERATIONS - Accounts for the operations of "on" and "off-street" parking meters and parking in designated lots. All activities necessary to provide for such services are accounted for in this fund including, but not limited to, meter enforcement, maintenance and administration.

TRANSIT OPERATIONS - Accounts for the operations of the municipal transit system. The system is funded from user fees, grants, and property taxes from a special levy.

GOLF COURSE - Accounts for the operation and maintenance of the Municipal Golf Course. This includes activities necessary to provide for the operation of the course as well as capital improvements.

BOAT HARBOR - Accounts for the operation and maintenance of the municipal boat harbor in addition to capital improvements to the harbor.

MARINA OPERATIONS - Accounts for the operation of the City's gas barge which provides fuel sales to boaters on the Mississippi River.

AMBULANCE OPERATIONS - Accounts for the Fire Department Ambulance Service which began providing service July 1, 2000.

PUBLIC HOUSING - Accounts for the operations of the City's public housing program which includes a 100-unit elderly housing facility, a 50-unit family facility and one scattered site housing unit.

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Net Assets
June 30, 2010

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Assets:					
Current assets:					
Cash and pooled investments	$ -	$ 102,595	$ 124,195	$ 83,615	$ 5,224
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Interest	-	-	-	-	-
Accounts	313	1,977	10,342	3,134	439
Intergovernmental:					
Federal	134,538	-	-	-	-
State	21,193	-	30,238	-	-
Due from other funds	-	1,529	-	-	-
Inventories	-	-	-	18,098	-
Prepaid items	-	-	-	4,400	-
Total current assets	156,044	106,101	164,775	109,247	5,663
Noncurrent assets:					
Capital assets:					
Land	1,408,973	579,686	-	80,000	-
Land improvements	8,878,166	1,288,350	-	1,102,678	196,161
Buildings and building improvements	1,606,025	-	14,231	785,533	-
Equipment	20,694	32,370	6,054	363,938	-
Vehicles	117,342	-	688,490	14,784	-
Construction in progress	14,532	-	-	-	-
Less accumulated depreciation	(7,437,636)	(473,930)	(317,264)	(1,224,909)	(157,490)
Total capital assets net of accumulated depreciation	4,608,096	1,426,476	391,511	1,122,024	38,671
Total noncurrent assets	4,608,096	1,426,476	391,511	1,122,024	38,671
Total assets	4,764,140	1,532,577	556,286	1,231,271	44,334
Liabilities:					
Current liabilities:					
Accounts payable and accruals	26,974	174	2,210	40,259	1,779
Compensated absences payable	-	4,754	11,629	6,188	241
Due to other funds	106,429	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	2,740	24,108	644	8,138	-
Total current liabilities	136,143	29,036	14,483	54,585	2,020
Noncurrent liabilities:					
Compensated absences	-	6,991	5,706	3,501	36
Other post-employment benefits	-	770	577	1,443	-
Total noncurrent liabilities	-	7,761	6,283	4,944	36
Total liabilities	136,143	36,797	20,766	59,529	2,056
Net assets:					
Invested in capital assets, net of related debt	4,608,096	1,426,476	391,511	1,122,024	38,671
Unrestricted	19,901	69,304	144,009	49,718	3,607
Total net assets	$ 4,627,997	$ 1,495,780	$ 535,520	$ 1,171,742	$ 42,278

Marina Operations	Ambulance Operations	Public Housing	Total
$ -	$ 236,062	$ 5,211	$ 556,902
-	-	998,541	998,541
-	-	688	688
659	108,856	17,156	142,876
-	-	-	134,538
-	-	1,007	52,438
-	-	-	1,529
2,509	-	-	20,607
-	-	-	4,400
3,168	344,918	1,022,603	1,912,519
-	-	105,000	2,173,659
-	-	97,144	11,562,499
-	-	7,885,721	10,291,510
-	39,793	103,105	565,954
-	522,407	58,154	1,401,177
-	-	5,074	19,606
-	(393,589)	(5,485,463)	(15,490,281)
-	168,611	2,768,735	10,524,124
-	168,611	2,768,735	10,524,124
3,168	513,529	3,791,338	12,436,643
1,467	45,292	97,251	215,406
-	2,165	14,485	39,462
1,529	-	-	107,958
-	-	41,125	41,125
-	-	2,353	37,983
2,996	47,457	155,214	441,934
-	2,128	25,323	43,685
-	481	2,357	5,628
-	2,609	27,680	49,313
2,996	50,066	182,894	491,247
-	168,611	2,768,735	10,524,124
172	294,852	839,709	1,421,272
$ 172	$ 463,463	$ 3,608,444	$ 11,945,396

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Operating revenues:					
Charges for sales and services:					
Charges for services	$ -	$ -	$ -	$ -	$ -
Parking fees	-	175,248	-	-	-
Transit fees	-	-	175,269	-	-
Golf course fees	-	-	-	776,546	-
Boat harbor fees	-	-	-	-	28,657
Management fees	8,700	-	-	-	-
Rents	26,612	-	-	-	-
Other	2,335	855	236	44,459	447
Total operating revenues	37,647	176,103	175,505	821,005	29,104
Operating expenses:					
Cost of sales and services:					
Personal services	-	143,759	605,142	315,044	12,876
Commodities	3,332	3,327	97,413	202,973	1,413
Contractual services	151,423	5,773	196,011	146,043	4,334
Administration	7,500	18,700	15,100	44,400	4,700
Depreciation	547,628	57,115	74,142	89,449	8,282
Total operating expenses	709,883	228,674	987,808	797,909	31,605
Operating income (loss)	(672,236)	(52,571)	(812,303)	23,096	(2,501)
Non-operating revenues (expenses):					
Federal, state and local grants	11,400	-	492,979	-	-
Interest revenue	-	441	390	807	-
Gain (loss) on sale of capital assets	-	-	(41,068)	(678)	-
Non-operating revenues (expenses), net	11,400	441	452,301	129	-
Income (loss) before capital contributions and transfers	(660,836)	(52,130)	(360,002)	23,225	(2,501)
Capital contributions - grants	34,385	-	289,888	-	-
Capital contributions - government	-	641,254	-	-	-
Transfers in	113,150	-	229,908	-	-
Transfers out	-	-	(113,363)	(8,682)	-
Change in net assets	(513,301)	589,124	46,431	14,543	(2,501)
Net assets, June 30, 2009	5,141,298	906,656	489,089	1,157,199	44,779
Net assets, June 30, 2010	$ 4,627,997	$ 1,495,780	$ 535,520	$ 1,171,742	$ 42,278

Marina Operations	Ambulance Operations	Public Housing	Total
$ -	$ 991,007	$ -	$ 991,007
-	-	-	175,248
-	-	-	175,269
-	-	-	776,546
-	-	-	28,657
-	-	-	8,700
-	-	425,258	451,870
19,623	47,299	132,373	247,627
19,623	1,038,306	557,631	2,854,924
1,686	107,629	395,161	1,581,297
17,026	75,237	52,160	452,881
739	143,055	257,785	905,163
-	30,700	-	121,100
-	33,687	282,038	1,092,341
19,451	390,308	987,144	4,152,782
172	647,998	(429,513)	(1,297,858)
-	-	384,307	888,686
-	911	10,563	13,112
-	-	(6,869)	(48,615)
-	911	388,001	853,183
172	648,909	(41,512)	(444,675)
-	-	230,918	555,191
-	76,928	-	718,182
-	-	-	343,058
-	(647,600)	(101,292)	(870,937)
172	78,237	88,114	300,819
-	385,226	3,520,330	11,644,577
$ 172	$ 463,463	$ 3,608,444	$ 11,945,396

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2010

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Cash flows from operating activities					
Receipts from customers and users	$ 37,884	$ 172,199	$ 176,060	$ 823,430	$ 30,654
Payments to suppliers	(132,067)	(9,828)	(52,959)	(348,011)	(8,056)
Payments to employees	-	(111,153)	(499,273)	(243,282)	(10,014)
Payments for employee benefits	-	(36,464)	(113,792)	(71,314)	(3,062)
Payments for interfund services used	(11,720)	(18,700)	(254,662)	(46,504)	(4,700)
Net cash provided (used) by operating activities	(105,903)	(3,946)	(744,626)	114,319	4,822
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	113,150	-	229,908	-	-
Advances from other funds	106,430	-	-	-	-
Advances to other funds	-	(1,529)	-	-	-
Repayment of advances from other funds	(75,192)	-	-	(8,058)	-
Repayment of advances to other funds	-	4,151	-	-	-
Subsidies from federal, state and local grants	11,400	-	473,321	-	-
Net cash provided (used) by noncapital financing activities	155,788	2,622	703,229	(8,058)	-
Cash flows from capital and related financing activities					
Capital contributions	89,594	-	176,525	-	-
Purchase of capital assets	(148,725)	-	(200,382)	(23,710)	-
Proceeds from sales of capital assets	-	-	7,334	-	-
Net cash provided (used) by capital and related financing activities	(59,131)	-	(16,523)	(23,710)	-
Cash flows from investing activities					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	-	694	875	1,064	-
Net cash provided (used) by investing activities	-	694	875	1,064	-
Net increase (decrease) in cash and pooled investments	(9,246)	(630)	(57,045)	83,615	4,822
Cash and pooled investments, June 30, 2009	9,246	103,225	181,240	-	402
Cash and pooled investments, June 30, 2010	$ -	$ 102,595	$ 124,195	$ 83,615	$ 5,224
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	$ (672,236)	$ (52,572)	$ (812,303)	$ 23,096	$ (2,501)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	547,628	57,115	74,142	89,449	8,282
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	60	(468)	975	571	1,550
Inventories	-	-	-	(1,488)	-
Prepaid items	-	-	-	(1,200)	-
Increase (decrease) in:					
Accounts payable and accruals	18,468	(728)	905	1,589	(2,309)
Compensated absences payable	-	(4,447)	(8,366)	(656)	(200)
Other post-employment benefits	-	589	441	1,104	-
Deferred revenue	177	(3,435)	(420)	1,854	-
Deposits	-	-	-	-	-
Total adjustments	566,333	48,626	67,677	91,223	7,323
Net cash provided (used) by operating activities	$ (105,903)	$ (3,946)	$ (744,626)	$ 114,319	$ 4,822
Non-cash capital and related financing activities:					
Contribution of capital assets from government	$ -	$ 641,254	$ -	$ -	$ -
Transfer of capital assets to governmental activities	-	-	(113,363)	(8,682)	-
Change in accounts payable used to purchase capital assets	(134,193)	-	-	-	-

Marina Operations	Ambulance Operations	Public Housing	Total
$ 19,395	$ 1,080,469	$ 548,414	$ 2,888,505
(15,088)	(165,530)	(254,949)	(986,488)
(1,525)	(86,555)	(287,870)	(1,239,672)
(160)	(19,183)	(99,386)	(343,361)
-	(51,413)	(70,287)	(457,986)
2,622	757,788	(164,078)	(139,002)
-	(647,600)	(101,292)	(748,892)
-	-	-	343,058
1,529	-	-	107,959
-	-	-	(1,529)
(4,151)	-	-	(87,401)
-	-	-	4,151
-	-	384,307	869,028
(2,622)	(647,600)	283,015	486,374
-	-	256,365	522,484
-	(23,524)	(299,210)	(695,551)
-	-	-	7,334
-	(23,524)	(42,845)	(165,733)
-	-	1,794,230	1,794,230
-	-	(1,888,118)	(1,888,118)
-	1,634	17,003	21,270
-	1,634	(76,885)	(72,618)
-	88,298	(793)	109,021
-	147,764	6,004	447,881
$ -	$ 236,062	$ 5,211	$ 556,902
$ 172	$ 647,998	$ (429,512)	$ (1,297,858)
-	33,687	282,038	1,092,341
(228)	53,061	(8,285)	47,236
2,632	-	-	1,144
-	-	-	(1,200)
46	32,050	(15,293)	34,728
-	1,523	6,103	(6,043)
-	368	1,803	4,305
-	(10,899)	(2,812)	(15,535)
-	-	1,880	1,880
2,450	109,790	265,434	1,158,856
$ 2,622	$ 757,788	$ (164,078)	$ (139,002)
$ -	$ 76,928	$ -	$ 718,182
-	-	-	(122,045)
-	-	20,374	(113,819)

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and commodities furnished by one department or agency of the City to other departments or agencies of the City. Internal Service Funds are as follows:

EQUIPMENT SERVICES FUND - Accounts for the operations and maintenance of the central garage. All costs incurred for the maintenance of City vehicles and operation of the facility are charged to departments on a cost reimbursement basis.

CENTRAL SUPPLIES FUND - Accounts for the central inventory of office supplies which are provided to City departments on a cost reimbursement basis.

HEALTH INSURANCE FUND - Accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to employees.

DENTAL INSURANCE FUND – Accounts for the costs related to the City's self-insurance plan which provides dental insurance benefits to employees.

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Net Assets
June 30, 2010

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Assets:					
Current assets:					
Cash and pooled investments	$ 19,893	$ -	$ 1,581,757	$ 40,858	$ 1,642,508
Receivables:					
Interest	-	-	59	-	59
Accounts	7,973	-	17,663	-	25,636
Advances to other funds	-	-	1,239	-	1,239
Inventories	134,146	1,972	-	-	136,118
Total current assets	162,012	1,972	1,600,718	40,858	1,805,560
Capital assets:					
Equipment	122,889	-	-	-	122,889
Vehicles	50,408	-	-	-	50,408
Less accumulated depreciation	(168,314)	-	-	-	(168,314)
Total capital assets net of accumulated depreciation	4,983	-	-	-	4,983
Total assets	166,995	1,972	1,600,718	40,858	1,810,543
Liabilities:					
Current liabilities:					
Accounts payable and accruals	33,744	35	147,611	2,758	184,148
Compensated absences payable	21,241	-	-	-	21,241
Advances from other funds	-	1,239	-	-	1,239
Total current liabilities	54,985	1,274	147,611	2,758	206,628
Noncurrent liabilities:					
Compensated absences payable	21,902	-	-	-	21,902
Other post employment benefits	1,924	-	-	-	1,924
Total noncurrent liabilities	23,826	-	-	-	23,826
Total liabilities	78,811	1,274	147,611	2,758	230,454
Net assets:					
Net assets invested in capital assets	4,983	-	-	-	4,983
Unrestricted	83,201	698	1,453,107	38,100	1,575,106
Total net assets	$ 88,184	$ 698	$ 1,453,107	$ 38,100	$ 1,580,089

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Operating revenues:					
Charges for sales and services:					
Services	$ 657,550	$ -	$ -	$ -	$ 657,550
Fuel	383,799	-	-	-	383,799
Supply charges	-	2,335	-	-	2,335
Employer contributions	-	-	2,196,270	56,009	2,252,279
Employee contributions	-	-	127,068	53,783	180,851
Other contributions	-	-	148,864	4,121	152,985
Other operating revenue	646	-	-	-	646
Total operating revenues	1,041,995	2,335	2,472,202	113,913	3,630,445
Operating expenses:					
Cost of sales and services:					
Personal services	282,038	-	-	-	282,038
Commodities	515,339	2,211	-	-	517,550
Contractual services	191,455	-	2,091,995	109,901	2,393,351
Administration	14,100	-	3,000	-	17,100
Depreciation	1,978	-	-	-	1,978
Total operating expenses	1,004,910	2,211	2,094,995	109,901	3,212,017
Operating income (loss)	37,085	124	377,207	4,012	418,428
Non-operating revenues:					
Interest revenue	-	-	6,506	185	6,691
Income (loss) before transfers	37,085	124	383,713	4,197	425,119
Transfers out	-	-	(48,685)	-	(48,685)
Change in net assets	37,085	124	335,028	4,197	376,434
Net assets, June 30, 2009	51,099	574	1,118,079	33,903	1,203,655
Net assets, June 30, 2010	$ 88,184	$ 698	$ 1,453,107	$ 38,100	$ 1,580,089

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2010

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Cash flows from operating activities					
Receipts from interfund services provided	$ 1,037,479	$ 2,335	$ 2,477,923	$ 113,913	$ 3,631,650
Payments to suppliers	(717,137)	(1,841)	(2,064,445)	(110,492)	(2,893,915)
Payments to employees	(190,507)	-	-	-	(190,507)
Payments for employee benefits	(85,094)	-	-	-	(85,094)
Payments for interfund services used	(14,100)	-	(3,000)	-	(17,100)
Net cash provided (used) by operating activities	30,641	494	410,478	3,421	445,034
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	(48,685)	-	(48,685)
Advances from other funds	-	1,239	-	-	1,239
Advances to other funds	-	-	(1,239)	-	(1,239)
Repayment of advances from other funds	(10,748)	(1,733)	-	-	(12,481)
Repayment of advances to other funds	-	-	12,481	-	12,481
Net cash provided (used) by noncapital financing activities	(10,748)	(494)	(37,443)	-	(48,685)
Cash flows from investing activities					
Interest received	-	-	9,764	300	10,064
Net increase in cash and pooled investments	19,893	-	382,799	3,721	406,413
Cash and pooled investments, June 30, 2009	-	-	1,198,958	37,137	1,236,095
Cash and pooled investments, June 30, 2010	$ 19,893	$ -	$ 1,581,757	$ 40,858	$ 1,642,508
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	$ 37,085	$ 124	$ 377,207	$ 4,012	$ 418,428
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	(4,516)	-	5,721	-	1,205
Inventories	(14,326)	335	-	-	(13,991)
Increase (decrease) in:					
Accounts payable and accruals	3,982	35	27,550	(591)	30,976
Compensated absences payable	4,966	-	-	-	4,966
Other post employment benefits payable	1,472				1,472
Total adjustments	(6,444)	370	33,271	(591)	26,606
Net cash provided (used) by operating activities	$ 30,641	$ 494	$ 410,478	$ 3,421	$ 445,034

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.

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, 2010

	Payroll Clearing	Miscellaneous Clearing	Housing Revolving	Totals
Assets:				
Cash and pooled investments	$ 487,522	$ 1,750	$ -	$ 489,272
Accounts receivable	-	351	51,190	51,541
Advances to other funds	49,910	-	-	49,910
Total assets	537,432	2,101	51,190	590,723
Liabilities:				
Accounts payable and accruals	537,432	2,101	1,280	540,813
Advances from other funds	-	-	49,910	49,910
Total liabilities	$ 537,432	$ 2,101	$ 51,190	$ 590,723

City of Muscatine, Iowa

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2010

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Payroll Clearing Fund				
Assets:				
Cash and pooled investments	$ 490,304	$ 14,053,973	$ 14,056,755	$ 487,522
Advances to other funds	52,108		2,198	49,910
Total assets	$ 542,412	$ 14,053,973	$ 14,058,953	$ 537,432
Liabilities:				
Accounts payable and accruals	$ 542,412	$ 3,947,820	$ 3,952,800	$ 537,432
Miscellaneous Clearing Fund				
Assets:				
Cash and pooled investments	$ 2,065	$ -	$ 315	$ 1,750
Accounts receivable	349	2	-	351
Total assets	$ 2,414	$ 2	$ 315	$ 2,101
Liabilities:				
Accounts payable and accruals	$ 2,414	$ -	$ 313	$ 2,101
Housing Revolving Fund				
Assets:				
Accounts receivable	$ 52,354	$ -	$ 1,164	$ 51,190
Liabilities:				
Accounts payable and accruals	$ 246	$ 1,034	$ -	$ 1,280
Advances from other funds	52,108	-	2,198	49,910
Total liabilities	$ 52,354	$ 1,034	$ 2,198	$ 51,190
Total				
Assets:				
Cash and pooled investments	$ 564,373	$ 14,053,973	$ 14,057,070	$ 489,272
Accounts receivable	52,703	2	1,164	51,541
Advances to other funds	52,108	-	2,198	49,910
Total assets	$ 669,184	$ 14,053,975	$ 14,060,432	$ 590,723
Liabilities:				
Accounts payable and accruals	$ 545,072	$ 3,948,854	$ 3,953,113	$ 540,813
Advances from other funds	52,108	-	2,198	49,910
Total liabilities	$ 597,180	$ 3,948,854	$ 3,955,311	$ 590,723

MUSCATINE COUNTY SOLID WASTE AGENCY
COMPONENT UNIT

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, Atalissa, Nichols, and Conesville, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

Muscatine County Solid Waste Agency
Component Unit

Statement of Net Assets
June 30, 2010

Assets:	
Restricted assets:	
Cash and pooled investments	$ 1,068,098
Capital assets:	
Land	1,080,608
Land improvements	2,490,422
Buildings	37,314
Equipment	31,317
Less accumulated depreciation	(418,645)
Total capital assets (net of accumulated depreciation)	3,221,016
Total assets	4,289,114
Liabilities and net assets	
Current liabilities:	
Accounts payable and accruals	55,217
Compensated absences payable	620
Total current liabilities	55,837
Noncurrent liabilities:	
Loan due to primary government	2,450,245
Closure/post-closure obligation	2,590,026
Compensated absences payable	138
Total noncurrent liabilities	5,040,409
Total liabilities	5,096,246
Net assets:	
Invested in capital assets, net of related debt	3,221,016
Unrestricted	(4,028,148)
Total net assets	$ (807,132)

Muscatine County Solid Waste Agency
Component Unit

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 1,155,302
Operating expenses:	
Cost of services:	
Personal services	30,098
Commodities	21,350
Contractual services	1,401,016
Administration	44,100
Depreciation	153,638
Total operating expenses	1,650,202
Operating income (loss)	(494,900)
Non-operating revenue:	
Intergovernmental revenue	117,177
Net income (loss)	(377,723)
Net assets, June 30, 2009	(429,409)
Net assets, June 30, 2010	$ (807,132)

Muscatine County Solid Waste Agency
Component Unit

Statement of Cash Flows
Year Ended June 30, 2010

Cash flows from operating activities		
Receipts from customers and users	$	1,155,302
Payments to suppliers		(909,494)
Payments to employees		(22,235)
Payments for employee benefits		(8,039)
Payments for interfund services used		(44,100)
Net cash provided (used) by operating activities		171,434
Cash flows from noncapital financing activities		
Loan from primary government		599,320
Subsidies from federal, state and local governments		117,177
Net cash provided (used) by noncapital financing activities		716,497
Cash flows from capital and related financing activities		
Purchase of capital assets		(747,237)
Net cash provided (used) by capital and related financing activities		(747,237)
Net increase in cash and pooled investments		140,694
Cash and pooled investments, June 30, 2009		927,404
Cash and pooled investments, June 30, 2010	$	1,068,098
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Cash flows from operating activities:		
Operating income (loss)	$	(494,900)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		153,638
Increase (decrease) in:		
Accounts payable and accruals		(250,650)
Compensated absences payable		(175)
Closure/post-closure liability		763,521
Total adjustments		666,334
Net cash provided (used) by operating activities	$	171,434
Non-cash capital and related financing activities:		
Payment of retainage payable	$	54,210

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) 96-102

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity (Schedules 6 – 9) 103-106

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity (Schedules 10 – 13) 107-110

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.

Demographic and Economic Information (Schedules 14 – 15) 111-112

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information (Schedules 16 – 18) 113-115

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.

Schedule I

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

	Fical Year							
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Governmental activities								
Invested in capital assets, net of related debt	$ 46,209,004	$ 48,955,154	$ 51,221,230	$ 50,011,138	$ 51,581,004	$ 50,833,005	$ 50,303,012	$ 48,735,481
Restricted	4,262,984	3,044,136	2,948,998	3,420,397	3,305,450	5,644,659	2,989,872	2,899,555
Unrestricted	5,974,714	7,329,316	5,250,409	5,466,892	6,823,222	6,272,247	7,330,802	77,905,068
Total governmental activities net assets	$ 56,446,702	$ 59,328,606	$ 59,420,637	$ 58,898,427	$ 61,709,676	$ 62,749,911	$ 60,623,686	$ 129,540,104
Business-type activities								
Invested in capital assets, net of related debt	$ 47,317,599	$ 47,010,683	$ 47,550,543	$ 51,101,160	$ 52,481,362	$ 53,255,999	$ 57,286,029	$ 60,488,326
Restricted	-	-	-	-	-	-	190,093	413,321
Unrestricted	6,395,421	6,547,924	6,529,619	6,582,593	6,023,561	7,796,532	7,105,081	7,500,477
Total business-type activities net assets	$ 53,713,020	$ 53,558,607	$ 54,080,162	$ 57,683,753	$ 58,504,923	$ 61,052,531	$ 64,581,203	$ 68,402,124
Primary government								
Invested in capital assets, net of related debt	$ 93,526,603	$ 95,965,837	$ 98,771,773	$ 101,112,298	$ 104,062,366	$ 104,089,004	$ 107,589,041	$ 109,223,807
Restricted	4,262,984	3,044,136	2,948,998	3,420,397	3,305,450	5,644,659	3,179,965	3,312,876
Unrestricted	12,370,135	13,877,240	11,780,028	12,049,485	12,846,783	14,068,779	14,435,883	85,405,545
Total primary government net assets	$ 110,159,722	$ 112,887,213	$ 113,500,799	$ 116,582,180	$ 120,214,599	$ 123,802,442	$ 125,204,889	$ 197,942,228

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

Schedule 2

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

	Fiscal Year							
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Expenses								
Governmental activities:								
Public safety	$ 5,309,173	$ 5,561,580	$ 6,081,788	$ 6,164,169	$ 6,476,982	$ 6,972,493	$ 7,136,808	$ 6,038,292
Public works	3,409,044	2,970,927	3,220,525	3,802,168	3,299,503	3,498,689	5,262,061	4,392,189
Health and social services	18,400	16,560	15,700	16,660	26,700	16,660	16,660	17,100
Culture and recreation	3,146,370	2,957,891	3,466,568	3,967,702	3,774,353	3,773,895	3,970,285	4,393,742
Community and economic development	2,659,516	3,849,722	3,217,531	2,234,880	2,446,232	2,757,190	2,656,737	2,918,941
General government	1,639,035	1,659,438	1,725,955	1,844,803	1,866,359	1,880,724	1,967,161	2,877,107
Interest and fees on long-term debt	424,222	397,429	422,410	379,549	432,626	391,759	473,916	439,305
Total governmental activities expense	16,605,760	17,413,547	18,150,477	18,409,931	18,322,755	19,291,410	21,483,628	21,076,676
Business-type activities:								
Water pollution control	3,900,792	4,094,791	4,134,898	4,329,934	4,581,077	4,649,437	4,992,317	5,413,555
Refuse collection	1,177,342	1,221,882	1,243,306	1,283,743	1,423,922	1,390,113	2,228,048	1,798,493
Transfer station	2,090,482	2,002,761	2,181,508	2,130,005	2,363,530	2,486,114	1,519,980	2,240,614
Airport	550,558	621,520	551,070	579,586	545,259	561,312	605,009	709,883
Parking	191,746	204,879	205,301	220,508	210,405	244,774	201,409	228,674
Transit	636,108	618,308	678,757	763,123	781,763	872,252	907,562	1,028,876
Golf course	449,905	451,551	468,149	439,438	586,908	778,125	825,757	798,587
Boat harbor	42,253	41,486	33,273	33,630	37,325	33,015	34,648	31,605
Marina	15,662	8,430	8,004	27,176	24,203	12,461	10,961	19,451
Cable Television	37,340	31,137	-	-	-	-	-	-
Ambulance	660,808	749,644	914,100	908,058	912,403	428,659	483,223	390,308
Public housing	792,855	831,545	935,354	882,502	911,298	924,183	975,076	994,013
Total business-type activities expense	10,545,851	10,877,934	11,353,720	11,597,703	12,378,093	12,380,445	12,783,990	13,654,059
Total primary government expense	$ 27,151,611	$ 28,291,481	$ 29,504,197	$ 30,007,634	$ 30,700,848	$ 31,671,855	$ 34,267,618	$ 34,730,735

(Continued)

(Continued)	Fical Year 2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Program Revenues								
Governmental activities:								
Charges for services:								
Public safety	$ 293,522	$ 310,762	$ 356,703	$ 306,954	$ 383,518	$ 421,978	$ 438,932	$ 339,786
Public works	157,213	143,089	179,104	141,803	140,649	151,785	319,112	231,564
Culture and recreation	421,507	537,726	599,761	577,257	616,982	598,707	494,131	448,271
Community and economic development	244,164	349,250	372,703	407,977	398,479	405,832	358,812	480,137
General government	324,125	307,054	324,733	432,880	382,812	410,042	473,567	506,364
Operating grants and contributions	3,940,767	4,271,667	4,617,475	4,805,002	4,263,038	4,229,961	4,736,388	5,211,201
Capital grants and contributions	644,403	2,544,051	894,158	1,733,592	2,018,077	963,114	108,213	1,726,091
Total governmental activities program revenues	6,025,701	8,463,599	7,344,637	8,405,465	8,203,555	7,181,419	6,929,155	8,943,414
Business-type activities:								
Charges for services:								
Water pollution control	2,948,850	3,537,974	3,612,206	3,745,884	3,854,728	4,259,343	4,518,700	4,627,301
Refuse collection	1,254,825	1,257,199	1,261,040	1,312,208	1,364,809	1,462,820	1,555,388	1,905,643
Transfer station	1,944,351	1,750,444	1,898,293	1,767,744	1,893,083	2,090,391	1,498,300	1,822,105
Airport	43,446	43,639	46,086	43,564	47,351	41,023	39,523	37,647
Parking	183,525	171,614	161,344	188,146	178,128	204,733	194,821	176,103
Transit	76,497	86,731	90,457	106,144	129,429	183,586	185,653	175,505
Golf course	408,070	412,069	402,214	402,832	532,104	719,281	764,679	821,005
Boat harbor	32,389	19,552	18,745	21,782	26,022	23,899	23,359	29,104
Marina	14,069	7,129	5,200	26,616	22,494	10,721	6,599	19,623
Cable Television	194,049	236,479	-	-	-	-	-	-
Ambulance	742,151	792,432	850,406	735,295	817,532	968,157	1,048,722	1,038,306
Public housing	389,880	373,202	362,487	367,010	382,556	424,905	420,104	557,631
Operating grants and contributions	600,280	594,674	551,160	619,692	674,031	1,017,826	1,008,488	961,896
Capital grants and contributions	143,759	364,601	296,941	642,818	324,539	353,324	1,317,819	919,232
Total business-type activities program revenues	8,976,141	9,647,739	9,556,579	9,979,735	10,246,806	11,760,009	12,582,155	13,091,101
Total primary government program revenues	$ 15,001,842	$ 18,111,338	$ 16,901,216	$ 18,385,200	$ 18,450,361	$ 18,941,428	$ 19,511,310	$ 22,034,515
Net (Expense)/Revenue								
Governmental activities	$ (10,580,059)	$ (8,949,948)	$ (10,805,840)	$ (10,004,466)	$ (10,119,200)	$ (12,109,991)	$ (14,554,473)	$ (12,133,262)
Business-type activities	(1,569,710)	(1,230,195)	(1,797,141)	(1,617,968)	(2,131,287)	(620,436)	(201,835)	(562,958)
Total primary government net expense	$ (12,149,769)	$ (10,180,143)	$ (12,602,981)	$ (11,622,434)	$ (12,250,487)	$ (12,730,427)	$ (14,756,308)	$ (12,696,220)

(Continued)

(Continued)	Fical Year							
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	$ 9,726,834	$ 9,983,521	$ 10,242,610	$ 10,916,665	$ 11,763,138	$ 12,141,875	$ 12,040,376	$ 12,114,066
Utility taxes	79,468	67,339	63,638	59,209	63,986	67,703	64,358	63,449
Local option sales tax	2,103,843	2,210,111	1,938,370	2,290,018	2,589,592	2,688,049	2,864,582	2,471,108
Hotel/motel taxes	274,654	310,798	327,575	306,075	338,818	366,261	344,354	302,273
Cable franchise taxes	-	-	238,788	245,132	242,164	239,812	239,039	236,192
Intergovernmental, unrestricted	472,310	129,974	64,870	61,834	99,002	150,424	149,913	151,270
Unrestricted investment income	113,151	111,595	203,275	337,227	455,562	399,317	267,227	45,999
Gain on sale of capital assets	22,231	4,187	-	248,667	-	-	-	-
Contributions to endowments	6,660	8,100	4,500	8,820	8,735	7,980	6,620	5,550
Transfers	(225,183)	(993,773)	(2,185,755)	(4,991,391)	(2,630,548)	(2,911,195)	(3,548,221)	(4,340,227)
Total governmental activities	12,573,968	11,831,852	10,897,871	9,482,256	12,930,449	13,150,226	12,428,248	11,049,680
Business-type activities:								
Unrestricted investment income	103,668	78,901	130,688	230,168	317,561	256,849	182,286	43,652
Gain on sale of capital assets	-	3,108	2,253	-	4,348	-	-	-
Transfers	225,183	993,773	2,185,755	4,991,391	2,630,548	2,911,195	3,548,221	4,340,227
Total business-type activities	328,851	1,075,782	2,318,696	5,221,559	2,952,457	3,168,044	3,730,507	4,383,879
Total primary government	$ 12,902,819	$ 12,907,634	$ 13,216,567	$ 14,703,815	$ 15,882,906	$ 16,318,270	$ 16,158,755	$ 15,433,559
Changes in Net Assets								
Governmental activities	$ 1,993,909	$ 2,881,904	$ 92,031	$ (522,210)	$ 2,811,249	$ 1,040,235	$ (2,126,225)	$ (1,083,582)
Business-type activities	(1,240,859)	(154,413)	521,555	3,603,591	821,170	2,547,608	3,528,672	3,820,921
Total primary government	$ 753,050	$ 2,727,491	$ 613,586	$ 3,081,381	$ 3,632,419	$ 3,587,843	$ 1,402,447	$ 2,737,339

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

Schedule 3

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

	2000/01	2001/02	2002/03 (1)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
General Fund										
Reserved	$ 5,347	$ 18,846	$ 28,252	$ 36,674	$ 27,589	$ 27,156	$ 65,640	$ 11,833	$ 119,222	$ 155,132
Unreserved	2,080,719	1,821,534	1,926,667	1,877,669	1,697,668	1,715,921	1,670,285	1,733,810	1,641,489	1,720,635
Total General Fund	$ 2,086,066	$ 1,840,380	$ 1,954,919	$ 1,914,343	$ 1,725,257	$ 1,743,077	$ 1,735,925	$ 1,745,643	$ 1,760,711	$ 1,875,767
All other governmental funds										
Reserved	$ 135,194	$ 145,899	$ 3,227,576	$ 1,847,902	$ 3,534,473	$ 2,111,183	$ 2,675,724	$ 4,162,323	$ 2,349,556	$ 3,659,652
Unreserved, reported in:										
Special revenue funds	2,467,417	2,749,497	5,178,670	6,872,499	3,202,064	6,292,089	6,965,479	8,589,873	7,606,228	7,026,552
Capital projects funds	1,431,083	1,728,241	665,228	510,981	184,922	(460,420)	(688,952)	(4,856)	(1,564,725)	(565,270)
Total all other governmental funds	$ 4,033,694	$ 4,623,637	$ 9,071,474	$ 9,231,382	$ 6,921,459	$ 7,942,852	$ 8,952,251	$ 12,747,340	$ 8,391,059	$ 10,120,934

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.

Schedule 4

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

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenues								
Taxes	$ 12,184,799	$ 12,571,769	$ 12,810,981	$ 13,817,099	$ 14,997,698	$ 15,503,700	$ 15,484,709	$ 15,235,088
Licenses and permits	237,283	312,573	301,322	332,378	324,913	319,931	324,492	285,956
Fines and forfeitures	156,130	143,730	149,785	126,720	144,427	203,136	177,324	183,714
Intergovernmental	4,585,829	4,391,299	4,613,775	5,695,585	5,170,180	4,247,598	4,830,706	6,461,868
Charges for services	306,335	390,484	478,454	416,045	418,119	437,472	480,659	449,346
Use of money and property	238,720	270,222	354,965	532,674	654,064	620,396	453,027	232,725
Special assessments	20,201	8,751	6,882	5,926	3,764	-	-	-
Other	1,080,417	2,890,469	1,695,158	1,472,920	1,488,012	1,201,473	1,174,617	1,112,327
Total revenues	18,809,714	20,979,297	20,411,322	22,399,347	23,201,177	22,533,706	22,925,534	23,961,024
Expenditures (1)								
Public safety	4,949,302	5,237,847	5,397,682	5,743,778	6,122,631	6,704,267	6,887,993	6,687,695
Public works	1,585,422	1,399,487	1,487,544	1,553,652	1,640,026	1,821,559	2,021,234	2,017,868
Health and social services	18,400	16,560	15,700	16,660	26,700	16,660	16,660	17,100
Culture and recreation	2,237,717	2,233,786	2,366,457	2,445,399	2,513,499	2,632,617	2,708,935	2,823,824
Community and economic development	2,435,788	2,800,999	2,388,844	2,076,963	2,271,322	2,548,056	2,646,867	2,889,973
General government	1,575,566	1,564,697	1,594,378	1,754,878	1,754,039	1,803,850	1,869,708	1,846,437
Capital outlay	2,891,805	6,881,185	5,709,323	4,300,157	3,611,445	4,127,296	5,629,604	7,539,211
Debt service:								
Principal	1,587,384	1,681,018	1,377,790	1,397,975	1,343,176	1,361,385	1,520,837	1,620,615
Interest	380,812	395,867	418,977	370,960	431,653	378,304	475,087	422,906
Paying agent	2,100	2,582	2,400	2,500	2,800	2,800	1,600	1,800
Refunding bond issuance costs	-	-	-	-	-	6,962	-	-
Total expenditures	17,664,296	22,214,028	20,759,095	19,662,922	19,717,291	21,403,756	23,778,525	25,867,429
Excess of revenues over (under) expenditures	1,145,418	(1,234,731)	(347,773)	2,736,425	3,483,886	1,129,950	(852,991)	(1,906,405)
Other financing sources (uses)								
General obligation bonds issued	1,780,000	-	-	2,990,000	-	5,120,000	-	7,425,000
General obligation bond premium (discount)	(10,288)	-	-	(15,548)	-	2,655	-	21,741
Refunding bonds issued						1,714,384	-	-
Refunding bond premium						2,220	-	-
Payment of refunded bonds	-	-	-	-	-	(1,680,000)	-	-
Tax increment revenue bonds issued	-	2,305,000	-	-	-	-	-	-
Proceeds from capital lease	14,863	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	275,840	-	-	-	-
Insurance recoveries	-	-	-	-	103,514	379,589	-	-
Transfers in	4,781,693	5,284,115	5,074,263	4,905,672	5,783,805	6,431,380	5,819,738	6,377,061
Transfers out	(4,963,653)	(6,235,052)	(7,225,499)	(9,853,176)	(8,368,958)	(9,295,371)	(9,307,960)	(10,072,466)
Total other financing sources (uses)	1,602,615	1,354,063	(2,151,236)	(1,697,212)	(2,481,639)	2,674,857	(3,488,222)	3,751,336
Net change in fund balances	$ 2,748,033	$ 119,332	$ (2,499,009)	$ 1,039,213	$ 1,002,247	$ 3,804,807	$ (4,341,213)	$ 1,844,931
Debt service as a percentage of non-capital expenditures	12.3%	12.4%	10.8%	10.5%	10.6%	9.6%	9.8%	9.9%

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

Schedule 5

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

Fiscal Year	General Property Tax	Incremental Property Tax (TIF Districts)	Utility Excise Tax	Mobile Home Tax	Hotel/Motel Tax	Cable Franchise Tax (1)	Local Option Sales Tax	Total
2000/2001	$ 7,974,925	$ 544,471	$ 68,144	$ 18,010	$ 330,850	$ -	$ 2,451,888	$ 11,388,288
2001/2002	8,544,437	637,922	72,767	19,366	276,207	-	1,985,400	11,536,099
2002/2003	8,959,144	749,270	79,468	18,420	274,654	-	2,103,843	12,184,799
2003/2004	9,176,000	789,101	67,339	18,420	310,798	-	2,210,111	12,571,769
2004/2005	9,233,886	990,224	63,638	18,500	327,575	238,788	1,938,370	12,810,981
2005/2006	9,841,238	1,056,387	59,209	19,040	306,075	245,132	2,290,018	13,817,099
2006/2007	10,737,977	1,004,423	63,986	20,738	338,818	242,164	2,589,592	14,997,698
2007/2008	11,131,690	990,255	67,703	19,930	366,261	239,812	2,688,049	15,503,700
2008/2009	11,350,093	671,050	64,358	19,233	344,354	239,039	2,796,582	15,484,709
2009/2010	11,332,799	763,184	63,449	18,083	302,273	236,192	2,519,108	15,235,088
Change 2000/2001 to 2009/2010	42.1%	40.2%	-6.9%	0.4%	-8.6%		2.7%	33.8%

1. 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

Schedule 6

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 Actual Value
2000/2001	$ 270,191,149	$ 161,617,659	$ 98,244,262	$ 58,812,852	$ 6,143,188	$ 2,949,646	$ 592,059,464	$ 13.46509	$ 819,977,512	72.2%
2001/2002	282,884,359	183,724,111	109,053,872	36,245,853	6,095,471	2,857,078	615,146,588	13.93626	838,436,018	73.4%
2002/2003	312,053,447	179,321,943	111,824,874	14,739,532	6,739,905	2,772,444	621,907,257	14.35639	921,894,838	67.5%
2003/2004	314,511,010	179,354,859	114,983,487	-	7,163,614	2,679,844	613,333,126	14.84915	914,556,777	67.1%
2004/2005	304,751,605	181,561,051	114,149,216	-	6,486,449	2,547,347	604,400,974	15.14549	935,583,731	64.6%
2005/2006	309,991,311	196,029,944	116,742,479	-	7,311,377	2,455,752	627,619,359	15.51344	969,948,931	64.7%
2006/2007	332,674,470	203,766,173	122,163,719	-	7,712,376	2,382,598	663,934,140	16.03891	1,063,565,913	62.4%
2007/2008	336,495,971	211,504,406	115,798,968	-	6,652,746	2,376,768	668,075,323	16.52993	1,076,411,985	62.1%
2008/2009	339,854,784	233,055,584	121,374,018	-	6,926,265	2,278,038	698,932,613	16.15095	1,136,242,003	61.5%
2009/2010	357,670,553	238,025,912	124,706,905	-	7,312,791	2,215,335	725,500,826	15.55353	1,157,482,324	62.7%

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.

Source: Muscatine County Auditor's Office

Schedule 7

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

	City Direct Rates									Overlapping Rates			Totals by School District	
											School Districts			
Fiscal Year	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Emergency Management	Total Direct Rate	County Consolidated	Muscatine Community	Louisa-Muscatine Community	Muscatine Community	Louisa-Muscatine Community
2000/2001	$8.10000	$2.65631	$2.06645	$0.33494	$0.24032	$0.06750	$ -	$ -	$13.46552	$ 7.74389	$14.34646	$ 13.87696	$35.55587	$ 35.08637
2001/2002	8.10000	2.34072	2.56903	0.35463	0.23438	0.06750	0.27000	-	13.93626	7.61234	14.41514	14.40012	35.96374	35.94872
2002/2003	8.10000	2.65255	2.68750	0.31875	0.26010	0.06750	0.27000	-	14.35640	7.66580	14.56445	15.75821	36.58665	37.78041
2003/2004	8.10000	3.04167	2.82657	0.24223	0.30117	0.06750	0.27000	-	14.84914	7.58716	15.51555	13.86347	37.95185	36.29977
2004/2005	8.10000	3.22143	2.81627	0.35191	0.31838	0.06750	0.27000	-	15.14549	7.41669	16.28523	15.76815	38.84741	38.33033
2005/2006	8.10000	3.26353	3.09837	0.35615	0.35789	0.06750	0.27000	-	15.51344	7.73543	15.55390	15.89643	38.80277	39.14530
2006/2007	8.10000	4.07275	2.93250	0.21753	0.37863	0.06750	0.27000	-	16.03891	8.44031	14.70326	14.85256	39.18248	39.33178
2007/2008	8.10000	4.46685	2.78130	0.49418	0.35009	0.06750	0.27000	-	16.52992	8.79042	15.15328	14.95807	40.47362	40.27841
2008/2009	8.10000	4.07576	2.95759	0.22751	0.31040	0.06750	0.27000	0.14219	16.15095	8.64189	14.86671	15.03328	39.65955	39.82612
2009/2010	8.10000	3.55524	2.90101	0.31516	0.34462	0.06750	0.27000	-	15.55353	9.18309	14.90569	13.78199	39.64231	38.51861

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

Source: Muscatine County Auditor's Office

Schedule 8

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

	January 1, 2008 Valuation (for 2009/2010 Tax Levy)			January 1, 1999 Valuation (for 2000/2001 Tax Levy)		
Taxpayer	**Assessed Valuation**	**Rank**	**Percent of Total Assessed Value**	**Assessed Valuation (1)**	**Rank**	**Percent of Total Assessed Value**
Grain Processing/Kent Feeds	$ 40,911,010	1	5.6%	$ 69,916,696	1	11.8%
HNI Corporation (HON Industries/HON Financial)	38,109,170	2	5.3%	44,812,502	2	7.5%
Bandag, Inc.	11,477,880	3	1.6%	20,232,715	3	3.4%
Heinz, U.S.A.	11,123,480	4	1.5%	14,592,507	4	2.5%
Wal-Mart Stores, Inc.	9,703,570	5	1.3%	9,401,910	5	1.6%
Menard Inc.	9,692,520	6	1.3%			
Warehouse Distributing, LLC	9,533,480	7	1.3%			
Riverbend Leasing, LLC	9,081,280	8	1.3%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	7,796,120	9	1.1%			
GRIDCO, LLC	7,737,750	10	1.1%			
Central State Bank	7,073,090	11	1.0%	4,451,464	12	0.7%
First National Bank of Muscatine	6,321,920	12	0.9%	4,984,224	11	0.8%
Cottonwood Apartments LLC	6,212,790	13	0.9%			
BT Prime Mover	5,913,870	14	0.8%	6,237,674	6	1.1%
Cobblestone Apartments	5,807,160	15	0.8%			
W I D, Inc.	5,669,480	16	0.8%			
Hy-Vee Inc.	5,608,030	17	0.8%	5,068,030	9	0.9%
SECO Investment Co. (Stanley Engineering Co.)	5,328,690	18	0.7%	5,221,250	8	0.9%
Tri State Joint Ventures (Muscatine Mall)				5,113,700	10	0.9%
Muscatine Plaza				6,035,810	7	1.0%
Pretium Packaging				3,415,049	13	0.6%
Carver Pump Company				2,925,194	14	0.5%
	$ 203,101,290		28.1%	$ 202,408,725		34.2%

1. January 1, 1999 assessed valuations included machinery and equipment values. The State of Iowa eliminated taxes on new machinery and equipm 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

Schedule 9

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 (3)
		Amount (1)	Percent of Levy Collected (3)			
2000/2001	$ 8,026,525	$ 7,974,736	99.35%	$ 189	$ 7,974,925	99.36%
2001/2002	8,631,013	8,543,226	98.98%	1,211	8,544,437	99.00%
2002/2003	8,997,159	8,957,497	99.56%	1,647	8,959,144	99.58%
2003/2004	9,180,577	9,170,392	99.89%	5,608	9,176,000	99.95%
2004/2005	9,239,618	9,229,567	99.89%	4,319	9,233,886	99.94%
2005/2006	9,837,794	9,836,626	99.99%	4,612	9,841,238	100.04%
2006/2007	10,736,626	10,733,950	99.98%	4,027	10,737,977	100.01%
2007/2008	11,122,293	11,122,888	100.01%	8,802	11,131,690	100.08%
2008/2009	11,348,069	11,345,388	99.98%	4,705	11,350,093	100.02%
2009/2010	11,350,546	11,325,483	99.78%	7,316	11,332,799	99.84%

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.
3. Collection percentages in excess of 100% due to taxable valuation adjustments by the County after the City's budget and tax levy rate were adopted and certified.

Schedule 10

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

	Governmental Activities			Business-Type Activities				
Fiscal Year	General Obligation Bonds	Tax Increment Bonds	Capital Lease	General Obligation Bonds	State Revolving Fund Loan	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2000/2001	$ 9,155,212	$ 1,580,000	$ -	$ 10,773,739	$ -	$ 21,508,951	3.6%	$ 948
2001/2002	7,916,807	1,470,000	-	9,990,914	-	19,377,721	3.1%	854
2002/2003	8,273,115	1,340,000	14,653	9,163,088	-	18,790,856	2.9%	828
2003/2004	6,735,741	3,505,000	12,039	8,315,054	-	18,567,834	2.8%	818
2004/2005	5,621,770	3,245,000	9,249	7,443,616	-	16,319,635	2.3%	719
2005/2006	7,467,253	2,980,000	6,273	6,547,178	-	17,000,704	2.3%	749
2006/2007	6,409,835	2,700,000	3,097	5,605,740	-	14,718,672	1.9%	648
2007/2008	10,462,294	2,415,000	-	4,587,029	606,783	18,071,106	2.2%	796
2008/2009	9,254,498	2,115,000	-	3,554,215	3,598,195	18,521,908	2.2%	816
2009/2010	15,452,533	1,805,000	-	2,897,277	13,289,062	33,443,872	N/A	1,473

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

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

Schedule 11

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
2000/2001	$ 19,928,951	$ 819,977,512	2.4%	22,697	878
2001/2002	17,907,721	838,436,018	2.1%	22,697	789
2002/2003	17,436,203	921,894,838	1.9%	22,697	768
2003/2004	15,050,795	914,556,777	1.6%	22,697	663
2004/2005	13,065,386	935,583,731	1.4%	22,697	576
2005/2006	14,014,431	969,948,931	1.4%	22,697	617
2006/2007	12,015,575	1,063,565,913	1.1%	22,697	529
2007/2008	15,049,323	1,076,411,985	1.4%	22,697	663
2008/2009	12,808,713	1,136,242,003	1.1%	22,697	564
2009/2010	18,349,810	1,157,482,324	1.6%	22,697	808

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

Schedule 12

City of Muscatine, Iowa
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable to City (1)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Louisa-Muscatine School District	$ 410,000	11.69%	$ 47,929
Muscatine County	1,585,000	48.04%	761,434
Eastern Iowa Community College (EICC)	32,145,000	6.74%	2,166,573
Other debt			
Eastern Iowa Community College (EICC)	41,090,000	6.74%	2,769,466
Subtotal, overlapping debt			$ 5,745,402
City direct debt (2)		100.00%	17,257,533
Total direct and overlapping debt			$ 23,002,935

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.

Schedule 13

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

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Debt limit (1)	$ 40,998,876	$ 41,921,801	$ 46,094,742	$ 45,727,839	$ 46,779,187	$ 48,497,447	$ 53,178,296	$ 53,820,599	$ 56,812,100	$ 57,874,116
Total debt applicable to limit	22,060,000	19,885,000	19,264,653	18,997,039	16,704,249	17,356,273	15,028,097	17,770,000	15,170,000	20,275,000
Legal debt margin	$ 18,938,876	$ 22,036,801	$ 26,830,089	$ 26,730,800	$ 30,074,938	$ 31,141,174	$ 38,150,199	$ 36,050,599	$ 41,642,100	$ 37,599,116
Total debt applicable to the limit as a percentage of debt limit	53.81%	47.43%	41.79%	41.54%	35.71%	35.79%	28.26%	33.02%	26.70%	35.03%

Legal Debt Margin Calculation for Fiscal Year 2009/2010

Total assessed valuation as of January 1, 2008	$ 1,157,482,324
Debt limit - 5% of assessed valuation	$ 57,874,116
Amount of debt applicable to debt limit:	
General obligation bonds	18,470,000
Tax increment revenue bonds	1,805,000
Total debt applicable to debt limit	20,275,000
Legal debt margin	$ 37,599,116

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

Schedule 14

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

Fiscal Year	Population (1)	Personal Income (2)	Personal Per Capita Income (2)	Median Age (1)	Percent High School Graduates or Higher (1)	School Enrollment (3)	Unemployment Rate (4)
2000/2001	22,697	$ 590,621,334	$ 26,022	35.8	80.3%	5,393	2.7%
2001/2002	22,697	616,200,853	27,149	35.8	80.3%	5,457	3.7%
2002/2003	22,697	646,228,984	28,472	35.8	80.3%	5,385	4.1%
2003/2004	22,697	658,167,606	28,998	35.8	80.3%	5,375	4.2%
2004/2005	22,697	715,817,986	31,538	35.8	80.3%	5,280	4.5%
2005/2006	22,697	730,820,703	32,199	35.8	80.3%	5,305	4.2%
2006/2007	22,697	778,575,191	34,303	35.8	80.3%	5,387	3.2%
2007/2008	22,697	819,180,124	36,092	35.8	80.3%	5,403	3.5%
2008/2009	22,697	834,886,448	36,784	35.8	80.3%	5,247	4.6%
2009/2010	22,697	N/A	N/A	35.8	80.3%	5,395	8.1%

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 2009.
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.

Schedule 15

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

	2010			2001		
Employer	**Approximate Number of Employees (1)**	**Rank**	**Percentage of Estimated Total County Employment (2)**	**Approximate Number of Employees (1)**	**Rank**	**Percentage of Estimated Total County Employment (2)**
HNI Corporation//The HON Company, Allsteel	3,200	1	14.6%	3,300	1	14.6%
Grain Processing/Kent Feeds	1,011	2	4.6%	1,121	2	5.0%
Muscatine Community School District	875	3	4.0%	950	3	4.2%
Trinity Muscatine (Formerly Unity Health Care)	492	4	2.2%	547	7	2.4%
Musco Sports Lighting	400	5	1.8%	150	15	0.7%
Monsanto Company	381	6	1.7%	586	6	2.6%
Wal-Mart Superstore	350	7	1.6%	373	9	1.6%
Heinz, U.S.A.	305	8	1.4%	642	5	2.8%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	300	9	1.4%	850	4	3.8%
Muscatine Power & Water	300	10	1.4%	277	10	1.2%
Hy-Vee Food Store	298	11	1.4%	410	8	1.8%
SECO Investment Co. (Stanley Engineering Co.)	287	12	1.3%	251	13	1.1%
City of Muscatine	224	13	1.0%	241	14	1.1%
Muscatine County	184	14	0.8%	273	11	1.2%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	177	15	0.8%	260	12	1.1%
	8,784		40.0%	10,231		45.2%

Sources:

1. Muscatine Chamber of Commerce & Industry provided the 2010 employment figures. The 2001 figures were from City of Muscatine historical records and may be on a basis which differs from the data provided by the Muscatine Chamber of Commerce & Industry.
2. Iowa Workforce Development. Employment data for the City of Muscatine is not available. Employers listed are the largest in the immediate area of the City of Muscatine. Percentages shown are based on total employment in Muscatine County. The average monthly employment in Muscatine County was 21,938 in 2010 and 22,644 in 2001.

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

Function	Fiscal Year 1999/2000	2000/01	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010
General government	18.69	18.94	18.54	17.12	16.80	17.50	17.85	17.35	17.35	17.05
Public Safety:										
Police										
Officers (1)	40.00	40.00	38.00	37.00	37.75	38.00	38.00	38.00	39.00	40.00
Civilians (2)	11.00	13.50	13.50	13.50	4.87	3.60	3.75	3.88	3.88	3.88
Fire										
Firefighters and officers (3)	32.00	31.50	30.50	29.50	28.50	29.00	29.50	36.00	36.00	36.00
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library	16.00	16.00	16.00	15.58	15.75	15.75	15.75	15.75	15.75	15.93
Art center	4.33	4.58	4.55	4.30	4.43	4.33	4.33	4.33	4.34	4.04
Parks and recreation (4)	15.00	15.25	13.75	13.75	13.25	12.82	13.00	12.75	12.75	12.75
Community and economic development (5)	9.00	9.00	9.00	9.00	7.00	7.00	7.00	6.50	6.50	6.17
Public works (6)	20.75	20.75	20.75	16.75	16.75	16.75	16.74	16.84	16.50	16.51
Business-type:										
Parking	3.50	3.50	3.50	3.65	3.65	3.65	3.60	3.60	3.10	3.10
Golf course (7)	2.75	3.00	3.00	3.00	3.00	2.75	2.00	3.00	3.00	3.00
Boat harbor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Transit	2.60	3.00	2.83	2.83	2.83	2.83	2.83	3.03	3.03	3.03
Refuse collection	9.00	9.00	9.80	9.80	9.80	9.80	9.80	10.30	10.30	11.33
Landfill	0.83	0.83	0.83	0.83	0.83	0.33	0.33	0.33	0.33	0.33
Transfer station	3.17	3.17	3.17	3.17	3.17	3.67	3.67	3.67	3.67	3.67
Water pollution control	27.75	28.75	29.75	29.75	29.50	29.50	29.50	29.70	31.00	30.33
Ambulance (8)	-	6.00	7.75	7.75	8.75	8.25	7.75	1.25	1.25	1.25
Housing	9.30	9.30	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.75
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals (9)	230.42	240.82	240.47	232.53	221.88	220.78	220.65	221.53	223.00	223.87

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 Fi Department budget with a portion of the overall personnel costs allocated to the Ambulance Fund.
9. The overall decline in positions in 2003/2004 and 2004/2005 was due to the decline in revenues to provide General Fund service

Source: City of Muscatine records

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

Calendar Year Indicators

Function/Department	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety:										
Police										
Calls for service	26,125	26,205	26,543	26,555	24,590	21,638	20,427	21,437	20,066	22,011
Traffic enforcement	5,524	4,284	5,574	5,535	4,946	4,020	5,188	4,616	3,425	4,066
Arrests	2,159	2,113	1,789	2,229	2,068	1,971	2,062	2,114	2,195	2,111
Parking tickets issued	1,914	2,033	1,792	2,037	2,122	1,852	1,764	1,710	1,721	1,438
Fire (includes ambulance) (1)										
Calls for service	2,127	2,954	2,779	3,143	3,085	3,161	2,963	3,530	3,650	3,414
Culture and recreation:										
Parks and recreation										
Weed Park Pool/Aquatic Center attendance (2)(6)	15,060	17,026	19,152	-	46,576	55,948	45,891	41,076	46,649	33,462
Adult program participants (3)	879	859	862	1,075	1,006	272	328	376	408	499
Children's program participants	1,834	1,621	1,684	1,333	1,558	1,698	1,547	1,602	1,610	1,590
Cemetery burials	108	108	132	126	111	99	104	99	97	96
Community and economic development										
Building-related permits	1,273	1,247	1,277	1,150	1,231	1,063	969	1,195	915	902
Business-type:										
Transit (4)										
Total passengers	134,354	135,437	(See fiscal year indicators below)							
Golf course										
Rounds played	45,190	41,329	37,666	35,989	32,768	33,195	31,825	29,748	32,687	34,767

Fiscal Year Indicators

Function/Department	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Culture and recreation:										
Library										
Registered borrowers	20,117	19,421	19,779	19,910	20,756	22,298	20,315	16,504	16,415	17,671
Circulation	285,425	291,544	306,950	312,623	331,445	324,179	319,446	332,355	336,210	357,897
Art center										
Attendance	16,067	16,730	16,653	18,451	17,945	18,088	15,640	22,582	19,704	26,054
Public works:										
Miles of streets maintained	136	136	136	138	139	140	140	140	140	140
Business-type activities:										
Transit (4)										
Total passengers	(see calendar year above)		141,143	131,117	136,476	136,265	151,434	180,382	188,303	172,306
Parking										
Tickets issued	15,223	20,144	17,708	15,763	14,764	15,598	15,764	13,204	9,704	8,465
Refuse collection										
Tons of refuse collected	8,837	8,906	8,593	8,521	8,888	9,449	9,482	8,731	8,129	8,391
Transfer station										
Tons of waste processed	63,799	48,797	45,911	41,435	44,423	41,356	44,883	49,263	41,320	29,915
Tons recycled (contractor)	6,198	5,741	5,571	4,734	4,854	5,721	6,215	5,830	5,388	4,993
Water pollution control										
Cubic feet of wastewater treated (in millions)	142.55	133.16	192.78	187.47	183.18	173.38	208.26	279.03	289.79	301.01

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 bas
5. In 2007/2008, parking was reconfigured in the downtown area. Parking meters were removed from Second Street and free 3-hour parking was established. The number of parking tickets issued decreased significantly with this change.
6. Weed Park Aquatic Center attendance varies with summer temperatures and rain days.

Source: City of Muscatine records

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

Function/Department	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	8	9	9	9	9	9	9	9	9	9
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1
Fire pumpers	3	3	3	3	3	3	4	4	4	4
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	3	3	3	3	4	4	4	4	4	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	14	14	14	14	14	14
Park acreage	258	258	258	258	246	254	254	254	254	254
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball and baseball diamonds	22	21	20	19	19	19	19	19	19	19
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	11	10	10	10	8	8	8	8	8	10
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	150	150	150	150	150	150	150	150	150	150
Public works:										
Miles of streets	136	136	136	138	139	140	140	140	140	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	10	10	10	10	11
Golf course	1	1	1	1	1	1	1	1	1	1
Airport:										
Airport	1	1	1	1	1	1	1	1	1	1
Primary runway length (in feet)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Solid waste:										
Transfer station/recycling center	1	1	1	1	1	1	1	1	1	1
Refuse collection vehicles	5	5	5	5	5	5	5	5	5	5
Water pollution control:										
Plants	1	1	1	1	1	1	1	1	1	1
Daily capacity (in gallons)	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million

Source: City of Muscatine records

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited the financial statements of 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, 2010, which collectively comprise the City of Muscatine, Iowa's basic financial statements and have issued our report thereon dated November 18, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of Muscatine Power and Water, a discretely presented component unit, as described in our report on the City of Muscatine, Iowa's financial statements. This result does not include the results of the other auditors' testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Muscatine, Iowa's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City of Muscatine, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statues.

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

We noted certain matters that we reported to management of the City of Muscatine, Iowa in a separate letter dated November 18, 2010.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 18, 2010

McGladrey

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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 **City of Muscatine, Iowa's** compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Muscatine, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Muscatine, Iowa's management. Our responsibility is to express an opinion on **the City of Muscatine, Iowa's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and 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 of Muscatine, Iowa's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Muscatine, Iowa's compliance with those requirements.

In our opinion, the City of Muscatine, Iowa complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-III-A, 10-III-B and 10-III-C.

Internal Control over Compliance

Management of the City of Muscatine, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Muscatine, **Iowa's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Muscatine, Iowa's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 18, 2010

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Section 8 Housing Choice Vouchers	14.871	IA049VO0078/0084	$ 1,626,468
Section 8 Housing Choice Vouchers	14.871	IA049AF0033/0049	213,972
Housing Choice Voucher Family Self Sufficiency Program	14.871	2009-FSSA-IA049-5628	7,030
Public and Indian Housing Operating Subsidy	14.850	IA04900000109D/110D	184,564
Public Housing Capital Fund	14.872	IA05P04950109	198,736
ARRA - Public Housing Capital Stimulus	14.885	IA05S04950109	230,918
Passed through Iowa Finance Authority:			
Home Owner Education Grant Housing Counseling Program	14.169	HC-0841-004	6,427
Passed through the Iowa Department of Economic Development:			
Community Development Block Grant State's Program	14.228	09-HSG-068	53,465
Subtotal			2,521,580
U.S. Department of Transportation			
Direct:			
Parallel Taxiway for Runway 12/30	20.106	AIP 3-19-0063-13-2007	12,888
Snow Removal Equipment-Tractor	20.106	AIP 3-19-0063-16-2010	9,361
			22,249
Passed through Iowa Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	18-0029-533-10	273,429
ARRA - Non-Urbanized Capital Assistance Project	20.509	86-0001-533-09	100,000
Formula Grants for Other than Urbanized Areas	20.509	85-0032-533-09	205,970
Job Access/Reverse Commute Grant	20.516	37-X016-533-09	8,732
Job Access/Reverse Commute Grant	20.516	37-X016-533-10	27,546
New Freedoms Program	20.521	57-X002-533-09	1,504
New Freedoms Program	20.521	57-X002-533-10	4,451
Formula Grants for Other than Urbanized Areas	20.509	TF 2010-047	362
Formula Grants for Other than Urbanized Areas	20.509	TF 2010-104	161
Formula Grants for Other than Urbanized Areas	20.509	TF 2010-290	530
Formula Grants for Other than Urbanized Areas	20.509	TF-2010-291	287
ARRA - Highway Planning and Construction	20.205	ESL-5330(619)-7S-70	733,544
Highway Planning and Construction	20.205	SB-IA-5330(615)--2T-70	65,018
Highway Planning and Construction	20.205	SBIA-IA06(003)--2T-00	8,000
Passed through Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 09-04, Task 21	7,336
State and Community Highway Safety	20.600	PAP 10-04, Task 21	6,940
			1,443,810
Subtotal			1,466,059
U.S. Department of Education			
Passed through Iowa Department of Transportation:			
ARRA- State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	S397A090016A	27,103

(Continued)

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
U.S. Department of Justice			
Direct:			
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	2009-DJ-BX-0230	14,778
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Governments	16.804	2009-SBJ-B9-1353	98,048
Bulletproof Vest Partnership Program	16.607	N/A	1,356
Passed through Iowa Governor's Office of Drug Control Policy, Stop Violence Against Women Grant	16.588	VW-10-48B	8,800
Passed through Iowa Governor's Alliance on Substance Abuse and Muscatine County, ARRA- Edward Byrne Memorial Justice Assistance Programs/Grant to States and Territories	16.738	09-JAG/ARRA-225	51,743
Subtotal			174,725
Office of National Drug Control Policy			
Passed through Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	None	G09MW0002A	33,129
High Intensity Drug Trafficking Area Grant	None	G10MW0002A	39,174
Subtotal			72,303
U.S. Department of Labor			
Passed through Generations Area Agency on Aging:			
Senior Community Service Employment Program	17.235	N/A	7,364
ARRA- Senior Community Service Employment Program	17.235	N/A	7,746
Subtotal			15,110
Environmental Protection Agency			
Direct:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98795801	47,226
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98795901	32,152
			79,378
Passed through Iowa Finance Authority State Revolving Fund	66.458	CS-192377-01	1,000,852
Subtotal			1,080,230
U.S. Department of Homeland Security			
Passed through Scott County, Iowa:			
Law Enforcement Terrorism Prevention Program	97.074	FFY2007-LETPP-LEIN6-06	23,536
Law Enforcement Terrorism Prevention Program	97.074	FFY2008-LETPP-LEIN6-06	46,335
Passed through Iowa Department of Public Defense, Homeland Security and Emergency Management Division	97.036	139-55110-00	1,072,625
Direct, Assistance to Firefighters Grant Program	97.044	EMW-2008-FO-15995	164,597
Subtotal			1,307,093
Totals			$ 6,664,203

See Notes to Schedule of Expenditures of Federal Awards.

City of Muscatine, Iowa

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Note 1. Basis of Presentation

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

Note 2. Significant Accounting Policies

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

Note 3. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	$ 60,005
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	4,342

City of Muscatine, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

Number	Comment	Status	Corrective Action or Other Explanation
Significant Deficiencies In Internal Control			
09-II-A	The City has an improper segregation of duties over the ambulance billing and cash receipts cycle.	Corrected	
09-II-B	The City has an improper segregation of duties over the building permits cash receipts cycle.	Corrected	
Other Findings Related to Required Statutory Reporting			
09-IV-D	The City has business transactions with a related party that due to the nature of the purchase are not formally bid.	Uncorrected	See corrective action at 10-IV-D

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☑ No
- Significant deficiency(ies) identified? ☐ Yes ☑ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☑ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☑ No
- Significant deficiency(ies) identified? ☐ Yes ☑ None Reported

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

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.872	Public Housing Capital Fund
14.885	ARRA - Public Housing Capital Stimulus
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction
20.509	Formula Grants for Other than Urbanized Areas
20.509	ARRA - Nonurbanized Capital Assistance Project

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

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

(Continued)

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

A. Significant Deficiencies in Internal Control

None

B. Instances of Noncompliance

None

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiency in Administering Federal Awards

None

B. Instances of Noncompliance

10-III-A

US Department of Transportation
Passed through Iowa Department of Transportation
Formula Grants for Other than Urbanized Areas
ARRA – Nonurbanized Capital Assistance Project
(CFDA 20.509)
Federal Award Year 2010

US Department of Transportation
Passed through Iowa Department of Transportation
Highway Planning and Construction
(CFDA 20.205)
Federal Award Year 2010

Finding:

- The City did not file the Annual MIS Alcohol Report for drug and alcohol testing on a timely basis with the Iowa Department of Transportation for the Formula Grants for Other than Urbanized Areas Grant.
- The City did not complete quarterly progress reports to the Iowa Department of Transportation as required in the grant agreement for the Highway Planning and Construction Grant relating to the Bridge Tribute Plaza.

Criteria:

- The Formula Grants for Other than Urbanized Areas Grant required the Annual MIS report to be submitted by February 15th.
- The Highway Planning and Construction Grant requires quarterly ARRA progress report to be filed with the Iowa Department of Transportation.

(Continued)

Condition:

- The Formula Grants for Other than Urbanized Areas Grant's Annual MIS report was required to be filed by February 15, 2010. The report was submitted on February 22, 2010.
- The City did not file quarterly progress reports with the Iowa Department of Transportation for the Highway Planning and Construction grant for the Bridge Tribute Plaza Project.

Questioned costs: None

Context:

- One of one reports tested for the Formula Grants for Other than Urbanized Areas Grant.
- Quarterly progress reports were not completed for the Highway Planning and Construction Grant for the Bridge Tribute Plaza Project.

Effect: Reports are not filed timely.

Cause: The City did not submit reports by the reporting deadlines.

Recommendation: We recommend the City submit all required reporting timely.

Response and corrective action plan: The Annual MIS Alcohol Report was filed late due in part to a change in administrative staff in the Transit division. Future reports will be submitted by the specified due date.

The Bridge Tribute Plaza was expected to be completed within a 90-day construction period. Completion of the work, however, was delayed over the winter months of 2009-2010 and City staff overlooked the quarterly reporting requirement. This project has since been closed out. In future similar projects, the City will comply with any quarterly reporting requirements.

10-III-B

US Department of Transportation
Passed through Iowa Department of Transportation
Formula Grants for Other than Urbanized Areas
(CFDA 20.509)
Federal Award Year 2010

Finding: An expenditure included in the request for reimbursement was not paid before the reimbursement request was made.

Criteria: The Office of Management and Budget (OMB) Circular A-87 requires when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition: One of the transactions selected was paid after the request for reimbursement was made.

Questioned costs: $710

Context: One of the 15 transactions tested was paid after the request for reimbursement was made.

(Continued)

Effect: Transaction paid after requirement for reimbursement.

Cause: The City did not follow OMB Circular A-87 requirements.

Recommendation: We recommend the City ensure that all expenditures are paid prior to requesting reimbursement.

Response and corrective action plan: The invoice in question was received prior to requesting the grant reimbursement; however due to a clerical error it was not processed for payment until after the request was submitted. In the future the City will ensure all expenditures are paid prior to submitting the reimbursement request.

10-III-C

US Department of Transportation
Passed through Iowa Department of Transportation
Formula Grants for Other than Urbanized Areas
ARRA – Nonurbanized Capital Assistance Project
(CFDA 20.509)
Federal Award Year 2010

US Department of Housing and Urban Development
Direct
Public Housing Capital Fund
(CFDA 14.872)
Federal Award Year 2010

Finding:

- The City did not obtain semiannual certifications for three of the employees tested that are fully funded by Formula Grants for Other than Urbanized Areas Grant.
- The City did not reconcile split-funded employees for the actual hours worked in the program compared to the budgeted hours use to charge the federal grant for eight employees in the Public Housing Capital Grants.

Criteria: The Office of Management and Budget (OMB) Circular A-87 requires semiannual certifications to support charges to a single federal award program and requires distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and the documentation be signed by the employee or their supervisor.

Condition:

- The City did not have properly signed semiannual certification letters from employees stating their duties were exclusively related to the Formula Grants for Other than Urbanized Areas Grant.
- The City did not have records supporting the actual wages for split-funded employees to reconcile with the budgeted percentages used for these employees in the Public Housing Capital Grants.

(Continued)

Questioned costs:

- $4,627 for the Formula Grants for Other than Urbanized Areas Grant.
- $26,834 for Public Housing Capital Grants.

Context:

- Three of sixty transactions tested for the Formula Grants for Other than Urbanized Areas Grant.
- Seventeen of the sixty transactions tested for the Public Housing Capital Grant.

Effect: The City has not properly documented expenditures charged to the federal program.

Cause: The City did not follow OMB Circular A-87 requirements.

Recommendation: We recommend the City ensure all employees who work solely on one federal grant program sign a semiannual certification verifying the program they work on. We also recommend the City maintain actual timecards, personnel activity reports or equivalent documentation for employees working for more than one federal program and the documentation be signed by the employee and their supervisor.

Response and corrective action plan: The City will complete semiannual certifications for the Transit employees funded from the Transit Formula Grants for Other than Urbanized Areas.

The City's split-funded Housing staff will record their work time on each federal housing grant on their weekly timesheets.

IV. Other Findings Related to Required Statutory Reporting

10-IV-A – Certified Budget: Expenditures/expenses during the year ended June 30, 2010 did not exceed amount budgeted prior to budget being amended or at year-end.

10-IV-B – Questionable Expenditures: No questionable disbursements were noted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Eric Hutmacher, mechanic at Public Works owns Hutmacher's Nuisance Service	Temporary employment services	$ 998
Andy Kral, equipment operator, wife is part owner of Wilson True Value Hardware	Supplies	14,093

(Continued)

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

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

Response and Corrective Action Plan: Due to a limited number of local vendors that provide rodent removal services, the City uses Hutmacher Nuisance Service when prompt removal of rodents from various City facilities is needed and other vendors are either not available or would be at a higher cost. The services during the past year were less than the $1,500 allowed by 362.5(10) of the State Code of Iowa.

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.

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

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

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

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

City of Muscatine, Iowa

Corrective Action Plan
Year Ended June 30, 2010

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Findings Related to Federal Awards				
10-III-A	An annual MIS report on drug and alcohol testing was not filed timely with the Iowa Department of Transportation The City did not submit quarterly progress reports to the Iowa DOT relating to the Bridge Tribute Plaza	See response and corrective action plan at 10-III-A.	June 30, 2011	Nancy Lueck, Finance Director
10-III-B	An expenditure included for reimbursement for the transportation grant was not paid before the request for reimbursement was made	See response and corrective action plan at 10-III-B.	June 30, 2011	Nancy Lueck, Finance Director
10-III-C	The City did not have semiannual certifications for three employees that were 100% funded in the transportation grant. The City did not compare budget to actual for the Public Housing employees who are split funded as these employees are charged based on budgeted amounts.	See response and corrective action plan at 10-III-C.	June 30, 2011	Nancy Lueck, Finance Director
Other Findings Related to Required Statutory Reporting				
10-IV-D	The City has business transactions with a related party that due to the nature of the purchase are not formally bid.	See response and corrective action plan at 10-IV-D.	N/A	Nancy Lueck, Finance Director

McGladrey

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

In connection with our audit of the financial statements of the City of Muscatine, Iowa as of and for the year ended June 30, 2010, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

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

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

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

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

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

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

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The two firms operate as separate legal entities in an alternative practice structure.

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

For the Transportation grant, there is an employee who is considered a split-funded employee as their salary is partially paid through a federal grant. The employee did not have a timesheet that showed the percentage of time allocated to the grant that the individual worked in. We recommend that all split funded employees in federal grants complete a timecard that shows the amount of time worked in each program they are associated with.

In addition, we have the following item for your consideration:

Suspension and Debarment: For contracts over $25,000 the City should review the EPLS website for any vendor that may be suspended or debarred from receiving government monies specifically for construction projects. This will ensure that no payments are made to vendors that are suspended or debarred from receiving federal funds.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 18, 2010