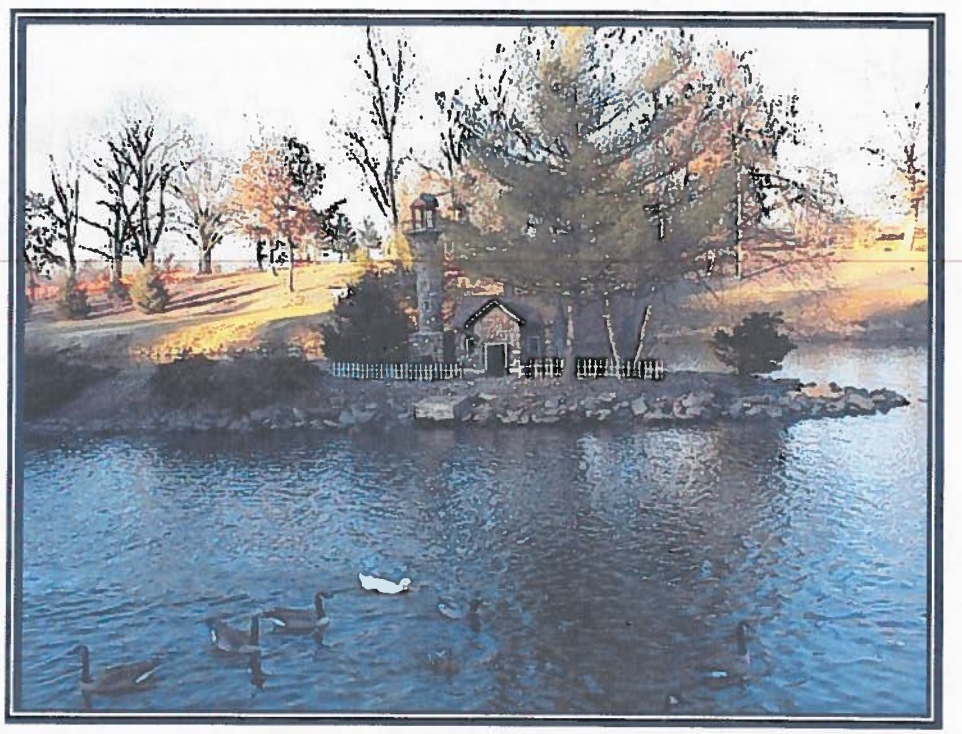
City of Muscatine, Iowa



Comprehensive Annual Financial Report

For the Year Ended June 30, 2011

CITY OF MUSCATINE, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

SUBMITTED BY:

FINANCE DEPARTMENT
CITY OF MUSCATINE, IOWA

Nancy A. Lueck
Finance Director

LeAnna McCullough
Accountant

COVER:

View of the Weed Park Lagoon

PHOTO BY:

Dan Beenen

Introductory Section

CITY OF MUSCATINE, IOWA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

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MUSCATINE

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FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 30, 2011

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, 2011.

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, 2011. 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 22,886 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; Bridgestone-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 3.2% to 8.1% with the rate for 2010 at 7.6%. Prior to 2009 and 2010 when the rates were 8.1% and 7.6%, respectively, 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 $2.4 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 began 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. In 2010/2011 a snow removal tractor was purchased and construction began on a hangar access road. Projects for the upcoming year include airport runway lighting improvements and improvements to the hangar roofs.

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 was 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 and actual revenues were $227,680. The establishment of this new revenue source allowed the City to diversify its funding sources and will assist the City in continuing to fund its core General Fund services in upcoming years.

The City continued to make structural and operational changes in 2010/2011 in an effort to place the General Fund in a better financial position for 2011/2012 and future budget years. These included (1) a reduction of one full-time position in the Park Maintenance budget; seasonal staff was increased to partially offset this reduction for a net savings of $49,300, (2) elimination of one full-time custodian position with contract cleaning services partially offsetting the cost savings for a net savings of $7,400, (3) funding economic development administrative costs and the Chamber economic development allocation with Tax Increment Financing (TIF) funds (a total of $137,500), (4) not filling the budgeted ¾ time Automatic Traffic Enforcement (Red Light Camera) Technician in the Police department net of the cost of creating an additional sergeant position for this function ($30,000 savings), and (5) transferring the dredge operation to the Water Pollution Control fund ($42,000 General Fund savings). These items total $266,200 and provide a positive impact on the General Fund for 2011/2012 and will continue to have a positive impact on the General Fund in future 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 City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2010/2011. This Statement provided for the following new classifications of governmental fund balances: nonspendable, restricted, committed, assigned, and unassigned. The unassigned portion of the General Fund balance is similar to the previous classification of unreserved balance referenced in the City's financial policies. The unassigned General Fund balance at June 30, 2011 was $2,141,534 which was 14.3% of General Fund expenditures. This unassigned balance was $420,899 higher than the prior year unreserved balance. This increase is attributed to several categories of revenues exceeding their budget estimates and most General Fund departments operating under their budget allocations. The major revenue sources which exceeded their budget estimates included hotel/motel taxes ($53,665 over the budgeted amount), automatic traffic enforcement fines ($148,533 over the estimate), and court fines ($48,816 over the estimate).

For the 2011/2012 budget taxable property values increased by 2.6% which will provide $156,174 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 property valuations of 6.55%. Commercial and industrial property valuations, however, decreased for 2011/2012 by 1.9% and .7%, respectively, 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. This fee is budgeted to generate $200,000 in the upcoming 2011/2012 fiscal year.

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 $606,000 of incremental taxes were not claimed by the City for 2010/2011 and this amount increased to $900,000 for 2011/2012. 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 2010/2011 and as well as those implemented 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 2011/2012 include (1) engineering design or construction for major improvements to Hershey Avenue, Cedar Street, and Colorado Street; (2) completion of the construction on the Hershey sewer separation project funded from local option sales tax revenues; (3) completion of the engineering design for separation of the combined sewers in the West Hill area and beginning construction on Phase I of this project; (4) completion of construction of the new Southend Fire Station; and (5) completion of construction on the comprehensive facilities improvements at the Water Pollution Control Plant (WPCP). The WPCP improvements total approximately $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 Updated

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, 2010. This was the 17th 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 2011/2012. 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 2011/2012 budget was the 27th 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 2012/2013 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

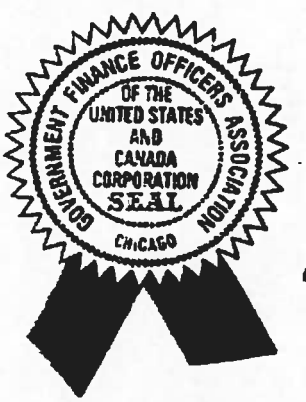
Presented to

City of Muscatine

Iowa

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

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.



Linda C. Davidson

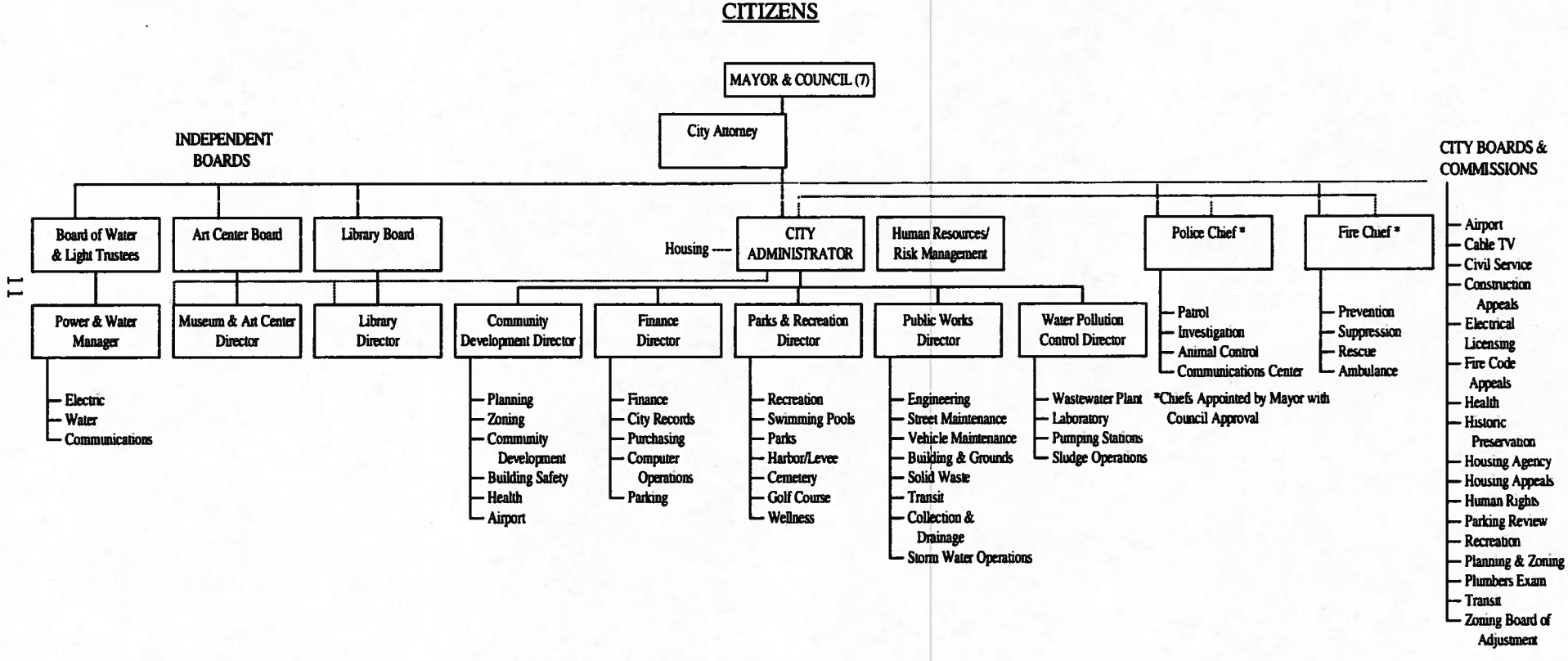
President

Jeffrey P. Ernst

Executive Director

CITY OF MUSCATINE, IOWA

ORGANIZATIONAL STRUCTURE



CITY OF MUSCATINE, IOWA

List of Principal Officials
June 30, 2011

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
City Attorney	Matt Brick

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
Community Development Director	Steve Boka
Police Chief	Brett Talkington
Public Works Director	Randall E. Hill
Water Pollution Control Director	Roger Kirby

Financial Section

McGladrey

Independent Auditor's Report

To the Honorable Mayor and
Members of the 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, 2011, 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, 100 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, 2011, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Notes 15 and 16 to the basic financial statements, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which changed its method of accounting for governmental funds' fund balance classifications, and restated various funds' beginning fund balance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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 15 through 28, budgetary comparison schedule of revenues, expenditures and changes in fund balance budget to GAAP reconciliation and schedule of funding progress for other postemployment benefit plan on pages 71 through 74 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muscatine, Iowa's basic financial statements. The combining nonmajor fund financial statements and individual component unit financial statements, 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 it.

McGladrey & Pullen, LLP

Davenport, Iowa
November 22, 2011

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, 2011. 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 $130,795,547 (net assets). Of this amount, $11,250,883 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $2,853,319 during the year. The most significant increase is in the Water Pollution Control Fund where net assets increased by $3,988,790.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,500,771, a decrease of $4,495,930 in comparison with the prior year. This overall decrease is primarily in the local option sales tax and capital projects funds. The accumulated local option fund balance decreased by $2,314,101 with these funds used for a major sewer separation project. Capital project fund balances decreased by $2,461,928 due to project costs funded from prior year bond proceeds as well as project costs which will be funded from the City's next general obligation bond issue scheduled for the spring of 2012. Of the ending balance, approximately 33% ($2,453,145) was nonspendable, 54% ($4,062,133) was restricted, 5% ($382,877) was assigned, and 8% ($602,616) was unassigned. Restricted, committed, assigned, and unassigned funds are available for spending within the statutory guidelines pertaining to each fund at the City's discretion.

- At the end of the current fiscal year, the City's unassigned fund balance for the general fund was $2,141,534, or 14.3% of total general fund expenditures.

- The City's total debt decreased by $353,709 (1.1%) during the current fiscal year. During the year no new general obligation debt was issued and $2,199,007 was retired. No new tax increment revenue bonds were issued and $475,000 was retired. Sewer revenue loans outstanding increased by $2,320,298 during the year.

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, Transfer Station, Refuse Collection, Airport, Parking, Transit, Golf Course, Boat Harbor, Marina, Ambulance, and Public Housing.

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

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

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

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

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

The City has 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 31-34 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 35-39 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 40 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 41-70.

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 $130,795,547 at the close of the fiscal year ended June 30, 2011.

By far the largest portion of the City's net assets (87.5%) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 23,930,732	$ 27,810,754	$ 11,133,799	$ 10,611,273	$ 35,064,531	$ 38,422,027
Capital assets	65,289,355	63,872,537	81,766,901	76,674,665	147,056,256	140,547,202
Total assets	89,220,087	91,683,291	92,900,700	87,285,938	182,120,787	178,969,229
Long-term liabilities outstanding	16,675,485	18,556,394	18,236,646	16,589,699	34,912,131	35,146,093
Other liabilities	14,185,041	13,586,793	2,228,068	2,294,115	16,413,109	15,880,908
Total liabilities	30,860,526	32,143,187	20,464,714	18,883,814	51,325,240	51,027,001
Net assets:						
Invested in capital assets, net of related debt	50,534,706	48,735,481	63,959,885	60,488,326	114,494,591	109,223,807
Restricted	4,914,742	2,899,555	135,331	413,321	5,050,073	3,312,876
Unrestricted	2,910,113	7,905,068	8,340,770	7,500,477	11,250,883	15,405,545
Total net assets	$ 58,359,561	$ 59,540,104	$ 72,435,986	$ 68,402,124	$ 130,795,547	$ 127,942,228

A portion of the City's net assets (3.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($11,250,883) may be used to meet the City's ongoing obligation to citizens and creditors.

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

Net assets invested in capital assets net of related debt increased by $5,270,784 during the year. Restricted net assets increased by $1,737,197. Unrestricted net assets decreased by $4,154,662 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 2,247,562	$ 2,006,122	$ 11,518,470	$ 11,209,973	$ 13,766,032	$ 13,216,095
Operating grants, contributions and restricted interest	4,861,170	5,211,201	924,856	961,896	5,786,026	6,173,097
Capital grants and contributions	3,398,652	1,726,091	349,116	919,232	3,747,768	2,645,323
General revenues:						
Property taxes	12,478,438	12,114,066	-	-	12,478,438	12,114,066
Utility taxes	52,274	63,449	-	-	52,274	63,449
Local option sales tax	2,533,919	2,471,108	-	-	2,533,919	2,471,108
Hotel/motel tax	363,664	302,273	-	-	363,664	302,273
Cable franchise tax	236,253	236,192	-	-	236,253	236,192
Utility franchise fees	227,680	-	-	-	227,680	-
Intergovernmental, not restricted to specific programs	154,551	151,270	-	-	154,551	151,270
Unrestricted investment earnings	22,297	45,999	24,232	43,652	46,529	89,651
Other	7,850	5,550	11,216	-	19,066	5,550
Total revenues	26,584,310	24,333,321	12,827,890	13,134,753	39,412,200	37,468,074
Expenses:						
Public safety	7,231,247	6,038,292	-	-	7,231,247	6,038,292
Public works	6,104,574	4,392,189	-	-	6,104,574	4,392,189
Health and social service	17,800	17,100	-	-	17,800	17,100
Culture and recreation	3,991,705	4,393,742	-	-	3,991,705	4,393,742
Community and economic development	3,232,025	2,918,941	-	-	3,232,025	2,918,941
General government	2,088,819	2,877,107	-	-	2,088,819	2,877,107
Interest and fees on long-term debt	570,313	439,305	-	-	570,313	439,305
Water pollution control	-	-	5,083,681	5,413,555	5,083,681	5,413,555
Transfer station	-	-	2,174,384	2,240,614	2,174,384	2,240,614
Refuse collection	-	-	1,827,138	1,798,493	1,827,138	1,798,493
Airport	-	-	566,129	709,883	566,129	709,883
Parking	-	-	247,292	228,674	247,292	228,674
Transit	-	-	1,016,663	1,028,876	1,016,663	1,028,876
Golf course	-	-	818,018	798,587	818,018	798,587
Boat harbor	-	-	29,041	31,605	29,041	31,605
Marina	-	-	12,802	19,451	12,802	19,451
Ambulance	-	-	426,829	390,308	426,829	390,308
Public housing	-	-	1,120,421	994,013	1,120,421	994,013
Total expenses	23,236,483	21,076,676	13,322,398	13,654,059	36,558,881	34,730,735
Increase (decrease) in net assets before transfers	3,347,827	3,256,645	(494,508)	(519,306)	2,853,319	2,737,339
Tranfers in (out)	(4,528,370)	(4,340,227)	4,528,370	4,340,227	-	-
Increase (decrease) in net assets	(1,180,543)	(1,083,582)	4,033,862	3,820,921	2,853,319	2,737,339
Net assets, beginning of year	59,540,104	60,623,686	68,402,124	64,581,203	127,942,228	125,204,889
Net assets, end of year	$ 58,359,561	$ 59,540,104	$ 72,435,986	$ 68,402,124	$ 130,795,547	$ 127,942,228

Governmental activities. Governmental activities decreased the City's net assets by $1,180,543. This overall decrease was in part due to the transfer of $4,240,907 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 $2,250,989 or 9.3% from the previous year due primarily to increases in capital grants and contributions, charges for services, and the new utility franchise fee.

- Charges for services for governmental activities increased in total by $241,440. Charges for services in the public safety function increased by $191,093 with $163,533 of this increase due to revenue from automatic traffic enforcement (ATE) fines and the balance due to increased court fines. The ATE cameras became operational in the spring of 2011. There were also increases in charges for services in the public works, culture and recreation, and general government functions. These increases more than offset the decrease in the community and economic development function which was due to a decrease in building-related permit fees during the year.

- Operating grants and contributions for governmental activities decreased by $350,031 due primarily to decreases in FEMA reimbursements and police grants.

- Capital grants and contributions increased by $1,672,561 from the previous year. This overall increase was primarily due to an art collection donated to the Muscatine Art Center ($2,153,000). This increase was partially offset by reductions in fire grants and FEMA reimbursements.

- Property taxes increased by $364,372 during the year or 3.0%.

- Local option sales tax increased by $62,811 or 2.5% during the year.

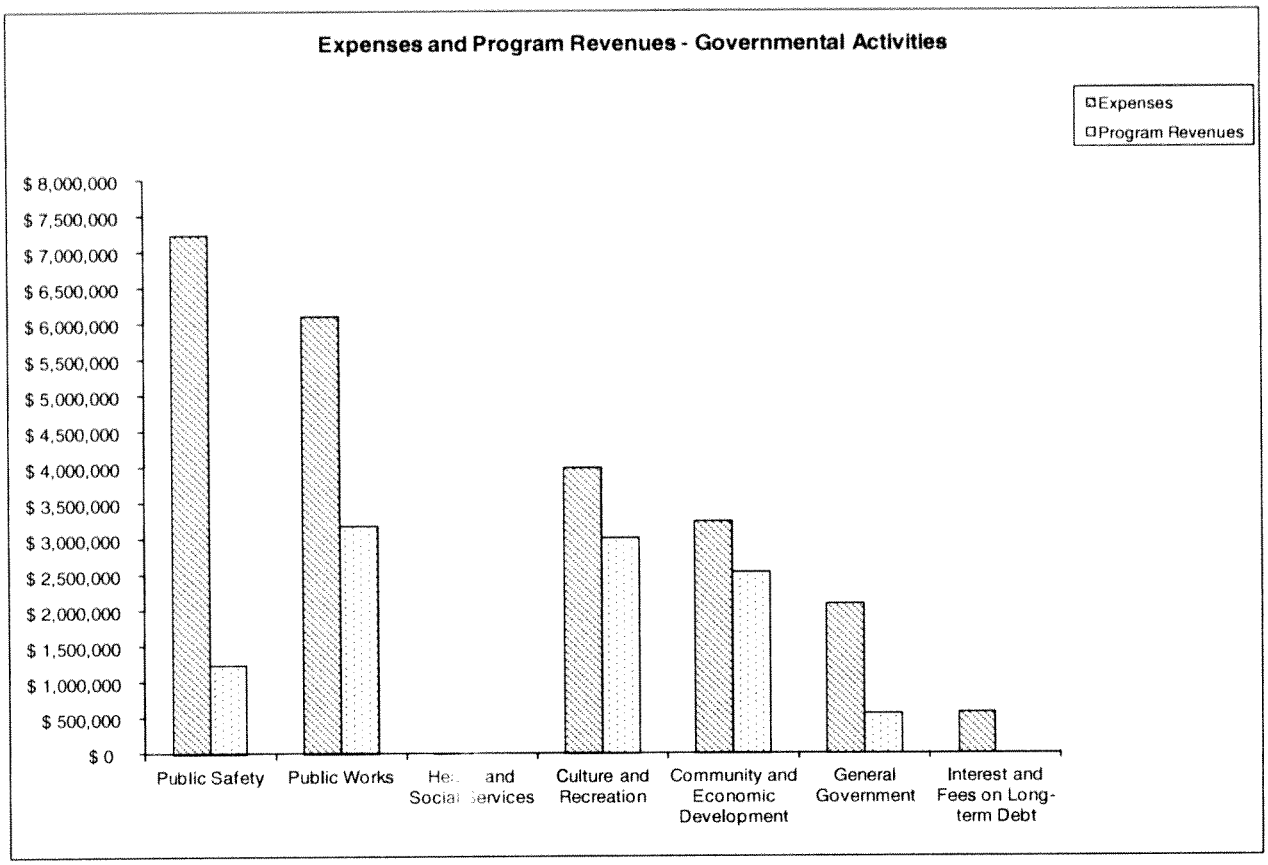
- Hotel/motel taxes increased by $61,391 or 20.3%.

- The City adopted a 2% utility franchise fee for the provider of natural gas in the community. This fee was effective July 1, 2010 with revenue for the year totaling $227,680.

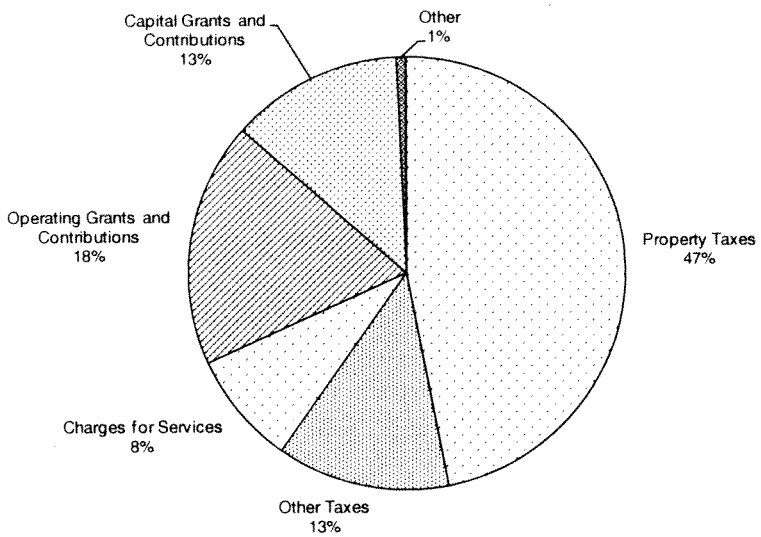
- Unrestricted investment earnings decreased by $23,702 during the year due to the significant decrease in interest rates.

- Expenses for governmental activities increased by $2,159,807 or 10.2% from the previous year. Of this increase, $988,915 is due to the increase in the City payment to the Army Corps of Engineers for the local share of the Mad Creek Levee improvement project.

- Governmental expenses increased in the public safety ($1,192,955), public works ($1,712,385), and community and economic development ($313,084) functions. Interest and fee expenses also increased by $131,008. There were decreases in governmental expenses in the general government ($788,288) and culture and recreation ($402,037) functions.



Revenues By Source - Governmental Activities



Business-type activities. Business-type activities increased the City's total net assets by $4,033,862, 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, Marina, and Ambulance funds. Decreases in net assets were reported in the Refuse Collection, Airport, Parking, Transit, Golf Course, Boat Harbor, and Public Housing funds. Key elements of these changes are as follows:

- Net assets of the Water Pollution Control fund increased by $3,988,790 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded $4,240,907 of sewer-related capital project costs.

- Net assets of the Transfer Station fund increased by $596,684 during the year. This increase includes a $200,000 transfer from the Refuse Collection fund to reduce the operating deficit in this fund. During the year there was also a $738,266 transfer from the debt service fund to fund the Transfer Station debt requirements for the year.

- Net assets of the Refuse Collection fund decreased by $67,783 primarily due to the $200,000 one-time funding transfer to the Transfer Station fund.

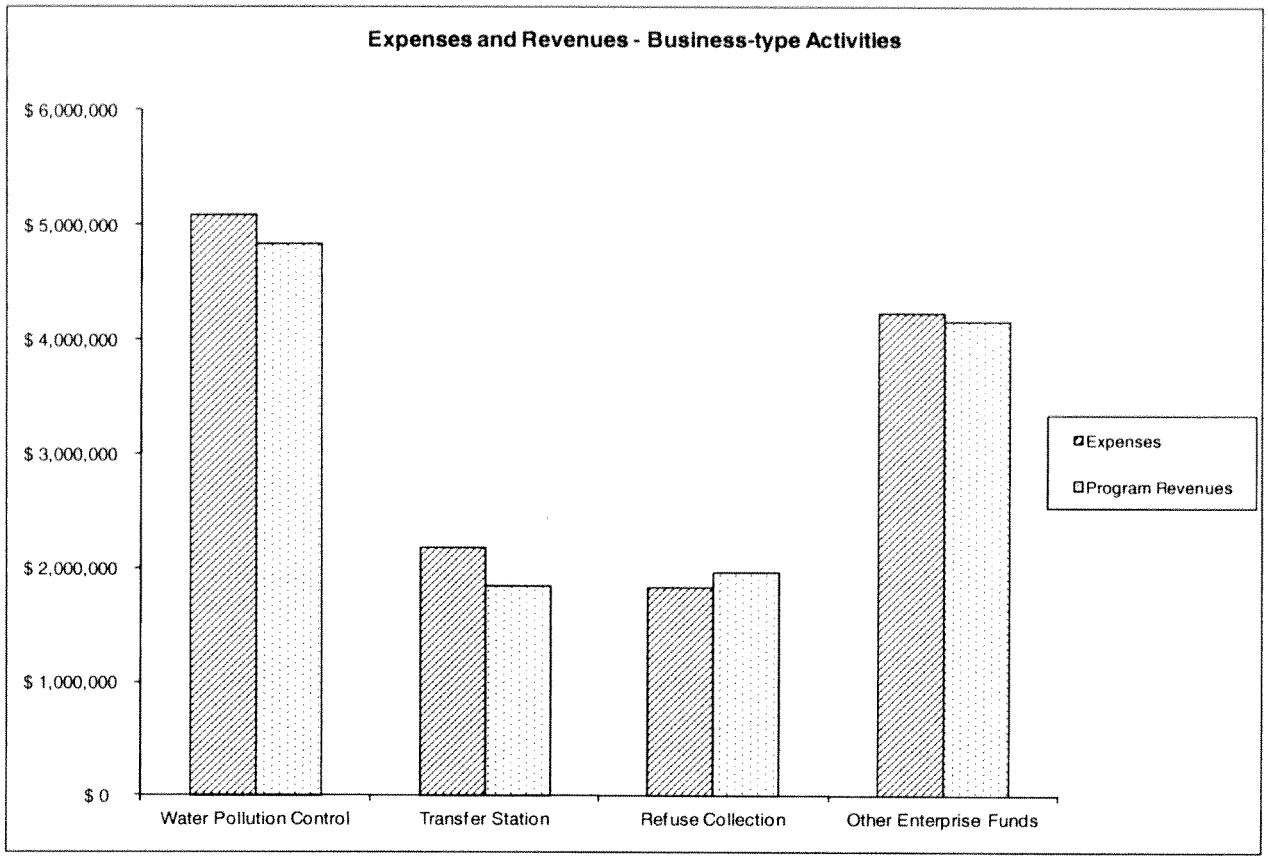
- Revenues for the business-type activities decreased in total by $306,863 (2.3%).

- Charges for services increased in total by $308,497. Water Pollution Control Plant charges for services increased by $121,257 and refuse collection charges increased by $55,746 due to rate increases. Ambulance charges increased by $322,344 due to increased ambulance runs. Transfer station charges decreased by $15,660, golf fees and charges decreased by $47,067 due to a rainy spring season, and public housing charges decreased by $113,480 due to decreased rents and other tenant charges.

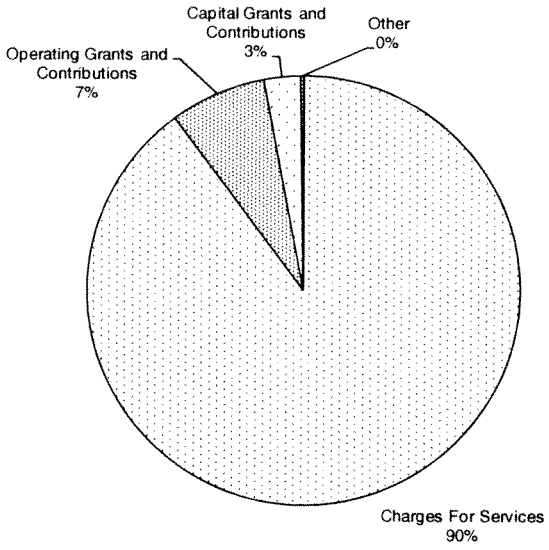
- Operating grants and contributions decreased by $37,040. Public housing operating grants decreased by $22,032 for the year. The prior year amount also included FEMA reimbursements for operating expenses related to the 2008 flood and windstorm.

- Capital grants and contributions decreased by $570,116. The prior year capital grants included $364,041 in FEMA funding compared to $88,474 in the current year, a decrease of $275,567. The prior year amount also included $289,888 in transit capital grants with none received in the current year. Unrestricted interest earning decreased by $19,420 due to the significant decrease in interest rates.

- Expenses for the business-type activities decreased $331,661 (2.4%). Expenses decreased by $329,874 in the Water Pollution Control fund, by $66,230 in the Transfer Station fund, and by $143,754 in the Airport fund. Expenses increased by $126,408 in the public housing fund, by $36,521 in the Ambulance fund, by $18,618 in the Parking fund, and by $19,431 in the golf course fund.



Revenues By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,500,771, a decrease of $4,495,930 in comparison with the prior year. This decrease was primarily due to the $2,461,928 decrease in fund balance in the capital projects funds and $2,314,101 decrease in the local option sales tax fund. The capital projects fund balance decrease was due to the expenditure of prior year bond proceeds for project costs in the current year as well as preliminary project costs which will be funded from bond proceeds in the upcoming year. The decrease in the balance in the Local Option Sales Tax fund is due to funding transfers for sewer extension and improvement projects accounted for in the Water Pollution Control fund.

Of the combined $7,500,771 governmental fund balances at year end 32.7% ($2,453,145) is classified as nonspendable and includes prepaid items, advances to other funds, and permanent fund principal. A total of $4,062,133 (54.2%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total $382,877 (5.1%) with these funds assigned for encumbrances, future equipment purchases, and risk management. The remaining $602,616 is classified as unassigned (8.0%). Be definition unassigned balances include all deficit balances. The capital projects funds had an unassigned fund balance deficit at year end of $1,538,918. This deficit will be eliminated with the bond issue scheduled for the Spring of 2012.

The general fund is the chief operating fund of the City of Muscatine. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $2,141,534, while the total fund balance was $2,540,048. The General Fund balance includes $15,637 classified as nonspendable for prepayments. The assigned portion of the balance totals $382,877 which includes $174,079 for encumbrances, $156,065 for future equipment purchases, and $52,733 for risk management. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent 14.3% and 17.0%, respectively, of total general fund expenditures. These percentages increased favorably from the prior year computation of unreserved and total fund balances of 11.7% and 12.7%, respectively. The City' of Muscatine's general fund balance increased by $451,352 during the current fiscal year.

The Employee Benefits fund balance increased during the year by $20,754. Taxes are levied in this fund for employee benefits for general fund employees. The increase in fund balance during the year is due to savings in employee benefits due to vacancies during the year.

The Local Option Sales Tax fund balance decreased during the fiscal year by $2,314,101. 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 decreased $117,603 due to the budgeted use of prior year excess bond proceeds since the general obligation bonds issued in 2010 were sold at a premium.

The fund balances in the Other Governmental Funds decreased in total by $2,536,332. This was primarily due to capital project expenditures funded from the prior year general obligation bond issue as well as project costs that will be funded from the scheduled Spring 2012 bond issue.

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, 2011 was $72,359,324, an increase of $3,957,200 from the previous fiscal year. Of the net assets of the enterprise funds, $63,959,885 is invested in capital assets, net of related debt. Restricted net assets totaled $135,331. Unrestricted net assets totaled $8,264,108, an increase of $763,631 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 $1,731,527 as of June 30, 2011, an increase of $151,438 from the previous year. This increase was primarily in the Health Insurance Fund.

General Fund Budgetary Highlights

During the year there was a $262,800 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 $59,216 from the original to the amended budget. Following are the main components of the overall budget increases during the year:

- The $109,900 increase in the public safety function budget included $27,100 in the police department, $65,700 in the fire department, and $17,100 for emergency management. Budgeted grant funds in the Police department and the related appropriations increased by $11,900 compared to the original budget. There were also increases in Police vehicle and equipment maintenance costs, training costs, and various other items which were partially offset by savings in personnel costs due to position vacancies during the year. The increase in the fire department budget was primarily due to increased equipment repair costs and increased overtime with the overtime increase directly related to the increase in the number of ambulance runs during the year. The emergency management increase was due to repair costs for the emergency sirens located throughout the community.

- The culture and recreation function decreased in total by $25,800. This overall decrease includes a reduction of $43,700 in the various Parks department budgets due primarily to personnel restructuring and transferring responsibility for the riverfront dredging to the Water Pollution Control fund. The Art Center budget was increased a total of $24,400. Of this increase $14,400 was funded from a State Cultural Affairs grant with the balance funded by the Art Center Support Foundation and Friends of the Art Center organizations.

- The community and economic development function appropriation was increased by $34,900 for the year due to increases in the Community Development budget. Amendments included $27,000 in increased funding for contracted nuisance abatement costs and costs related to personnel changes in the department.

- Public works department expenditures were amended in total by $104,600. The Roadway Maintenance budget was increased by $47,000 for increased equipment repair costs and increased costs for asphalt. The Snow and Ice Control budget was amended by $57,500 for increased

equipment repair costs and increased contracted downtown snow removal costs. The budgeted increase in the public works activities was funded from increased transfers from the Road Use Tax fund.

- The amended budget included a $34,000 increase in the general government function expenditures. The Legal Services budget increased by $9,500 with a change in the contracted City Attorney. The Human Resources budget increased by $32,300 due to legal services primarily for negotiating the City's three bargaining unit contracts. Decreases in other activities partially offset these increases.

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, 2011, amounts to $147,066,256 (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 $1,416,818 for governmental activities compared to the prior year and increased by $5,092,236 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 $12,624,196.

- Major asset additions included $1,552,318 for street improvements; $2,763,905 for the Water Pollution Control Plant Comprehensive Facilities Improvement project; $4,381,103 in sewer system improvements; $131,036 for the Children's Education addition to the office building at the City's Sunset Park public housing facility; $372,137 for the new Southend Fire Station; $193,058 for the bulkhead improvements for Pearl City Station; and a bequest to the Muscatine Art Center of artwork with a fair value of $2,153,000.

- Depreciation expense totaled $6,442,302 for the year with $3,195,077 in the governmental activities and $3,247,225 in the business-type activities.

City of Muscatine Capital Assets

(Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land, art work and construction in progress, not being depreciated	$ 17,642,829	$ 14,980,720	$ 26,227,553	$ 21,738,787	$ 43,870,382	$ 36,719,507
Other capital assets net of accumulated depreciation	47,646,526	48,891,817	55,539,348	54,935,878	103,185,874	103,827,695
Total capital assets	$ 65,289,355	$ 63,872,537	$ 81,766,901	$ 76,674,665	$ 147,056,256	$ 140,547,202

Additional information on the City of Muscatine's capital assets can be found in note 6 on pages 55-57 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $33,090,163. Of this amount, $16,150,803 is debt backed by the full faith and credit of the City. Of this amount $2,197,656 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 $13,953,147 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 13,953,147	$ 15,452,533	$ 2,197,656	$ 2,897,277	$ 16,150,803	$ 18,349,810
Revenue bonds	1,330,000	1,805,000	15,609,360	13,289,062	16,939,360	15,094,062
Total	$ 15,283,147	$ 17,257,533	$ 17,807,016	$ 16,186,339	$ 33,090,163	$ 33,443,872

The City's total bonded debt decreased by $353,709 during the year. The City did not issue any new general obligation bonds in 2010/2011, but issued $2,845,298 in new sewer revenue debt. Debt retired included $2,245,000 in general obligation bonds, $475,000 of tax increment revenue bonds, and $525,000 in sewer revenue bonds.

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 $58,170,994. The amount of debt applicable to the debt limit totals $17,555,000. 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 City's last 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 58-62 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Muscatine County was 7.6% for calendar year 2010 compared to 8.1% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.

- The City's taxable value increased by 1.6% for the 2010/2011 year and increased by 2.6% for the upcoming 2011/2012 fiscal year.

- The upcoming budget provides funding for capital improvement projects to continue. 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 2011/2012 the City will continue the ongoing maintenance portion of the Comprehensive Pavement Management Program. Prior year 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. Design work is underway for this project and construction on the first phase of this project is scheduled to begin in the spring of 2012.

- Construction is nearly completed on the comprehensive facilities improvements project at the Water Pollution Control Plant. These improvements will total approximately $18.5 million and are scheduled to be completed in the fall of 2011.

- The 2011/2012 budget provides for increases in sewer, refuse collection, and airport fees. No fee increases are budgeted for the transfer station, golf course, parking, boat harbor, 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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
ASSETS					
Cash and pooled investments	$ 6,626,603	$ 5,893,580	$ 12,520,183	$ -	$ 1,222,202
Investments	1,470,819	832,142	2,302,961	-	4,912,000
Receivables (net of allowance for uncollectibles):					
Interest	11,185	4,667	15,852	-	675,070
Taxes	12,960,680	-	12,960,680	-	-
Accounts	443,110	1,652,416	2,095,526	6,430	10,212,756
Intergovernmental	2,234,013	273,454	2,507,467	-	-
Loan receivable from component unit	-	2,057,149	2,057,149	-	-
Internal balances	(76,662)	76,662	-	-	-
Inventories	138,034	39,805	177,839	-	18,352,887
Prepaids	15,637	4,400	20,037	-	677,924
Deferred charges	107,313	164,193	271,506	-	21,906
Hedge asset	-	-	-	-	2,196,100
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	135,331	135,331	1,157,143	21,638,554
Investments	-	-	-	-	16,397,650
Capital assets:					
Land, art work and construction in progress, not being depreciated	17,642,829	26,227,553	43,870,382	1,080,608	3,287,128
Other capital assets net of accumulated depreciation	47,646,526	55,539,348	103,185,874	1,860,285	-
Utility plant in service	-	-	-	-	137,101,938
Intangible assets (net of accumulated depreciation)	-	-	-	-	1,546,273
Joint venture rights	-	-	-	-	162,532
Total assets	89,220,087	92,900,700	182,120,787	4,104,466	218,404,920
LIABILITIES					
Accounts payable and accruals	1,267,026	1,071,625	2,338,651	48,524	7,949,912
Retainages payable	28,226	1,025,408	1,053,634	-	-
Deposits	-	42,381	42,381	-	2,586,105
Matured bonds and interest payable	419	-	419	-	-
Accrued interest payable	45,094	48,509	93,603	-	623,521
Escrow liability	858	-	858	-	-
Unearned revenue	12,843,418	40,145	12,883,563	-	17,155,162
Hedge liability	-	-	-	-	2,196,100
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	12,617,000
Accrued interest payable	-	-	-	-	740,224
Noncurrent liabilities:					
Due within one year	2,114,595	1,435,007	3,549,602	706	-
Due in more than one year	14,560,890	16,762,994	31,323,884	129	18,455,118
Loan due to primary government	-	-	-	2,057,149	-
Closure/post-closure obligation	-	38,645	38,645	2,396,644	-
Total liabilities	30,860,526	20,464,714	51,325,240	4,503,152	62,323,142
NET ASSETS					
Invested in capital assets, net of related debt	50,534,706	63,959,885	114,494,591	2,940,893	109,080,294
Restricted for:					
Debt service	138,908	96,686	235,594	-	-
Public works	1,246,865	-	1,246,865	-	-
Community and economic development	452,920	-	452,920	-	-
Public safety	7,174	-	7,174	-	-
Employee benefits	148,204	-	148,204	-	-
Tax increment financing projects	1,228,295	-	1,228,295	-	-
Culture and recreation	53,210	-	53,210	-	-
Perpetual care, nonexpendable	836,943	-	836,943	-	-
Endowments:					
Nonexpendable	169,127	-	169,127	-	-
Expendable	633,096	-	633,096	-	-
Other purposes	-	38,645	38,645	-	37,297,172
Unrestricted	2,910,113	8,340,770	11,250,883	(3,339,579)	9,704,312
Total net assets	$ 58,359,561	$ 72,435,986	$ 130,795,547	$ (398,686)	$ 156,081,778

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, 2011

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	$ 7,231,247	$ 530,879	$ 310,635	$ 396,499	$ (5,993,234)	$ -	$ (5,993,234)		
Public works	6,104,574	262,393	2,161,616	759,246	(2,921,319)	-	(2,921,319)		
Health and social services	17,800	-	-	-	(17,800)	-	(17,800)		
Culture and recreation	3,991,705	478,394	294,128	2,242,907	(976,276)	-	(976,276)		
Community and economic development	3,232,025	430,574	2,091,691	-	(709,760)	-	(709,760)		
General government	2,088,819	545,322	3,100	-	(1,540,397)	-	(1,540,397)		
Interest and fees on long-term debt	570,313	-	-	-	(570,313)	-	(570,313)		
Total governmental activities	23,236,483	2,247,562	4,861,170	3,398,652	(12,729,099)	-	(12,729,099)		
Business-type activities:									
Water pollution control	5,083,681	4,748,558	1,380	88,474	-	(245,269)	(245,269)		
Transfer station	2,174,384	1,806,445	33,070	-	-	(334,869)	(334,869)		
Refuse collection	1,827,138	1,961,389	149	-	-	134,400	134,400		
Airport	566,129	37,833	-	260,642	-	(267,654)	(267,654)		
Parking	247,292	175,691	-	-	-	(71,601)	(71,601)		
Transit	1,016,663	169,004	527,982	-	-	(319,677)	(319,677)		
Golf course	818,018	773,938	-	-	-	(44,080)	(44,080)		
Boat harbor	29,041	27,338	-	-	-	(1,703)	(1,703)		
Marina	12,802	13,473	-	-	-	671	671		
Ambulance	426,829	1,360,650	-	-	-	933,821	933,821		
Public housing	1,120,421	444,151	362,275	-	-	(313,995)	(313,995)		
Total business-type activities	13,322,398	11,518,470	924,856	349,116	-	(529,956)	(529,956)		
Total primary government	$ 36,558,881	$ 13,766,032	$ 5,786,026	$ 3,747,768	(12,729,099)	(529,956)	(13,259,055)		
Component Units:									
Muscatine County Solid Waste Agency	$ 885,837	$ 1,177,106	$ 117,177	$ -				$ 408,446	$ -
Muscatine Power & Water	113,811,560	111,914,710	-	171,183				-	(1,725,667)
Total component units	$ 114,697,397	$ 113,091,816	$ 117,177	$ 171,183				408,446	(1,725,667)
General revenues:									
Property taxes					12,478,438	-	12,478,438	-	-
Utility taxes					52,274	-	52,274	-	-
Local option sales tax					2,533,919	-	2,533,919	-	-
Hotel/motel taxes					363,664	-	363,664	-	-
Cable franchise taxes					236,253	-	236,253	-	-
Utility franchise fees					227,680		227,680		
Intergovernmental, unrestricted					154,551	-	154,551	-	-
Unrestricted investment income					22,297	24,232	46,529	-	1,454,982
Gain on sale of capital assets					-	11,216	11,216	-	-
Contributions to endowments					7,850	-	7,850	-	-
Transfers					(4,528,370)	4,528,370	-	-	-
Total general revenues, contributions to endowments and transfers					11,548,556	4,563,818	16,112,374	-	1,454,982
Change in net assets					(1,180,543)	4,033,862	2,853,319	408,446	(270,685)
Net assets, June 30, 2010					59,540,104	68,402,124	127,942,228	(807,132)	156,352,463
Net assets, June 30, 2011					$ 58,359,561	$ 72,435,986	$ 130,795,547	$ (398,686)	$ 156,081,778

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

City of Muscatine, Iowa

Balance Sheet
Governmental Funds
June 30, 2011

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and pooled investments	$ 2,027,185	$ 110,193	$ 83,799	$ 106,909	$ 2,329,055	$ 4,657,141
Investments	-	-	-	-	1,470,819	1,470,819
Receivables (net of allowance for uncollectibles):						
Interest	53	-	-	-	11,132	11,185
Taxes	6,790,572	3,109,670	-	2,251,992	808,446	12,960,680
Accounts	396,085	-	-	-	42,938	439,023
Intergovernmental	348,655	-	527,540	-	1,357,818	2,234,013
Advances to other funds	-	-	896,750	-	581,158	1,477,908
Prepaid insurance	15,637	-	-	-	-	15,637
Total assets	9,578,187	3,219,863	1,508,089	2,358,901	6,601,366	23,266,406
Liabilities and fund balances						
Liabilities:						
Accounts payable and accruals	287,494	-	-	-	639,748	927,242
Retainages payable	-	-	-	-	28,226	28,226
Advances from other funds	-	-	-	-	1,477,908	1,477,908
Escrow liability	-	-	-	-	858	858
Matured general obligation bond interest payable	-	-	-	419	-	419
Deferred revenue	6,750,645	3,071,659	120,000	2,219,574	1,169,104	13,330,982
Total liabilities	7,038,139	3,071,659	120,000	2,219,993	3,315,844	15,765,635
Fund balances:						
Nonspendable						
Prepaid items	15,637	-	-	-	-	15,637
Advances to other funds	-	-	896,750	-	581,158	1,477,908
Permanent fund principal	-	-	-	-	959,600	959,600
Restricted for:						
Grant purposes	-	-	-	-	844,240	844,240
Housing assistance payments	-	-	-	-	270,869	270,869
Tax levy purposes	-	148,204	-	-	1,228,295	1,376,499
Sewer and street projects			491,339	-	-	491,339
Debt service	-	-	-	138,908	-	138,908
Housing and community development	-	-	-	-	93,337	93,337
Art center	-	-	-	-	388,189	388,189
Library	-	-	-	-	247,785	247,785
Capital projects	-	-	-	-	116,722	116,722
Other purposes	-	-	-	-	94,245	94,245
Assigned to:						
Encumbrances	174,079	-	-	-	-	174,079
Future equipment purchases	156,065	-	-	-	-	156,065
Risk management	52,733	-	-	-	-	52,733
Unassigned	2,141,534	-	-	-	(1,538,918)	602,616
Total fund balances	2,540,048	148,204	1,388,089	138,908	3,285,522	7,500,771
Total liabilities and fund balances	$ 9,578,187	$ 3,219,863	$ 1,508,089	$ 2,358,901	$ 6,601,366	$ 23,266,406

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

City of Muscatine, Iowa

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total governmental fund balances	$ 7,500,771
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.	65,286,060
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	487,564
Unamortized balance of deferred charge for bond issuance costs not reported in the funds	107,313
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.	1,731,527
Change in internal service fund allocation to business-type activities	(76,662)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(15,283,147)
Accrued interest payable	(45,094)
Compensated absences	(1,236,884)
Other post-employment benefits	(111,887)
Net assets of governmental activities	$ 58,359,561

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, 2011

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	$ 6,520,824	$ 2,799,186	$ -	$ 2,386,789	$ 771,639	$ 12,478,438
Utility	29,279	12,576	-	10,419	-	52,274
Hotel/motel	363,664	-	-	-	-	363,664
Cable franchise	236,253	-	-	-	-	236,253
Utility franchise	227,680	-	-	-	-	227,680
Local option sales	-	-	2,433,919	-	-	2,433,919
Licenses and permits	271,372	-	-	-	-	271,372
Fines and forfeitures	393,340	-	-	-	-	393,340
Intergovernmental	511,131	-	-	120,122	5,400,263	6,031,516
Charges for services	444,456	-	-	-	-	444,456
Use of money and property	157,189	-	5,270	2,263	41,002	205,724
Other	976,036	-	-	-	273,655	1,249,691
Total revenues	10,131,224	2,811,762	2,439,189	2,519,593	6,486,559	24,388,327
Expenditures:						
Current:						
Public safety	6,814,922	-	-	-	3,950	6,818,872
Public works	2,092,212	-	-	-	-	2,092,212
Health and social services	17,800	-	-	-	-	17,800
Culture and recreation	2,705,711	-	-	-	109,601	2,815,312
Community and economic development	755,281	-	-	-	2,248,321	3,003,602
General government	1,936,768	-	-	-	-	1,936,768
Debt service:						
Principal	-	-	-	1,502,932	475,000	1,977,932
Interest	-	-	-	484,973	94,172	579,145
Paying agent	-	-	-	2,250	-	2,250
Capital outlay:						
Public safety	216,558	-	-	-	319,695	536,253
Public works	105,783	-	-	-	3,758,952	3,864,735
Culture and recreation	209,945	-	-	-	222,667	432,612
Community and economic development	-	-	-	-	232,785	232,785
General government	74,843	-	-	-	21,282	96,125
Total expenditures	14,929,823	-	-	1,990,155	7,486,425	24,406,403
Revenues over (under) expenditures	(4,798,599)	2,811,762	2,439,189	529,438	(999,866)	(18,076)
Other financing sources (uses):						
Transfers in	5,599,718	-	-	91,225	894,144	6,585,087
Transfers out	(349,767)	(2,791,008)	(4,753,290)	(738,266)	(2,430,610)	(11,062,941)
Total other financing sources (uses)	5,249,951	(2,791,008)	(4,753,290)	(647,041)	(1,536,466)	(4,477,854)
Net change in fund balances	451,352	20,754	(2,314,101)	(117,603)	(2,536,332)	(4,495,930)
Fund balances, June 30, 2010, as restated	2,088,696	127,450	3,702,190	256,511	5,821,854	11,996,701
Fund balances, June 30, 2011	$ 2,540,048	$ 148,204	$ 1,388,089	$ 138,908	$ 3,285,522	$ 7,500,771

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, 2011

Net change in fund balances - total governmental funds	$ (4,495,930)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:	
Capital asset purchases capitalized	2,384,758
Depreciation expense	(3,193,389)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets:	
Capital contributions - land	78,070
Capital contributions - art	2,153,000
Loss on disposal of capital assets	(3,930)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	250,991
Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	(290,102)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
General obligation bond principal payments	1,502,932
Tax increment bond principal payments	475,000
Net effects of bond issuance costs, premiums and discounts	(24,910)
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	(52,411)
Other post-employment benefits	(42,566)
Change in accrued interest payable	3,168
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 allocated between governmental and business-type activities in the Statement of Activities	
Net revenue (expense) of internal service funds	151,438
Allocation of net revenue (expense) to business-type activities	(76,662)
Change in net assets of governmental activities	$ (1,180,543)

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, 2011

	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	$ 5,407,378	$ -	$ -	$ 486,202	$ 5,893,580	$ 1,969,462
Investments	-	-	-	832,142	832,142	-
Receivables (net of allowance for uncollectibles):						
Interest	-	-	-	4,667	4,667	-
Accounts	515,028	588,653	283,040	265,695	1,652,416	4,087
Intergovernmental:						
Federal	44,533	-	-	72,970	117,503	-
State	44,033	-	-	102,316	146,349	-
County	-	-	-	9,602	9,602	-
Due from other funds	38,497	-	-	7,247	45,744	1,597
Inventories	-	-	-	39,805	39,805	138,034
Prepaid items	-	-	-	4,400	4,400	-
Total current assets	6,049,469	588,653	283,040	1,825,046	8,746,208	2,113,180
Noncurrent assets:						
Restricted cash and pooled investments	96,686	38,645	-	-	135,331	-
Deferred charges	155,323	7,797	1,073	-	164,193	-
Advances to component unit	2,057,149	-	-	-	2,057,149	-
Advances to other funds	630,314	-	-	-	630,314	-
Capital assets:						
Land	474,836	175,000	-	2,173,659	2,823,495	-
Land improvements	173,126	1,019,897	-	11,598,595	12,791,618	-
Buildings and building improvements	30,655,738	7,428,336	1,312,083	10,420,192	49,816,349	-
Equipment	4,478,029	311,607	108,521	767,310	5,665,467	108,889
Vehicles	982,283	560,263	573,548	1,482,590	3,598,684	40,871
Infrastructure	39,501,091	-	-	-	39,501,091	-
Construction in progress	23,236,704	-	-	167,354	23,404,058	-
Less accumulated depreciation	(33,866,069)	(4,512,133)	(926,310)	(16,529,349)	(55,833,861)	(146,465)
Total capital assets net of accumulated depreciation	65,635,738	4,982,970	1,067,842	10,080,351	81,766,901	3,295
Total noncurrent assets	68,575,210	5,029,412	1,068,915	10,080,351	84,753,888	3,295
Total assets	74,624,679	5,618,065	1,351,955	11,905,397	93,500,096	2,116,475
Liabilities:						
Current liabilities:						
Accounts payable and accruals	681,659	36,110	62,986	290,870	1,071,625	339,784
Retainages payable	1,019,421	-	-	5,987	1,025,408	-
Compensated absences payable	99,739	4,851	24,969	55,895	185,454	17,277
Due to other funds	-	-	11,448	34,296	45,744	1,597
Deposits	-	-	-	42,381	42,381	-
Accrued interest payable	42,212	5,535	762	-	48,509	-
Unearned revenue	-	-	477	39,668	40,145	-
State revolving fund loan	542,000	-	-	-	542,000	-
General obligation bonds	-	621,072	86,481	-	707,553	-
Total current liabilities	2,385,031	667,568	187,123	469,097	3,708,819	358,658
Noncurrent liabilities:						
Advance from other funds	-	630,314	-	-	630,314	-
General obligation bonds	-	1,308,069	182,034	-	1,490,103	-
State revolving fund loan	15,067,360	-	-	-	15,067,360	-
Compensated absences	92,720	3,132	26,804	41,879	164,535	23,170
Other post-employment benefits	22,510	2,340	6,630	9,516	40,996	3,120
Transfer station closure obligation	-	38,645	-	-	38,645	-
Total noncurrent liabilities	15,182,590	1,982,500	215,468	51,395	17,431,953	26,290
Total liabilities	17,567,621	2,650,068	402,591	520,492	21,140,772	384,948
Net assets:						
Invested in capital assets, net of related debt	50,026,378	3,053,829	799,327	10,080,351	63,959,885	3,295
Restricted for:						
Debt service	96,686	-	-	-	96,686	
Closure costs	-	38,645	-	-	38,645	
Unrestricted	6,933,994	(124,477)	150,037	1,304,554	8,264,108	1,728,232
Total net assets	$ 57,057,058	$ 2,967,997	$ 949,364	$ 11,384,905	$ 72,359,324	$ 1,731,527

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

City of Muscatine, Iowa

Reconciliation of Proprietary Funds Net Assets
to the Net Assets of Business-Type Activities

June 30, 2011

Total enterprise fund net assets	$ 72,359,324
Amounts reported for enterprise activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. Internal service fund net assets increased during the year. A portion of this increase has been allocated to business-type activities in the statement of net assets	76,662
Net assets of business-type activities	$ 72,435,986

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, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	
Operating revenues:						
Charges for sales and services	$ 4,670,623	$ 1,798,197	$ 1,957,154	$ 2,882,285	$ 11,308,259	$ 1,129,684
Employer contributions	-	-	-	-	-	2,233,478
Employee contributions	-	-	-	-	-	199,141
Other contributions	-	-	-	-	-	148,473
Other	77,935	8,248	4,235	119,793	210,211	1,052
Total operating revenues	4,748,558	1,806,445	1,961,389	3,002,078	11,518,470	3,711,828
Operating expenses:						
Cost of sales and services:						
Personal services	1,980,381	240,209	688,101	1,670,785	4,579,476	276,908
Commodities	176,194	38,374	84,758	506,747	806,073	602,810
Contractual services	908,785	1,511,067	897,641	905,319	4,222,812	2,614,992
Administration	157,600	2,300	58,200	124,800	342,900	17,500
Depreciation	1,837,478	264,012	94,019	1,051,716	3,247,225	1,688
Total operating expenses	5,060,438	2,055,962	1,822,719	4,259,367	13,198,486	3,513,898
Operating income (loss)	(311,880)	(249,517)	138,670	(1,257,289)	(1,680,016)	197,930
Non-operating revenues (expenses):						
Intergovernmental	232	33,070	149	890,257	923,708	-
Interest revenue	17,020	-	327	8,033	25,380	4,024
Interest expense	(41,141)	(122,535)	(15,882)	-	(179,558)	-
Bond issuance costs	(11,372)	(2,600)	(358)	-	(14,330)	-
Gain (loss) on sale of capital assets	-	-	9,311	(4,781)	4,530	-
Non-operating revenues (expenses), net	(35,261)	(92,065)	(6,453)	893,509	759,730	4,024
Income (loss) before capital contributions and transfers	(347,141)	(341,582)	132,217	(363,780)	(920,286)	201,954
Capital contributions - grants	88,474	-	-	260,642	349,116	-
Transfers in	4,247,457	938,266	-	240,466	5,426,189	-
Transfers out	-	-	(200,000)	(697,819)	(897,819)	(50,516)
Change in net assets	3,988,790	596,684	(67,783)	(560,491)	3,957,200	151,438
Net assets, June 30, 2010	53,068,268	2,371,313	1,017,147	11,945,396	68,402,124	1,580,089
Net assets, June 30, 2011	$ 57,057,058	$ 2,967,997	$ 949,364	$ 11,384,905	$ 72,359,324	$ 1,731,527

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

City of Muscatine, Iowa

Reconciliation of the Change in Net Assets of Enterprise Funds to the Statement of Activities

For the Year Ended June 30, 2011

Net change in net assets in enterprise funds	$ 3,957,200
Amounts reported for proprietary activities in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of various activities internally to individual funds. Internal service fund net assets increased during the year. A portion of this increase has been allocated to business-type activities in the statement of net assets	76,662
Change in net assets of business-type activities	$ 4,033,862

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, 2011

	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	$ 4,787,656	$ 1,876,371	$ 1,949,857	$ 2,889,028	$ 11,502,912	$ -
Receipts from interfund services provided	-	-	-	-	-	3,733,377
Payments to suppliers	(1,068,785)	(1,489,029)	(801,744)	(1,098,028)	(4,457,586)	(3,064,083)
Payments to employees	(1,386,630)	(169,850)	(466,051)	(1,306,361)	(3,328,892)	(191,890)
Payments for employee benefits	(599,938)	(69,946)	(218,171)	(351,106)	(1,239,161)	(86,517)
Payments for interfund services used	(189,606)	(72,812)	(188,930)	(494,157)	(945,505)	(17,500)
Net cash provided (used) by operating activities	1,542,697	74,734	274,961	(360,624)	1,531,768	373,387
Cash flows from noncapital financing activities						
Transfers to other funds	-	-	(200,000)	(697,819)	(897,819)	(50,516)
Transfers from other funds	4,247,457	938,266	-	240,466	5,426,189	-
Advances from other funds	-	-	11,448	7,247	18,695	1,597
Advances to other funds	(11,448)	-	-	(7,247)	(18,695)	(1,597)
Repayment of advance to solid waste component unit	393,097	-	-	-	393,097	-
Repayment of advances from other funds	-	(298,488)	-	(80,909)	(379,397)	(1,239)
Repayment of advances to other funds	377,868	-	-	1,529	379,397	1,239
Subsidies from federal, state and local grants	232	33,304	4,843	872,510	910,889	-
Net cash provided (used) by noncapital financing activities	5,007,206	673,082	(183,709)	335,777	5,832,356	(50,516)
Cash flows from capital and related financing activities						
Proceeds from capital debt	2,845,299	-	-	-	2,845,299	-
Capital contributions	11,605	-	-	273,648	285,253	-
Purchase of capital assets	(7,421,071)	-	-	(492,725)	(7,913,796)	-
Principal paid on capital debt	(525,000)	(652,278)	(89,790)	-	(1,267,068)	-
Interest paid on capital debt	(479,484)	(85,988)	(11,837)	-	(577,309)	-
Proceeds from sales of capital assets	-	-	9,311	2,772	12,083	-
Net cash provided (used) by capital and related financing activities	(5,568,651)	(738,266)	(92,316)	(216,305)	(6,615,538)	-
Cash flows from investing activities						
Proceeds from sales and maturities of investments	-	-	-	531,500	531,500	-
Purchase of investments	-	-	-	(365,102)	(365,102)	-
Interest received	17,237	-	327	4,054	21,618	4,083
Net cash provided (used) by investing activities	17,237	-	327	170,452	188,016	4,083
Net increase (decrease) in cash and pooled investments	998,489	9,550	(737)	(70,700)	936,602	326,954
Cash and pooled investments, June 30, 2010	4,505,575	29,095	737	556,902	5,092,309	1,642,508
Cash and pooled investments, June 30, 2011	$ 5,504,064	$ 38,645	$ -	$ 486,202	$ 6,028,911	$ 1,969,462
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Cash flows from operating activities:						
Operating income (loss)	$ (311,880)	$ (249,517)	$ 138,670	$ (1,257,289)	$ (1,680,016)	$ 197,930
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,837,478	264,012	94,019	1,051,716	3,247,225	1,688
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	39,098	69,926	(11,574)	(115,990)	(18,540)	21,549
Intergovernmental receivable	-	-	-	-	-	-
Inventories	-	-	-	(19,198)	(19,198)	(1,915)
Increase (decrease) in:						
Accounts payable and accruals	(15,812)	(19,750)	49,925	(41,319)	(26,956)	155,635
Compensated absences payable	(14,815)	97	1,819	14,627	1,728	(2,696)
Other post-employment benefits	8,628	416	2,060	3,888	14,992	1,196
Unearned revenue	-	-	42	1,685	1,727	-
Deposits	-	-	-	1,256	1,256	-
Transfer station closure obligation	-	9,550	-	-	9,550	-
Total adjustments	1,854,577	324,251	136,291	896,665	3,211,784	175,457
Net cash provided (used) by operating activities	$ 1,542,697	$ 74,734	$ 274,961	$ (360,624)	$ 1,531,768	$ 373,387
Non-cash capital and related financing activities:						
Capitalized interest	$ 442,746	$ -	$ -	$ -	$ 442,746	$ -
Accounts payable used to purchase capital assets	(132,300)	-	-	122,770	(9,530)	-

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, 2011

	Agency Funds
Assets:	
Cash and pooled investments	$ 564,605
Accounts receivable	56,871
Advances to other funds	56,319
Total assets	677,795
Liabilities:	
Accounts payable and accruals	621,476
Advances from other funds	56,319
Total liabilities	$ 677,795

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

CITY OF MUSCATINE, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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. Accounting Change/Restatement
16. 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; 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 the 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 nonspendable account in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2011, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2010 and March 31, 2011. Any County collections on the 2010-2011 tax levy remitted to the City within sixty days subsequent to June 30, 2011, 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, 2011, 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 one year. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. Capitalized interest was $442,746 in the Water Pollution Control fund.

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 governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Finance Director.

Unassigned – All amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, then unassigned.

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, 2011, there were unspent bond proceeds totaling

$528,498 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 $1,246,865 for public works, $148,204 for employee benefits, $7,174 for public safety, and $1,228,295 for tax increment financing projects.

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, 2011, the budget was amended twice which increased expenditures in total by $490,081. The overall increase includes changes in capital project construction schedules as well as increases and decreased in various operating budgets during the year.

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. For financial reporting purposes, encumbrances outstanding at year-end are recognized and reflected as an assigned 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, 2011, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	$ 43,717
Cash in bank	234,433
Savings accounts	41,424
Money market accounts	13,644,517
Iowa Public Agency Investment Trust	1,364,132
Certificates of deposit	1,352,000
	$ 16,680,223

As of June 30, 2011 the carrying amount of the City's deposits with financial institutions totaled $15,272,374 and the bank balances were $15,315,459. 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 City has investments in IPAIT which were valued at an amortized cost of $1,364,132 pursuant to Rule 2 a-7 under the Investment Company Act of 1940.

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, 2010 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	$ 22,860,756
U.S. government securities	21,309,650
	$ 44,170,406

As of December 31, 2010 the carrying amount of MP&W's deposits with financial institutions totaled $22,858,121, and the bank balances were $22,908,662. 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, 2010, 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, 2010, 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	53.1%
Federal Home Loan Mortgage Corp.	5.8%
U.S. Treasury Bills	37.3%

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, 2010, 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	$ 8,399,050	$ 7,118,204	$ 41,396	$ 1,239,450
U.S. Treasuries	4,998,600	4,998,600	-	-
Totals	$ 13,397,650	$ 12,116,804	$ 41,396	$ 1,239,450

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, 2011 consist of the following:

Due to/Advance from	Due from/advance to: Nonmajor Governmental	Transfer Station	Refuse Collection	Nonmajor Enterprise	Internal Service	Fiduciary	Totals
Nonmajor governmental	$ 581,158	$ -	$ -	$ -	$ -	$ -	$ 581,158
Local option sales tax	896,750	-	-	-	-	-	896,750
Water pollution control	-	630,314	11,448	27,049	-	-	668,811
Nonmajor enterprise	-	-	-	7,247	-	-	7,247
Internal service	-	-	-	-	1,597	-	1,597
Fiduciary	-	-	-	-	-	56,319	56,319
Total	$ 1,477,908	$ 630,314	$ 11,448	$ 34,296	$ 1,597	$ 56,319	$ 2,211,882

The $630,314 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 $2,057,149 as of June 30, 2011. 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 238,000 tons of waste or 6.5 years of use based on projected annual waste volumes.

Interfund transfers for the year are as follows:

Transfers to	Transfers from: General	Employee Benefits	Local Option Sales Tax	Debt Service	Nonmajor Governmental	Refuse Collection	Nonmajor Enterprise	Internal Service	Totals
General	$ 59,282	$ 2,791,008	$ -	$ -	$ 2,001,093	$ -	$ 697,819	$ 50,516	$ 5,599,718
Debt service	-	-	-	-	91,225	-	-	-	91,225
Nonmajor governmental	50,019	-	512,383	-	331,742	-	-	-	894,144
Water pollution control	-	-	4,240,907	-	6,550	-	-	-	4,247,457
Transfer station	-	-	-	738,266	-	200,000	-	-	938,266
Nonmajor enterprise	240,466	-	-	-	-	-	-	-	240,466
Total	$ 349,767	$ 2,791,008	$ 4,753,290	$ 738,266	$ 2,430,610	$ 200,000	$ 697,819	$ 50,516	$ 12,011,276

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 $38,645 at June 30, 2011 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Water Pollution Control assets of $96,686 at June 30, 2011 are classified as restricted because their use is restricted under the State Revolving Fund loan.

Solid Waste Agency assets of $1,157,143, at June 30, 2011 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, 2010 was as follows:

Current accounts:	
Bond sinking fund	$ 13,296,013
Debt service reserve	7,500,767
Extraordinary operation and maintenance account	17,211,405
Communications loan sinking fund	28,019
Total restricted assets	$ 38,036,204

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

Primary government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 8,966,900	$ 95,031	$ -	$ -	$ 9,061,931
Art work	5,309,776	2,153,000	-	-	7,462,776
Construction in progress	704,044	414,078	-	-	1,118,122
Total capital assets, not being depreciated	14,980,718	2,662,109	-	-	17,642,829
Capital assets, being depreciated:					
Land improvements	16,659,382	801,234	-	-	17,460,616
Buildings	7,739,520	-	-	-	7,739,520
Building improvements	2,069,707	-	-	-	2,069,707
Equipment	4,984,462	112,295	(138,239)	21,453	4,979,971
Vehicles	4,385,635	155,788	(76,000)	-	4,465,423
Other Assets	-	22,968	-	-	22,968
Infastructure	57,016,098	861,431	-	-	57,877,529
Total capital assets, being depreciated	92,854,804	1,953,716	(214,239)	21,453	94,615,734
Less accumulated depreciation for:					
Land improvements	(7,229,710)	(719,045)	-	-	(7,948,755)
Buildings	(4,684,926)	(177,663)	-	-	(4,862,589)
Building improvements	(635,245)	(117,810)	-	-	(753,055)
Equipment	(3,030,729)	(305,876)	134,307	(21,453)	(3,223,751)
Vehicles	(3,237,043)	(242,690)	76,000	-	(3,403,733)
Other Assets	-	(2,297)	-	-	(2,297)
Infastructure	(25,145,332)	(1,629,696)	-	-	(26,775,028)
Total accumulated depreciation	(43,962,985)	(3,195,077)	210,307	(21,453)	(46,969,208)
Total capital assets, being depreciated, net	48,891,819	(1,241,361)	(3,932)	-	47,646,526
Governmental activities capital assets, net	$ 63,872,537	$ 1,420,748	$ (3,932)	$ -	$ 65,289,355

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 2,823,145	$ 350	$ -	$ 2,823,495
Construction in progress	18,915,642	4,493,490	(5,074)	23,404,058
Total capital assets, not being depreciated	21,738,787	4,493,840	(5,074)	26,227,553
Capital assets, being depreciated:				
Land improvements	12,644,742	153,876	(7,000)	12,791,618
Buildings	46,194,045	136,110	-	46,330,155
Building improvements	3,384,433	109,190	(7,429)	3,486,194
Equipment	5,460,547	323,950	(97,577)	5,665,467
Vehicles	3,529,668	81,413	(12,397)	3,598,684
Sewer system	36,447,382	3,053,709	-	39,501,091
Total capital assets, being depreciated	107,660,817	3,858,248	(124,403)	111,373,209
Less accumulated depreciation for:				
Land improvements	(9,148,936)	(560,230)	7,000	(9,702,166)
Buildings	(26,154,798)	(1,100,455)	-	(27,255,253)
Building improvements	(1,843,020)	(175,113)	743	(2,017,390)
Equipment	(2,625,946)	(348,316)	96,710	(2,856,099)
Vehicles	(1,884,261)	(303,626)	12,397	(2,175,490)
Sewer system	(11,067,978)	(759,485)	-	(11,827,463)
Total accumulated depreciation	(52,724,939)	(3,247,225)	116,850	(55,833,861)
Total capital assets, being depreciated, net	54,935,878	611,023	(7,553)	55,539,348
Business type activities capital assets, net	$ 76,674,665	$ 5,104,863	$ (12,627)	$ 81,766,901

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

Governmental activities:	
Public safety	$ 347,295
Public works	1,771,082
Culture and recreation	1,032,274
Community and economic development	3,907
General government	38,831
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,688
Total depreciation expense – governmental activities	$ 3,195,077
Business-type activities:	
Water pollution control	$ 1,837,478
Refuse collection	94,019
Transfer station	264,012
Airport	452,012
Parking	72,207
Transit	86,668
Golf course	91,781
Boat harbor	6,819
Ambulance	49,360
Public housing	292,869
Total depreciation expense – business-type activities	$ 3,247,225

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,080,608	$ -	$ -	$ 1,080,608
Total capital assets, not being depreciated	1,080,608	-	-	1,080,608
Capital assets, being depreciated:				
Land improvements	1,873,587	-	-	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	2,559,053	-	-	2,559,053
Less accumulated depreciation for:				
Land improvements	(158,564)	(257,852)	-	(416,416)
Buildings	(14,460)	(933)	-	(15,393)
Equipment	(12,917)	(1,472)	-	(14,389)
Leachate collection system	(232,704)	(19,866)	-	(252,570)
Total accumulated depreciation	(418,645)	(280,123)	-	(698,768)
Total capital assets, being depreciated, net	2,140,408	(280,123)	-	1,860,285
Solid Waste Agency capital assets, net	$ 3,221,016	$ (280,123)	$ -	$ 2,940,893

Activity for Muscatine Power & Water for the year ended December 31, 2010 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	343,820	2,842,017	(237,546)	(2,588,084)	360,207
Total capital assets, not being depreciated	3,270,741	2,842,017	(237,546)	(2,588,084)	3,287,128
Capital assets, being depreciated:					
Generation plant	327,558,492	(38,150)	(72,548)	499,626	327,947,420
Transmission and distribution plant	55,256,794	440,596	(88,784)	374,599	55,983,205
General plant	21,479,686	56,168	(407,578)	323,443	21,451,719
Source of supply	1,874,664	-	(23,757)	-	1,850,907
Pumping equipment	1,620,083	(537)	(80,091)	554,775	2,094,230
Purification equipment	1,052,164	-	(875)	-	1,051,289
Distribution system	15,959,962	48,511	(27,545)	367,978	16,348,906
Network operations plant	27,293,548	1,165,313	(1,219,199)	467,663	27,707,325
Total capital assets being depreciated	452,095,393	1,671,901	(1,920,377)	2,588,084	454,435,001
Less accumulated depreciation for:					
Generation plant	(223,873,066)	(10,622,868)	52,467	-	(234,443,467)
Transmission and distribution plant	(39,040,947)	(2,124,624)	53,199	-	(41,112,372)
General plant	(16,640,704)	(1,616,973)	427,044	-	(17,830,633)
Source of supply	(1,107,811)	(62,484)	27,197	-	(1,143,098)
Pumping equipment	(476,404)	(52,272)	91,780	-	(436,896)
Purification system	(720,294)	(28,080)	1,003	-	(747,371)
Distribution system	(4,902,414)	(350,726)	26,617	-	(5,226,523)
Network operations plant and general plant	(15,385,008)	(2,188,056)	1,180,361	-	(16,392,703)
Total accumulated depreciation	(302,146,648)	(17,046,083)	1,859,668	-	(317,333,063)
Total capital assets, being depreciated, net	149,948,745	(15,374,182)	(60,709)	2,588,084	137,101,938
Muscatine Power & Water capital assets, net	$ 153,219,486	$ (12,532,165)	$ (298,255)	$ -	$ 140,389,066
Muscatine Power & Water intangible asset	$ 2,319,410	$ -	$ (773,137)	$ -	$ 1,546,273

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The general obligation bonds outstanding as of June 30, 2011 total $16,150,803. 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, 2011 consist of the following individual issues:

	Issue Date	Amount Issued	Interest Rates	Balance 6/30/2011		Governmental Activities	Business-Type Activities
General obligation bonds							
General corporate	6/1/2003	$ 1,780,000	2.75-3.00	$ 422,944	(1)	$ 422,944	$ -
General corporate	6/1/2006	2,990,000	3.80-4.00	1,752,227	(2)	1,752,227	-
General corporate	6/1/2008	5,120,000	3.00-3.50	4,391,859	(3)	4,391,859	-
General refunding	6/1/2008	6,560,000	3.00-3.25	2,197,656	(4)	-	2,197,656
General refunding	6/1/2010	7,425,000	2.00-3.125	7,386,117	(5)	7,386,117	-
				$ 16,150,803		$ 13,953,147	$ 2,197,656

1. Net of unamoritzed discount of $2,056
2. Net of unamoritzed discount of $7,773
3. Net of unamoritzed premium of $1,859
4. Net of unamoritzed premium/deferred charges of $127,344
5. Net of unamoritzed premium of $61,117

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

Year Ending	Governmental		Business-Type	
June 30	Principal	Interest	Principal	Interest
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	1,986,456	255,513		
2017-2020	6,052,320	443,677	-	-
	$ 13,953,147	$ 2,204,564	$ 2,197,656	$ 152,751

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. This issue was retired in June 2011. Repayment of these bonds was 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 $1,734,451 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were $569,172 and $606,008, respectively.

Tax increment revenue bonds as of June 30, 2011 consist of the following issues:

	Issue Date	Amount Issued	Interest Rates	Balance June 30, 2011
Tax Increment Revenue Bonds:				
Urban Renewal Tax Increment	06/26/1997	$ 1,795,000	5.70-5.75%	$ -
Urban Renewal Tax Increment	04/23/2004	420,000	4.00-4.25%	85,000
Urban Renewal Tax Increment	06/24/2004	1,885,000	4.30-5.80%	1,245,000
				$ 1,330,000

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

Year Ending June 30	Governmental	
	Principal	Interest
2012	$ 190,000	$ 69,698
2013	105,000	61,308
2014	110,000	56,320
2015	115,000	50,930
2016	120,000	45,065
2017-2021	690,000	121,130
	$ 1,330,000	$ 404,451

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, 2011, $15,562,739 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 June 30	Business-Type		
	Principal	Interest	Fees
2012	$ 542,000	$ 479,250	$ 39,938
2013	560,000	462,990	38,583
2014	578,000	446,190	37,183
2015	597,000	428,850	35,738
2016	616,000	410,940	34,245
2017-2021	3,394,000	1,765,170	147,099
2022-2026	3,985,000	1,221,750	101,813
2027-2032	5,290,739	614,760	51,231
	$ 15,562,739	$ 5,829,900	$ 485,830

On April 15, 2010, the City entered into a State Revolving Fund (SRF) Planning and Design Loan in the amount of $108,000 for engineering design services for a sewer extension project in the northeast section of the City. As of June 30, 2011 the City had drawn down $46,621 of the loan amount. The principal of the Planning and Design Loan is payable three years from the project note date or May 5, 2013. If the City enters into an SRF construction loan for this project, the Planning and Design Loan repayment will be incorporated into the payment schedule for the permanent SRF financing for this project.

Long-term liability activity for the year ended June 30, 2011 was as follows:

Primary government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 15,402,932	$ -	$ (1,502,932)	$ 13,900,000	$ 1,270,000
Tax increment revenue bonds	1,805,000	-	(475,000)	1,330,000	190,000
Less issuance discounts	49,601	-	3,546	53,147	7,086
Total bonds payable	17,257,533	-	(1,974,386)	15,283,147	1,467,086
Compensated absences	1,227,616	707,847	(658,132)	1,277,331	647,509
Other post-employment benefits liability	69,321	45,686	-	115,007	-
Governmental activity long-term liabilities	$ 18,554,470	$ 753,533	$ (2,632,518)	$ 16,675,485	$ 2,114,595
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 3,067,068	$ -	$ (742,068)	$ 2,325,000	$ 750,000
State revolving fund loan	13,289,062	2,798,677	(525,000)	15,562,739	542,000
State revolving fund planning and design loan	-	46,621	-	46,621	-
Less issuance discounts-general obligation bonds	(169,791)	-	42,447	(127,344)	(42,447)
Total bonds payable	16,186,339	2,845,298	(1,224,621)	17,807,016	1,249,553
Compensated absences	348,262	262,470	(260,743)	349,989	185,454
Other post-employment benefits liability	26,004	14,992	-	40,996	-
Closure/post-closure obligation	29,095	9,550	-	38,645	-
Business-type activity long-term liabilities	$ 16,589,700	$ 3,132,310	$ (1,485,364)	$ 18,236,646	$ 1,435,007

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 $40,447, 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, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 758	$ 1,029	$ (952)	$ 835	$ 706
Closure/post-closure obligation	2,590,026	-	(193,382)	2,396,644	-
Total liabilities	$ 2,590,784	$ 1,029	$ (194,334)	$ 2,397,479	$ 706

Activity for Muscatine Power & Water for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2001 revenue bonds	$ 37,785,000	$ -	$ (11,930,000.0)	$ 25,855,000
Unamortized portion of deferred loss on refundings	(213,378)	-	141,008	(72,370)
Unamortized portion of revenue bond premiums	230,225	-	(156,554)	73,671
State revolving fund loan	7,407	257,689	-	265,096
Note payable to bank	888,000	3,912,000	-	4,800,000
Post-employment health benefit provision	-	150,721	-	150,721
Total long-term debt	38,697,254	$ 4,320,410	$ (11,945,546)	31,072,118
Less current installments	11,930,000			12,617,000
Long-term debt, net of current portion	$ 26,767,254			$ 18,455,118

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.

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, 2010, the communications utility borrowed the entire $4,800,000.

At December 31, 2010, 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,				
2011	$ 12,585,000	$ 1,075,938	$ -	$ 140,818
2012	13,270,000	364,925	885,000	204,803
2013	-	-	915,000	162,502
2014	-	-	960,000	118,440
2015	-	-	1,005,000	72,263
2016-2020	-	-	1,035,000	24,322
	$ 25,855,000	$ 1,440,863	$ 4,800,000	$ 723,148

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 $40,635,000 at December 31, 2010. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2010 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 2010 and electric utility net revenues are as follows:

Principal and interest paid	$13,680,100
Net revenues	17,098,235

Annual future principal and interest payments are expected to require 80% of electric utility net 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.

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 $2,396,644 reported as landfill closure and post closure care liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 65.45% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of $1,264,896 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 2011. The Agency expects the currently-permitted landfill property to reach its capacity in 2030. 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 4.5% of their annual covered salary and the City was required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were $507,528, $470,940, and $424,711 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, 2011 was 19.90% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2011, 2010 and 2009 were $778,181, $654,034, and $689,566, 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 former police chief of the City who retired in December of 2010 took this option. Therefore, during the year the City contributed a total of $4,773 to this retirement program for the former police chief. The City's contribution rate was comparable to the FICA and IPERS rates for other City employees.

NOTE 10. DEFICIT FUND EQUITY

Two of the City's funds had fund balance deficits as of June 30, 2011. These funds and the amount of the deficits are as follows:

Fund	Deficit Amount
Non-major capital projects:	
Other street improvements	$ 852,082
Riverfront improvement projects	507,927

These deficits are not considered a violation of any law, and are expected to be eliminated through future operations.

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

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

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

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

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

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2011, the City contributed $96,556, which was net of retiree premiums received of $148,473.

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	$	156,774
Interest on net OPEB obligation		4,862
Adjustment to annual required contribution		(6,326)
Annual OPEB cost (expense)		155,310
Contributions and payments made		96,556
Increase in net OPEB obligation		58,754
Net OPEB obligation – July 1, 2010		97,249
Net OPEB obligation – June 30, 2011	$	156,003

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, 2011 and the two preceding years 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
June 30, 2011	155,310	62.17%	156,003

Funded status and funding progress: As of July 1, 2010 the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,302,300 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of $1,302,300. The covered payroll (annual payroll of active employees covered by the plan) was $9,966,290 and the ratio of the UAAL to the covered payroll was 13 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 3 percent salary increase, 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 6 percent declining 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 $3,625,000 as of June 30, 2011.

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 $2,808,000 for 2011. 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 $257,858 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, 2011 and 2010 are summarized as follows:

Liabilities at July 1, 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
Claims and changes in estimates during fiscal year 2011	2,055,789
Claim payments	(1,945,542)
Liabilities at June 30, 2011	$ 257,858

NOTE 14. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2011, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control, and Airport funds. The remaining commitment on these contracts as of June 30, 2011, is $5,302,042.

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 2012 is set at $76,300.

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 tons 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 has agreed to reimburse the utility for any unrecovered capital improvements. The contract was amended in 2007 to add an additional ten years to the agreement. The amendment obligates the customer to certain environmental capital costs (approximately $2 million) and ongoing 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 $490,000. As of December 31, 2010, approximately $458,000 of this amount has been expended.

NOTE 15. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is shown in the table below. The City's Equipment Replacement, Computer Replacement, Emergency Tax Levy, and Insurance fund were formerly accounted for as non-major special revenue funds. With the implementation of this statement, they are now included in the General fund.

	General	Other Governmental Funds
Fund balance June 30, 2010, as previously reported	$ 1,875,767	$ 6,034,783
Change in fund type classification per implementation of GASB Statement No. 54	212,929	(212,929)
Fund balance July 1, 2010, as restated	$ 2,088,696	$ 5,821,854

NOTE 16. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STATEMENTS

The City adopted the following statements during the year ended June 30, 2011:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The adoption of this statement had the effect as described in the Fund Equity section of Note 1 to the basic financial statements. The City also reclassified the fund balances for several governmental funds and restated the General Fund and Other Governmental fund balances by $212,929 as a result of the implementation of this Statement. These changes are described in Note 15.

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010. This Statement updates and improves 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 adoption of this statement required additional disclosures for the City.

As of June 30, 2011, the GASB had issued several statements not yet implemented by the City. The statements which might impact the City are on the following page.

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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of

resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the City beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (*a*) the collectability of swap payments is considered to be probable, (*b*) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (*c*) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final Budget to Actual Variance
				Original	Final	
Revenues:						
Taxes:						
Property	$ 11,689,172	$ -	$ 11,689,172	$ 11,692,917	$ 11,692,917	$ (3,745)
Tax increment financing	771,639	-	771,639	764,000	772,018	(379)
Other city taxes	3,331,418	-	3,331,418	3,265,307	3,249,207	82,211
Licenses and permits	271,372	23,097	294,469	338,900	292,200	2,269
Use of money and property	205,724	686,560	892,284	1,078,930	997,400	(105,116)
Intergovernmental	5,911,394	1,371,903	7,283,297	8,904,960	8,150,374	(867,077)
Charges for services	444,456	11,767,896	12,212,352	12,255,800	12,105,100	107,252
Miscellaneous	1,648,032	2,821,434	4,469,466	4,656,250	4,780,100	(310,634)
Total revenues	24,273,207	16,670,890	40,944,097	42,957,064	42,039,316	(1,095,219)
Expenditures:						
Public safety	7,041,234	-	7,041,234	7,138,800	7,255,700	(214,466)
Public works	2,266,789	-	2,266,789	2,292,300	2,403,900	(137,111)
Health and social service	17,800	-	17,800	17,800	17,800	-
Culture and recreation	3,019,642	-	3,019,642	3,030,350	3,087,178	(67,536)
Community and economic development	3,009,853	-	3,009,853	3,019,124	3,086,008	(76,155)
General government	2,008,341	-	2,008,341	2,043,800	2,093,419	(85,078)
Debt service	3,399,221	-	3,399,221	3,242,274	3,399,472	(251)
Capital projects	4,539,832	-	4,539,832	5,598,000	5,805,490	(1,265,658)
Business type activities	-	21,936,753	21,936,753	25,228,127	24,951,689	(3,014,936)
Total expenditures	25,302,712	21,936,753	47,239,465	51,610,575	52,100,656	(4,861,191)
Revenues over (under) expenditures	(1,029,505)	(5,265,863)	(6,295,368)	(8,653,511)	(10,061,340)	3,765,972
Other financing sources (uses):						
Proceeds of long term debt	-	2,845,299	2,845,299	2,338,000	3,785,438	(940,139)
Proceeds of capital asset sales	-	11,216	11,216	-	-	11,216
Transfers in	7,051,902	6,444,063	13,495,965	15,271,525	15,623,083	(2,127,118)
Transfers out	(10,569,741)	(2,926,224)	(13,495,965)	(15,271,525)	(15,623,083)	2,127,118
Total other financing sources (uses)	(3,517,839)	6,374,354	2,856,515	2,338,000	3,785,438	(928,923)
Net change in fund balances	(4,547,344)	1,108,491	(3,438,853)	(6,315,511)	(6,275,902)	2,837,049
Fund balances, June 30, 2010	11,851,507	7,805,274	19,656,781	18,778,024	19,656,392	389
Fund balances, June 30, 2011	$ 7,304,163	$ 8,913,765	$ 16,217,928	$ 12,462,513	$ 13,380,490	$ 2,837,438

See notes to Required Supplementary Information.

City of Muscatine, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

For the Year Ended June 30, 2011

	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	$ 24,273,207	$ 115,120	$ 24,388,327	$ 16,670,890	$ (133,834)	$ 16,537,056
Expenditures/expenses	25,302,712	(896,309)	24,406,403	21,936,753	(5,030,481)	16,906,272
Net	(1,029,505)	1,011,429	(18,076)	(5,265,863)	4,896,647	(369,216)
Other financing sources (uses), net	(3,517,839)	(960,015)	(4,477,854)	6,374,354	(1,896,500)	4,477,854
Beginning fund balances/net assets	11,851,507	145,194	11,996,701	7,805,274	62,176,957	69,982,213
Ending fund balances/net assets	$ 7,304,163	$ 196,608	$ 7,500,771	$ 8,913,765	$ 65,177,104	$ 74,090,851

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%
2010	7-1-2008	-	1,437,500	1,437,500	0%	9,589,347	15.0%
2011	7-1-2010	-	1,302,300	1,302,300	0%	9,966,290	13.1%

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, 2011

NOTE 1. Basis of Budgeting

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

NOTE 2. Budget Functions

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds and certain Permanent and Internal Service Funds. Although the budget document presents expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements in total by $490,081. This overall increase is primarily due to changes in capital project construction schedules and increases in the public works and public safety functions. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011 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 valuations as of July 1, 2008 and July 1, 2010. 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 in the July 1, 2010 valuation are as follows: health care cost trend rate of 6% for year one and 5% for year two and after, an investment return rate of 5.0%, and a 3% annual salary increase.
4. The amortization method is open period, level dollar.

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.

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.

SUNSET PARK EDUCATION PROGRAM – Accounts for the children's after school education program at the Sunset Park public housing apartment complex.

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.

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.

HEINZ TAX INCREMENT – Accounts for incremental taxes from the Industrial/Heinz 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.

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 capital 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 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, 2011

	Special Revenue	Capital Projects	Permanent	Totals
Assets:				
Cash and pooled investments	$ 2,228,149	$ 58,319	$ 42,587	$ 2,329,055
Investments	498,819	-	972,000	1,470,819
Receivables (net of allowance for uncollectibles):				
Interest	1,207	-	9,925	11,132
Taxes	808,446	-	-	808,446
Intergovernmental	498,497	859,321	-	1,357,818
Accounts	4,609	37,839	490	42,938
Advances to other funds	55,952	515,475	9,731	581,158
Total assets	4,095,679	1,470,954	1,034,733	6,601,366
Liabilities and fund balances				
Liabilities:				
Accounts payable and accruals	36,131	584,685	18,932	639,748
Retainages payable	-	28,226	-	28,226
Advances from other funds	55,952	1,412,225	9,731	1,477,908
Escrow liability	858	-	-	858
Deferred revenue	816,565	352,539	-	1,169,104
Total liabilities	909,506	2,377,675	28,663	3,315,844
Fund balances:				
Nonspendable:				
Advances to other funds	55,952	515,475	9,731	581,158
Permanent fund principal	-	-	959,600	959,600
Restricted for:				
Grant purposes	844,240	-	-	844,240
Housing assistance payments	270,869	-	-	270,869
Tax levy purposes	1,228,295	-	-	1,228,295
Housing and community development	93,337	-	-	93,337
Law enforcement	7,174	-	-	7,174
Art center	385,311	-	2,878	388,189
Library	247,785	-	-	247,785
Parks and recreation	53,210	-	-	53,210
Cemetery	-	-	33,861	33,861
Community development projects	-	12,725	-	12,725
Building improvement projects	-	63,894	-	63,894
Parks and recreation projects	-	40,103	-	40,103
Unassigned	-	(1,538,918)	-	(1,538,918)
Total fund balances	3,186,173	(906,721)	1,006,070	3,285,522
Total liabilities and fund balances	$ 4,095,679	$ 1,470,954	$ 1,034,733	$ 6,601,366

City of Muscatine, Iowa

Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	Special Revenue	Capital Projects	Permanent	Totals
Revenues:				
Taxes:				
Property	$ 771,639	$ -	$ -	$ 771,639
Intergovernmental	4,314,778	1,085,485	-	5,400,263
Use of money and property	10,826	3,294	26,882	41,002
Other	156,537	109,268	7,850	273,655
Total revenues	5,253,780	1,198,047	34,732	6,486,559
Expenditures:				
Current:				
Public safety	3,950	-	-	3,950
Culture and recreation	90,554	-	19,047	109,601
Community and economic development	2,248,321	-	-	2,248,321
Debt service:				
Principal	475,000	-	-	475,000
Interest	94,172	-	-	94,172
Capital outlay:				
Public safety	-	319,695	-	319,695
Public works	-	3,758,952	-	3,758,952
Culture and recreation	5,611	207,118	9,938	222,667
Community and economic development	-	232,785	-	232,785
General government	-	21,282	-	21,282
Total expenditures	2,917,608	4,539,832	28,985	7,486,425
Revenues over (under) expenditures	2,336,172	(3,341,785)	5,747	(999,866)
Other financing sources (uses):				
Transfers in	-	894,144	-	894,144
Transfers out	(2,392,711)	(14,287)	(23,612)	(2,430,610)
Total other financing sources (uses)	(2,392,711)	879,857	(23,612)	(1,536,466)
Net change in fund balances	(56,539)	(2,461,928)	(17,865)	(2,536,332)
Fund balances, June 30, 2010, as restated	3,242,712	1,555,207	1,023,935	5,821,854
Fund balances, June 30, 2011	$ 3,186,173	$ (906,721)	$ 1,006,070	$ 3,285,522

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2011

	Community Development Block Grant	1st Time Home Owners Program	Road Use Tax	Section 8 Housing Program	Sunset Park Education Program	Police Forfeitures	Downtown Tax Increment	Southend Tax Increment	Cedar Development Tax Increment	Muscatine Mall Tax Increment	Heinz Tax Increment	Art Center Special Funds	Library Special Funds	Parks Donations	Total
Assets:															
Cash and pooled investments	$ -	$ 50,664	$ 348,747	$ 77,782	$ 4,775	$ 7,174	$ 81,062	$ 1,125,941	$ 9,117	$ 1,729	$ -	$ 216,313	$ 251,635	$ 53,210	$ 2,228,149
Investments	-	-	-	318,819	-	-	-	-	-	-	-	180,000	-	-	498,819
Receivables (net of allowance for uncollectibles):															
Interest	-	-	-	3	-	-	-	-	-	-	-	1,204	-	-	1,207
Taxes	-	-	-	-	-	-	210,000	410,446	160,000	14,000	14,000	-	-	-	808,446
Accounts	-	2,500	-	2,109	-	-	-	-	-	-	-	-	-	-	4,609
Intergovernmental	88,562	3,156	406,779	-	-	-	-	-	-	-	-	-	-	-	498,497
Advances to other funds	-	55,952	-	-	-	-	-	-	-	-	-	-	-	-	55,952
Total assets	88,562	112,272	755,526	398,713	4,775	7,174	291,062	1,536,387	169,117	15,729	14,000	397,517	251,635	53,210	4,095,679
Liabilities and fund balances															
Liabilities:															
Accounts payable and accruals	-	-	-	19,707	368	-	-	-	-	-	-	12,206	3,850	-	36,131
Advances from other funds	55,952	-	-	-	-	-	-	-	-	-	-	-	-	-	55,952
Escrow liability	-	-	-	858	-	-	-	-	-	-	-	-	-	-	858
Deferred revenue	-	-	-	18,565	-	-	210,000	400,000	160,000	14,000	14,000	-	-	-	816,565
Total liabilities	55,952	-	-	39,130	368	-	210,000	400,000	160,000	14,000	14,000	12,206	3,850	-	909,506
Fund balances:															
Nonspendable:															
Advances to other funds	-	55,952	-	-	-	-	-	-	-	-	-	-	-	-	55,952
Restricted for:															
Grant purposes	-	-	755,526	88,714	-	-	-	-	-	-	-	-	-	-	844,240
Housing assistance payments	-	-	-	270,869	-	-	-	-	-	-	-	-	-	-	270,869
Tax levy purposes	-		-	-	-	-	81,062	1,136,387	9,117	1,729	-	-	-	-	1,228,295
Housing and community development	32,610	56,320	-	-	4,407	-	-	-	-	-	-	-	-	-	93,337
Law enforcement	-	-	-	-	-	7,174	-	-	-	-	-	-	-	-	7,174
Art center	-	-	-	-	-	-	-	-	-	-	-	385,311	-	-	385,311
Library	-	-	-	-	-	-	-	-	-	-	-	-	247,785	-	247,785
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	53,210	53,210
Total fund balances	32,610	112,272	755,526	359,583	4,407	7,174	81,062	1,136,387	9,117	1,729	-	385,311	247,785	53,210	3,186,173
Total liabilities and fund balances	$ 88,562	$ 112,272	$ 755,526	$ 398,713	$ 4,775	$ 7,174	$ 291,062	$ 1,536,387	$ 169,117	$ 15,729	$ 14,000	$ 397,517	$ 251,635	$ 53,210	$ 4,095,679

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	Community Development Block Grant	1st Time Home Owners Program	Road Use Tax	Section 8 Housing Program	Sunset Park Education Program	Police Forfeitures	Downtown Tax Increment	Southend Tax Increment	Cedar Develop Tax Increment	Musc Mall Tax Increment	Art Center Special Funds	Library Special Funds	Parks Donations	Total
Revenues:														
Taxes:														
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ 201,988	$ 404,020	$ 151,492	$ 14,139	$ -	$ -	$ -	$ 771,639
Intergovernmental:														
HUD grants	-	-	-	1,840,953	-	-	-	-	-	-	-	-	-	1,840,953
Road use tax	-	-	2,120,247	-	-	-	-	-	-	-	-	-	-	2,120,247
Federal grants	210,697	9,769	-	-	-	-	-	-	-	-	-	-	-	220,466
State grants	-	-	120,620	-	-	-	-	-	-	-	-	12,492	-	133,112
Interest	-	243	-	574	-	17	944	2,437	53	6	5,939	495	118	10,826
Other:														
Donations	-	5,000	-	-	6,215	-	-	-	-	-	57,458	57,130	-	125,803
Miscellaneous	5,000	-	-	11,774	3,900	501	-	1,500	-	-	-	8,059	-	30,734
Total revenues	215,697	15,012	2,240,867	1,853,301	10,115	518	202,932	407,957	151,545	14,145	63,397	78,176	118	5,253,780
Expenditures:														
Current:														
Public safety	-	-	-	-	-	3,950	-	-	-	-	-	-	-	3,950
Culture and recreation	-	-	-	-	-	-	-	-	-	-	63,141	21,180	6,233	90,554
Community and economic development	-	33,581	-	1,799,418	5,708	-	57,127	190,060	147,654	14,773	-	-	-	2,248,321
Capital outlay:														
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	5,611	-	5,611
Debt service:														
Principal	-	-	-	-	-	-	375,000	100,000	-	-	-	-	-	475,000
Interest	-	-	-	-	-	-	23,787	70,385	-	-	-	-	-	94,172
Total expenditures	-	33,581	-	1,799,418	5,708	3,950	455,914	360,445	147,654	14,773	63,141	26,791	6,233	2,917,608
Revenues over (under) expenditures	215,697	(18,569)	2,240,867	53,883	4,407	(3,432)	(252,982)	47,512	3,891	(628)	256	51,385	(6,115)	2,336,172
Other financing sources (uses):														
Transfers out	(210,697)	-	(2,079,239)	-	-	-	(92,725)	(10,050)	-	-	-	-	-	(2,392,711)
Total other financing sources (uses)	(210,697)	-	(2,079,239)	-	-	-	(92,725)	(10,050)	-	-	-	-	-	(2,392,711)
Net change in fund balances	5,000	(18,569)	161,628	53,883	4,407	(3,432)	(345,707)	37,462	3,891	(628)	256	51,385	(6,115)	(56,539)
Fund balances, June 30, 2010, as restated	27,610	130,841	593,898	305,700	-	10,606	426,769	1,098,925	5,226	2,357	385,055	196,400	59,325	3,242,712
Fund balances, June 30, 2011	$ 32,610	$ 112,272	$ 755,526	$ 359,583	$ 4,407	$ 7,174	$ 81,062	$ 1,136,387	$ 9,117	$ 1,729	$ 385,311	$ 247,785	$ 53,210	$ 3,186,173

City of Muscatine, Iowa

Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2011

	Community Development Improvements	Street and Sidewalk Improvements	Other Street Improvements	Riverfront Improvement Projects	Other Public Improvements	Total
Assets:						
Cash and pooled investments	$ 4,111	$ 15,147	$ 8,315	$ 7,509	$ 23,237	$ 58,319
Receivables:						
Intergovernmental	-	-	347,182	316,989	195,150	859,321
Accounts	37,839	-	-	-	-	37,839
Advances to other funds	-	291,603	-	-	223,872	515,475
Total assets	41,950	306,750	355,497	324,498	442,259	1,470,954
Liabilities and fund balances						
Liabilities:						
Accounts payable	7,181	184,801	265,200	22,005	105,498	584,685
Retainages payable	-	9,255	10,079	-	8,892	28,226
Deferred revenue	-	-	35,550	316,989	-	352,539
Advances from other funds	22,044	-	896,750	493,431	-	1,412,225
Total liabilities	29,225	194,056	1,207,579	832,425	114,390	2,377,675
Fund balances:						
Nonspendable:						
Advances to other funds	-	291,603	-	-	223,872	515,475
Restricted for:						
Community development projects	12,725	-	-	-	-	12,725
Building improvement projects	-	-	-	-	63,894	63,894
Parks and recreation projects	-	-	-	-	40,103	40,103
Unassigned	-	(178,909)	(852,082)	(507,927)	-	(1,538,918)
Total fund balances	12,725	112,694	(852,082)	(507,927)	327,869	(906,721)
Total liabilities and fund balances	$ 41,950	$ 306,750	$ 355,497	$ 324,498	$ 442,259	$ 1,470,954

City of Muscatine, Iowa

Non-Major Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	Community Development Improvements	Street and Sidewalk Improvements	Other Street Improvements	Riverfront Improvement Projects	Other Public Improvements	Total
Revenues:						
Intergovernmental:						
Federal grants	$ -	$ -	$ 695,213	$ 73,018	$ -	$ 768,231
State grants	-	-	-	-	317,254	317,254
Interest	-	470	425	1,600	799	3,294
Other:						
Contributions	3,000	50,000	-	4,000	1,389	58,389
Reimbursement of costs	50,879	-	-	-	-	50,879
Total revenues	53,879	50,470	695,638	78,618	319,442	1,198,047
Expenditures:						
Capital outlay:						
Public safety	-	-	-	-	319,695	319,695
Public works	-	783,968	1,622,805	1,352,179	-	3,758,952
Culture and recreation	-	-	-	194,628	12,490	207,118
Community and economic development	232,785	-	-	-	-	232,785
General government	-	-	-	-	21,282	21,282
Total expenditures	232,785	783,968	1,622,805	1,546,807	353,467	4,539,832
Revenues over (under) expenditures	(178,906)	(733,498)	(927,167)	(1,468,189)	(34,025)	(3,341,785)
Other financing sources (uses):						
Transfers in	196,835	643,313	1,921	52,075	-	894,144
Transfers out	(2,056)	(1,921)	-	-	(10,310)	(14,287)
Total other financing sources (uses)	194,779	641,392	1,921	52,075	(10,310)	879,857
Net change in fund balances	15,873	(92,106)	(925,246)	(1,416,114)	(44,335)	(2,461,928)
Fund balances (deficits), June 30, 2010	(3,148)	204,800	73,164	908,187	372,204	1,555,207
Fund balances (deficits), June 30, 2011	$ 12,725	$ 112,694	$ (852,082)	$ (507,927)	$ 327,869	$ (906,721)

City of Muscatine, Iowa

Non-Major Permanent Funds
Combining Balance Sheet
June 30, 2011

	McWhirter-Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
Assets:					
Cash and pooled investments	$ 42,477	$ 110	$ -	$ -	$ 42,587
Investments	60,000	827,000	-	85,000	972,000
Receivables:					
Interest	401	-	9,343	181	9,925
Accounts	-	490	-	-	490
Advances to other funds	388	9,343	-	-	9,731
Total assets	103,266	836,943	9,343	85,181	1,034,733
Liabilities and fund balances					
Liabilities:					
Accounts payable	-	-	-	18,932	18,932
Advances from other funds	-	-	9,343	388	9,731
Total liabilities	-	-	9,343	19,320	28,663
Fund balances:					
Nonspendable:					
Advances to other funds	388	9,343	-	-	9,731
Permanent fund principal	100,000	827,600	-	32,000	959,600
Restricted for:					
Cemetery	-	-	-	33,861	33,861
Art center	2,878	-	-	-	2,878
Total fund balances	103,266	836,943	-	65,861	1,006,070
Total liabilities and fund balances	$ 103,266	$ 836,943	$ 9,343	$ 85,181	$ 1,034,733

City of Muscatine, Iowa

Non-Major Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	McWhirter-Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
Revenues:					
Cemetery perpetual care	$ -	$ 7,850	$ -	$ -	$ 7,850
Interest	1,924	-	23,612	1,346	26,882
Total revenues	1,924	7,850	23,612	1,346	34,732
Expenditures:					
Current:					
Culture and recreation	3,650	-	-	15,397	19,047
Capital outlay:					
Culture and recreation	-	-	-	9,938	9,938
Total expenditures	3,650	-	-	25,335	28,985
Revenues over (under) expenditures	(1,726)	7,850	23,612	(23,989)	5,747
Other financing uses:					
Transfers out	-	-	(23,612)	-	(23,612)
Net change in fund balances	(1,726)	7,850	-	(23,989)	(17,865)
Fund balances, June 30, 2010	104,992	829,093	-	89,850	1,023,935
Fund balances, June 30, 2010	$ 103,266	$ 836,943	$ -	$ 65,861	$ 1,006,070

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Net Assets
June 30, 2011

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor	Marina Operations	Ambulance Operations	Public Housing	Total
Assets:									
Current assets:									
Cash and pooled investments	$ -	$ 90,227	$ 46,850	$ 86,284	$ -	$ 1,068	$ 257,217	$ 4,556	$ 486,202
Investments	-	-	-	-	-	-	-	832,142	832,142
Receivables (net of allowance for uncollectibles):									
Interest	-	-	-	-	-	-	-	4,667	4,667
Accounts	16,676	1,060	15,625	2,985	1,001	386	220,055	7,907	265,695
Intergovernmental:									
Federal	23,978	-	48,992	-	-	-	-	-	72,970
State	102,316	-	-	-	-	-	-	-	102,316
County	-	-	-	-	-	-	9,602	-	9,602
Due from other funds	-	7,247	-	-	-	-	-	-	7,247
Inventories	-	-	-	33,981	-	5,824	-	-	39,805
Prepaid items	-	-	-	4,400	-	-	-	-	4,400
Total current assets	142,970	98,534	111,467	127,650	1,001	7,278	486,874	849,272	1,825,046
Noncurrent assets:									
Capital assets:									
Land	1,408,973	579,686	-	80,000	-	-	-	105,000	2,173,659
Land improvements	8,878,166	1,288,350	-	1,102,678	206,105	-	-	123,296	11,598,595
Buildings and building improvements	1,606,025	-	14,231	785,533	-	-	-	8,014,403	10,420,192
Equipment	143,422	42,370	6,054	391,194	-	-	72,423	111,847	767,310
Vehicles	117,342	-	688,490	14,784	-	-	603,820	58,154	1,482,590
Construction in progress	167,354	-	-	-	-	-	-	-	167,354
Less accumulated depreciation	(7,889,648)	(546,137)	(403,932)	(1,311,785)	(157,309)	-	(442,949)	(5,777,589)	(16,529,349)
Total capital assets net of accumulated depreciation	4,431,634	1,364,269	304,843	1,062,404	48,796	-	233,294	2,635,111	10,080,351
Total noncurrent assets	4,431,634	1,364,269	304,843	1,062,404	48,796	-	233,294	2,635,111	10,080,351
Total assets	4,574,604	1,462,803	416,310	1,190,054	49,797	7,278	720,168	3,484,383	11,905,397
Liabilities:									
Current liabilities:									
Accounts payable and accruals	117,546	294	3,143	37,709	1,902	6,435	20,181	103,660	290,870
Retainages payable	5,987	-	-	-	-	-	-	-	5,987
Compensated absences payable	-	7,655	15,650	8,433	296	-	4,310	19,551	55,895
Due to other funds	27,049	-	-	-	7,247	-	-	-	34,296
Deposits	-	-	-	-	-	-	-	42,381	42,381
Unearned revenue	3,354	25,045	560	8,643	-	-	-	2,066	39,668
Total current liabilities	153,936	32,994	19,353	54,785	9,445	6,435	24,491	167,658	469,097
Noncurrent liabilities:									
Compensated absences	-	6,856	4,784	6,524	43	-	3,059	20,613	41,879
Other post-employment benefits	-	1,248	936	2,340	-	-	780	4,212	9,516
Total noncurrent liabilities	-	8,104	5,720	8,864	43	-	3,839	24,825	51,395
Total liabilities	153,936	41,098	25,073	63,649	9,488	6,435	28,330	192,483	520,492
Net assets:									
Invested in capital assets, net of related debt	4,431,634	1,364,269	304,843	1,062,404	48,796	-	233,294	2,635,111	10,080,351
Unrestricted	(10,966)	57,436	86,394	64,001	(8,487)	843	458,544	656,789	1,304,554
Total net assets	$ 4,420,668	$ 1,421,705	$ 391,237	$ 1,126,405	$ 40,309	$ 843	$ 691,838	$ 3,291,900	$ 11,384,905

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor	Marina Operations	Ambulance Operations	Public Housing	Total
Operating revenues:									
Charges for sales and services:									
Charges for services	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,321,352	$ -	$ 1,321,352
Parking fees	-	174,948	-	-	-	-	-	-	174,948
Transit fees	-	-	168,175	-	-	-	-	-	168,175
Golf course fees	-	-	-	748,331	-	-	-	-	748,331
Boat harbor fees	-	-	-	-	25,813	-	-	-	25,813
Management fees	8,800	-	-	-	-	-	-	-	8,800
Rents	26,038	-	-	-	-	-	-	408,828	434,866
Other	2,995	743	829	25,607	1,525	13,473	39,298	35,323	119,793
Total operating revenues	37,833	175,691	169,004	773,938	27,338	13,473	1,360,650	444,151	3,002,078
Operating expenses:									
Cost of sales and services:									
Personal services	-	150,410	630,713	336,686	12,966	1,535	127,966	410,509	1,670,785
Commodities	3,323	2,355	110,418	213,115	1,294	10,758	75,575	89,909	506,747
Contractual services	103,094	5,676	178,094	134,113	3,428	509	150,587	329,818	905,319
Administration	7,700	19,300	15,600	45,800	4,800	-	31,600	-	124,800
Depreciation	452,012	72,207	86,668	91,781	6,819	-	49,360	292,869	1,051,716
Total operating expenses	566,129	249,948	1,021,493	821,495	29,307	12,802	435,088	1,123,105	4,259,367
Operating income (loss)	(528,296)	(74,257)	(852,489)	(47,557)	(1,969)	671	925,562	(678,954)	(1,257,289)
Non-operating revenues (expenses):									
Federal, state and local grants	-	-	527,982	-	-	-	-	362,275	890,257
Interest revenue	-	182	83	315	-	-	632	6,821	8,033
Gain (loss) on sale of capital assets	-	-	-	1,905	-	-	-	(6,686)	(4,781)
Non-operating revenues (expenses), net	-	182	528,065	2,220	-	-	632	362,410	893,509
Income (loss) before capital contributions and transfers	(528,296)	(74,075)	(324,424)	(45,337)	(1,969)	671	926,194	(316,544)	(363,780)
Capital contributions - grants	260,642	-	-	-	-	-	-	-	260,642
Transfers in	60,325	-	180,141	-	-	-	-	-	240,466
Transfers out	-	-	-	-	-	-	(697,819)	-	(697,819)
Change in net assets	(207,329)	(74,075)	(144,283)	(45,337)	(1,969)	671	228,375	(316,544)	(560,491)
Net assets, June 30, 2010	4,627,997	1,495,780	535,520	1,171,742	42,278	172	463,463	3,608,444	11,945,396
Net assets, June 30, 2011	$ 4,420,668	$ 1,421,705	$ 391,237	$ 1,126,405	$ 40,309	$ 843	$ 691,838	$ 3,291,900	$ 11,384,905

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2011

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor	Marina Operations	Ambulance Operations	Public Housing	Total
Cash flows from operating activities									
Receipts from customers and users	$ 38,515	$ 177,545	$ 163,637	$ 774,592	$ 26,776	$ 13,746	$ 1,239,848	$ 454,369	$ 2,889,028
Payments to suppliers	(129,115)	(7,911)	(38,906)	(363,238)	(4,600)	(9,675)	(220,944)	(323,639)	(1,098,028)
Payments to employees	-	(115,930)	(513,099)	(253,778)	(10,289)	(1,369)	(102,630)	(309,266)	(1,306,361)
Payments for employee benefits	-	(31,236)	(114,156)	(76,743)	(2,614)	(105)	(21,961)	(104,291)	(351,106)
Payments for interfund services used	(11,213)	(19,300)	(264,273)	(48,223)	(4,800)	-	(61,928)	(84,420)	(494,157)
Net cash provided (used) by operating activities	(101,813)	3,168	(766,797)	32,610	4,473	2,597	832,385	(367,247)	(360,624)
Cash flows from noncapital financing activities									
Transfers to other funds	-	-	-	-	-	-	(697,819)	-	(697,819)
Transfers from other funds	60,325	-	180,141	-	-	-	-	-	240,466
Advances from other funds	-	-	-	-	7,247	-	-	-	7,247
Advances to other funds	-	(7,247)	-	-	-	-	-	-	(7,247)
Repayment of advances from other funds	(79,380)	-	-	-	-	(1,529)	-	-	(80,909)
Repayment of advances to other funds	-	1,529	-	-	-	-	-	-	1,529
Subsidies from federal, state and local grants	-	-	509,228	-	-	-	-	363,282	872,510
Net cash provided (used) by noncapital financing activities	(19,055)	(5,718)	689,369	-	7,247	(1,529)	(697,819)	363,282	335,777
Cash flows from capital and related financing activities									
Capital contributions	273,648	-	-	-	-	-	-	-	273,648
Purchase of capital assets	(152,780)	(10,000)	-	(33,028)	(16,944)	-	(114,043)	(165,930)	(492,725)
Proceeds from sales of capital assets	-	-	-	2,772	-	-	-	-	2,772
Net cash provided (used) by capital and related financing activities	120,868	(10,000)	-	(30,256)	(16,944)	-	(114,043)	(165,930)	(216,305)
Cash flows from investing activities									
Proceeds from sales and maturities of investments	-	-	-	-	-	-	-	531,500	531,500
Purchase of investments	-	-	-	-	-	-	-	(365,102)	(365,102)
Interest received	-	182	83	315	-	-	632	2,842	4,054
Net cash provided (used) by investing activities	-	182	83	315	-	-	632	169,240	170,452
Net increase (decrease) in cash and pooled investments	-	(12,368)	(77,345)	2,669	(5,224)	1,068	21,155	(655)	(70,700)
Cash and pooled investments, June 30, 2010	-	102,595	124,195	83,615	5,224	-	236,062	5,211	556,902
Cash and pooled investments, June 30, 2011	$ -	$ 90,227	$ 46,850	$ 86,284	$ -	$ 1,068	$ 257,217	$ 4,556	$ 486,202
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Cash flows from operating activities:									
Operating income (loss)	$ (528,296)	$ (74,257)	$ (852,489)	$ (47,557)	$ (1,969)	$ 671	$ 925,562	$ (678,954)	$ (1,257,289)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	452,012	72,207	86,668	91,781	6,819	-	49,360	292,869	1,051,716
Changes in assets and liabilities:									
(Increase) decrease in:									
Accounts receivable	68	917	(5,283)	149	(562)	273	(120,801)	9,249	(115,990)
Inventories	-	-	-	(15,883)	-	(3,315)	-	-	(19,198)
Increase (decrease) in:									
Accounts payable and accruals	(26,211)	120	933	(2,550)	123	4,968	(25,111)	6,409	(41,319)
Compensated absences payable	-	2,766	3,099	5,268	62	-	3,076	356	14,627
Other post-employment benefits	-	478	359	897	-	-	299	1,855	3,888
Deferred revenue	614	937	(84)	505	-	-	-	(287)	1,685
Deposits	-	-	-	-	-	-	-	1,256	1,256
Total adjustments	426,483	77,425	85,692	80,167	6,442	1,926	(93,177)	311,707	896,665
Net cash provided (used) by operating activities	$ (101,813)	$ 3,168	$ (766,797)	$ 32,610	$ 4,473	$ 2,597	$ 832,385	$ (367,247)	$ (360,624)
Non-cash capital and related financing activities:									
Accounts payable used to purchase capital assets	$ 122,770	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 122,770

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.

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, 2011

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Assets:					
Current assets:					
Cash and pooled investments	$ 87,259	$ -	$ 1,837,014	$ 45,189	$ 1,969,462
Receivables:					
Accounts	4,087	-	-	-	4,087
Due from other funds	-	-	1,597	-	1,597
Inventories	135,734	2,299	-	-	138,033
Total current assets	227,080	2,299	1,838,611	45,189	2,113,179
Capital assets:					
Equipment	108,889	-	-	-	108,889
Vehicles	40,871	-	-	-	40,871
Less accumulated depreciation	(146,465)	-	-	-	(146,465)
Total capital assets net of accumulated depreciation	3,295	-	-	-	3,295
Total assets	230,375	2,299	1,838,611	45,189	2,116,474
Liabilities:					
Current liabilities:					
Accounts payable and accruals	69,649	-	257,858	12,276	339,783
Compensated absences payable	17,277	-	-	-	17,277
Due to other funds	-	1,597	-	-	1,597
Total current liabilities	86,926	1,597	257,858	12,276	358,657
Noncurrent liabilities:					
Compensated absences payable	23,170	-	-	-	23,170
Other post employment benefits	3,120	-	-	-	3,120
Total noncurrent liabilities	26,290	-	-	-	26,290
Total liabilities	113,216	1,597	257,858	12,276	384,947
Net assets:					
Net assets invested in capital assets	3,295	-	-	-	3,295
Unrestricted	113,864	702	1,580,753	32,913	1,728,232
Total net assets	$ 117,159	$ 702	$ 1,580,753	$ 32,913	$ 1,731,527

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Operating revenues:					
Charges for sales and services:					
Services	$ 674,036	$ -	$ -	$ -	$ 674,036
Fuel	453,731	-	-	-	453,731
Supply charges	-	1,917	-	-	1,917
Employer contributions	-	-	2,177,154	56,324	2,233,478
Employee contributions	-	-	144,156	54,985	199,141
Other contributions	-	-	143,956	4,517	148,473
Other operating revenue	1,052	-	-	-	1,052
Total operating revenues	1,128,819	1,917	2,465,266	115,826	3,711,828
Operating expenses:					
Cost of sales and services:					
Personal services	276,908	-	-	-	276,908
Commodities	600,897	1,913	-	-	602,810
Contractual services	205,851	-	2,288,034	121,107	2,614,992
Administration	14,500	-	3,000	-	17,500
Depreciation	1,688	-	-	-	1,688
Total operating expenses	1,099,844	1,913	2,291,034	121,107	3,513,898
Operating income (loss)	28,975	4	174,232	(5,281)	197,930
Non-operating revenues:					
Interest revenue	-	-	3,930	94	4,024
Income (loss) before transfers	28,975	4	178,162	(5,187)	201,954
Transfers out	-	-	(50,516)	-	(50,516)
Change in net assets	28,975	4	127,646	(5,187)	151,438
Net assets, June 30, 2010	88,184	698	1,453,107	38,100	1,580,089
Net assets, June 30, 2011	$ 117,159	$ 702	$ 1,580,753	$ 32,913	$ 1,731,527

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2011

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Cash flows from operating activities					
Receipts from interfund services provided	$ 1,132,705	$ 1,917	$ 2,482,929	$ 115,826	$ 3,733,377
Payments to suppliers	(772,432)	(2,275)	(2,177,787)	(111,589)	(3,064,083)
Payments to employees	(191,890)	-	-	-	(191,890)
Payments for employee benefits	(86,517)	-	-	-	(86,517)
Payments for interfund services used	(14,500)	-	(3,000)	-	(17,500)
Net cash provided (used) by operating activities	67,366	(358)	302,142	4,237	373,387
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	(50,516)	-	(50,516)
Advances from other funds	-	1,597	-	-	1,597
Advances to other funds	-	-	(1,597)	-	(1,597)
Repayment of advances from other funds	-	(1,239)	-	-	(1,239)
Repayment of advances to other funds	-	-	1,239	-	1,239
Net cash provided (used) by noncapital financing activities	-	358	(50,874)	-	(50,516)
Cash flows from investing activities					
Interest received	-	-	3,989	94	4,083
Net increase in cash and pooled investments	67,366	-	255,257	4,331	326,954
Cash and pooled investments, June 30, 2010	19,893	-	1,581,757	40,858	1,642,508
Cash and pooled investments, June 30, 2011	$ 87,259	$ -	$ 1,837,014	$ 45,189	$ 1,969,462
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	$ 28,975	$ 4	$ 174,232	$ (5,281)	$ 197,930
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,688	-	-	-	1,688
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	3,886	-	17,663	-	21,549
Inventories	(1,588)	(327)	-	-	(1,915)
Increase (decrease) in:					
Accounts payable and accruals	35,905	(35)	110,247	9,518	155,635
Compensated absences payable	(2,696)	-	-	-	(2,696)
Other post employment benefits payable	1,196				1,196
Total adjustments	38,391	(362)	127,910	9,518	175,457
Net cash provided (used) by operating activities	$ 67,366	$ (358)	$ 302,142	$ 4,237	$ 373,387

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, 2011

	Payroll Clearing	Miscellaneous Clearing	Housing Revolving	Totals
Assets:				
Cash and pooled investments	$ 560,265	$ 4,340	$ -	$ 564,605
Accounts receivable	-	274	56,597	56,871
Advances to other funds	56,319	-	-	56,319
Total assets	616,584	4,614	56,597	677,795
Liabilities:				
Accounts payable and accruals	616,584	4,614	278	621,476
Advances from other funds	-	-	56,319	56,319
Total liabilities	$ 616,584	$ 4,614	$ 56,597	$ 677,795

City of Muscatine, Iowa

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2011

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Payroll Clearing Fund				
Assets:				
Cash and pooled investments	$ 487,522	$ 14,562,134	$ 14,489,391	$ 560,265
Advances to other funds	49,910	6,409	-	56,319
Total assets	$ 537,432	$ 14,568,543	$ 14,489,391	$ 616,584
Liabilities:				
Accounts payable and accruals	$ 537,432	$ 4,180,165	$ 4,101,013	$ 616,584
Miscellaneous Clearing Fund				
Assets:				
Cash and pooled investments	$ 1,750	$ 2,590	$ -	$ 4,340
Accounts receivable	351	-	77	274
Total assets	$ 2,101	$ 2,590	$ 77	$ 4,614
Liabilities:				
Accounts payable and accruals	$ 2,101	$ 2,513	$ -	$ 4,614
Housing Revolving Fund				
Assets:				
Accounts receivable	$ 51,190	$ 5,407	$ -	$ 56,597
Liabilities:				
Accounts payable and accruals	$ 1,280	$ -	$ 1,002	$ 278
Advances from other funds	49,910	6,409	-	56,319
Total liabilities	$ 51,190	$ 6,409	$ 1,002	$ 56,597
Total				
Assets:				
Cash and pooled investments	$ 489,272	$ 14,564,724	$ 14,489,391	$ 564,605
Accounts receivable	51,541	5,407	77	56,871
Advances to other funds	49,910	6,409	-	56,319
Total assets	$ 590,723	$ 14,576,540	$ 14,489,468	$ 677,795
Liabilities:				
Accounts payable and accruals	$ 540,813	$ 4,182,678	$ 4,102,015	$ 621,476
Advances from other funds	49,910	6,409	-	56,319
Total liabilities	$ 590,723	$ 4,189,087	$ 4,102,015	$ 677,795

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, 2011

Assets:	
Current:	
Accounts receivable	$ 6,430
Restricted assets:	
Cash and pooled investments	1,157,143
Capital assets:	
Land	1,080,608
Land improvements	2,490,422
Buildings	37,314
Equipment	31,317
Less accumulated depreciation	(698,768)
Total capital assets (net of accumulated depreciation)	2,940,893
Total assets	4,104,466
Liabilities and net assets	
Current liabilities:	
Accounts payable and accruals	48,524
Compensated absences payable	706
Total current liabilities	49,230
Noncurrent liabilities:	
Loan due to primary government	2,057,149
Closure/post-closure obligation	2,396,644
Compensated absences payable	129
Total noncurrent liabilities	4,453,922
Total liabilities	4,503,152
Net assets:	
Invested in capital assets, net of related debt	2,940,893
Unrestricted	(3,339,579)
Total net assets	$ (398,686)

Muscatine County Solid Waste Agency
Component Unit

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011

Operating revenues:	
Charges for services	$ 1,162,106
Other operating revenues	15,000
Total operating revenues	1,177,106
Operating expenses:	
Cost of services:	
Personal services	29,381
Commodities	13,233
Contractual services	517,700
Administration	45,400
Depreciation	280,123
Total operating expenses	885,837
Operating income (loss)	291,269
Non-operating revenue:	
Intergovernmental revenue	117,177
Net income (loss)	408,446
Net assets, June 30, 2010	(807,132)
Net assets, June 30, 2011	$ (398,686)

Muscatine County Solid Waste Agency
Component Unit

Statement of Cash Flows
Year Ended June 30, 2011

Cash flows from operating activities		
Receipts from customers and users	$	1,177,106
Payments to suppliers		(737,439)
Payments to employees		(21,674)
Payments for employee benefits		(7,629)
Payments for interfund services used		(45,400)
Net cash provided (used) by operating activities		364,964
Cash flows from noncapital financing activities		
Repayment of loan from primary government		(393,096)
Subsidies from federal, state and local governments		117,177
Net cash provided (used) by noncapital financing activities		(275,919)
Net increase in cash and pooled investments		89,045
Cash and pooled investments, June 30, 2010		1,068,098
Cash and pooled investments, June 30, 2011	$	1,157,143
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Cash flows from operating activities:		
Operating income (loss)	$	291,269
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		280,123
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		(6,430)
Increase (decrease) in:		
Accounts payable and accruals		(6,693)
Compensated absences payable		77
Closure/post-closure liability		(193,382)
Total adjustments		73,695
Net cash provided (used) by operating activities	$	364,964

Statistical Section

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) 102-108

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) 109-112

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) 113-116

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) 117-118

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) 119-121

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 1

City of Muscatine, Iowa
Net Assets by Component
Last Nine 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	2010/2011
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	$ 50,534,706
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	4,914,742
Unrestricted	5,974,714	7,329,316	5,250,409	5,466,892	6,823,222	6,272,247	7,330,802	7,905,068	2,910,113
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	$ 59,540,104	$ 58,359,561
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	$ 63,959,885
Restricted	-	-	-	-	-	-	190,093	413,321	135,331
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	8,340,770
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	$ 72,435,986
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	$ 114,494,591
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	5,050,073
Unrestricted	12,370,135	13,877,240	11,780,028	12,049,485	12,846,783	14,068,779	14,435,883	15,405,545	11,250,883
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	$ 127,942,228	$ 130,795,547

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 Nine 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	2010/2011
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	$ 7,231,247
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	6,104,574
Health and social services	18,400	16,560	15,700	16,660	26,700	16,660	16,660	17,100	17,800
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	3,991,705
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	3,232,025
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	2,088,819
Interest and fees on long-term debt	424,222	397,429	422,410	379,549	432,626	391,759	473,916	439,305	570,313
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	23,236,483
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	5,083,681
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	2,174,384
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	1,827,138
Airport	550,558	621,520	551,070	579,586	545,259	561,312	605,009	709,883	566,129
Parking	191,746	204,879	205,301	220,508	210,405	244,774	201,409	228,674	247,292
Transit	636,108	618,308	678,757	763,123	781,763	872,252	907,562	1,028,876	1,016,663
Golf course	449,905	451,551	468,149	439,438	586,908	778,125	825,757	798,587	818,018
Boat harbor	42,253	41,486	33,273	33,630	37,325	33,015	34,648	31,605	29,041
Marina	15,662	8,430	8,004	27,176	24,203	12,461	10,961	19,451	12,802
Cable Television	37,340	31,137	-	-	-	-	-	-	-
Ambulance	660,808	749,644	914,100	908,058	912,403	428,659	483,223	390,308	426,829
Public housing	792,855	831,545	935,354	882,502	911,298	924,183	975,076	994,013	1,120,421
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	13,322,398
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	$ 36,558,881

(Continued)

(Continued)	Fiscal Year								
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
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	$ 530,879
Public works	157,213	143,089	179,104	141,803	140,649	151,785	319,112	231,564	262,393
Culture and recreation	421,507	537,726	599,761	577,257	616,982	598,707	494,131	448,271	478,394
Community and economic development	244,164	349,250	372,703	407,977	398,479	405,832	358,812	480,137	430,574
General government	324,125	307,054	324,733	432,880	382,812	410,042	473,567	506,364	545,322
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	4,861,170
Capital grants and contributions	644,403	2,544,051	894,158	1,733,592	2,018,077	963,114	108,213	1,726,091	3,398,652
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	10,507,384
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	4,748,558
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	1,806,445
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	1,961,389
Airport	43,446	43,639	46,086	43,564	47,351	41,023	39,523	37,647	37,833
Parking	183,525	171,614	161,344	188,146	178,128	204,733	194,821	176,103	175,691
Transit	76,497	86,731	90,457	106,144	129,429	183,586	185,653	175,505	169,004
Golf course	408,070	412,069	402,214	402,832	532,104	719,281	764,679	821,005	773,938
Boat harbor	32,389	19,552	18,745	21,782	26,022	23,899	23,359	29,104	27,338
Marina	14,069	7,129	5,200	26,616	22,494	10,721	6,599	19,623	13,473
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	1,360,650
Public housing	389,880	373,202	362,487	367,010	382,556	424,905	420,104	557,631	444,151
Operating grants and contributions	600,280	594,674	551,160	619,692	674,031	1,017,826	1,008,488	961,896	924,856
Capital grants and contributions	143,759	364,601	296,941	642,818	324,539	353,324	1,317,819	919,232	349,116
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	12,792,442
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	$ 23,299,826
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)	$ (12,729,099)
Business-type activities	(1,569,710)	(1,230,195)	(1,797,141)	(1,617,968)	(2,131,287)	(620,436)	(201,835)	(562,958)	(529,956)
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)	$ (13,259,055)

(Continued)

(Continued)	Fiscal Year 2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
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	$ 12,478,438
Utility taxes	79,468	67,339	63,638	59,209	63,986	67,703	64,358	63,449	52,274
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	2,533,919
Hotel/motel taxes	274,654	310,798	327,575	306,075	338,818	366,261	344,354	302,273	363,664
Cable franchise taxes	-	-	238,788	245,132	242,164	239,812	239,039	236,192	236,253
Utility franchise taxes	-	-	-	-	-	-	-	-	227,680
Intergovernmental, unrestricted	472,310	129,974	64,870	61,834	99,002	150,424	149,913	151,270	154,551
Unrestricted investment income	113,151	111,595	203,275	337,227	455,562	399,317	267,227	45,999	22,297
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	7,850
Transfers	(225,183)	(993,773)	(2,185,755)	(4,991,391)	(2,630,548)	(2,911,195)	(3,548,221)	(4,340,227)	(4,528,370)
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	11,548,556
Business-type activities:									
Unrestricted investment income	103,668	78,901	130,688	230,168	317,561	256,849	182,286	43,652	24,232
Gain on sale of capital assets	-	3,108	2,253	-	4,348	-	-	-	11,216
Transfers	225,183	993,773	2,185,755	4,991,391	2,630,548	2,911,195	3,548,221	4,340,227	4,528,370
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	4,563,818
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	$ 16,112,374
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)	$ (1,180,543)
Business-type activities	(1,240,859)	(154,413)	521,555	3,603,591	821,170	2,547,608	3,528,672	3,820,921	4,033,862
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	$ 2,853,319

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)

	2001/02	2002/03 (1)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 (2)
General Fund										
Reserved	$ 18,846	$ 28,252	$ 36,674	$ 27,589	$ 27,156	$ 65,640	$ 11,833	$ 119,222	$ 155,132	$ -
Unreserved	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	-
Nonspendable	-	-	-	-	-	-	-	-	-	15,637
Assigned	-	-	-	-	-	-	-	-	-	382,877
Unassigned	-	-	-	-	-	-	-	-	-	2,141,534
Total General Fund	$ 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	$ 2,540,048
All other governmental funds										
Reserved	$ 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	2,749,497	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	1,728,241	665,228	510,981	184,922	(460,420)	(688,952)	(4,856)	(1,564,725)	(565,270)	-
Nonspendable	-	-	-	-	-	-	-	-	-	2,437,508
Restricted	-	-	-	-	-	-	-	-	-	4,062,133
Unassigned	-	-	-	-	-	-	-	-	-	(1,538,918)
Total all other governmental funds	$ 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	$ 4,960,723

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.
2. In 2010/2011 the City implemented GASB Statement 54. Under this Statement several former special revenue funds were re-classified and are now considered part of the City's general fund. This Statement also provided for new classifications of governmental fund balances: nonspendable, restricted, committed, assigned and unassigned.

Schedule 4

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

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
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	$ 15,792,228
Licenses and permits	237,283	312,573	301,322	332,378	324,913	319,931	324,492	285,956	271,372
Fines and forfeitures	156,130	143,730	149,785	126,720	144,427	203,136	177,324	183,714	393,340
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	6,031,516
Charges for services	306,335	390,484	478,454	416,045	418,119	437,472	480,659	449,346	444,456
Use of money and property	238,720	270,222	354,965	532,674	654,064	620,396	453,027	232,725	205,724
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	1,249,691
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	24,388,327
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	6,818,872
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	2,092,212
Health and social services	18,400	16,560	15,700	16,660	26,700	16,660	16,660	17,100	17,800
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	2,815,312
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	3,003,602
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	1,936,768
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	5,162,510
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	1,977,932
Interest	380,812	395,867	418,977	370,960	431,653	378,304	475,087	422,906	579,145
Paying agent	2,100	2,582	2,400	2,500	2,800	2,800	1,600	1,800	2,250
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	24,406,403
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)	(18,076)
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	6,585,087
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)	(11,062,941)
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	(4,477,854)
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	$ (4,495,930)
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%	11.6%

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)	Utility Franchise Tax (2)	Local Option Sales Tax	Total
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
2010/2011	11,689,172	771,639	52,274	17,627	363,664	236,253	227,680	2,433,919	15,792,228
Change 2001/2002 to 2010/2011	36.8%	21.0%	-28.2%	-9.0%	31.7%			22.6%	36.9%

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.
2. A Utiltiy Franchise Fee on the provider of natural gas services was implemented in 2010/2011 at the rate of 2%.

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
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%
2010/2011	372,746,348	239,793,310	119,283,095	-	7,233,428	2,126,455	736,929,726	15.77147	1,163,419,885	63.3%

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

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
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
2010/2011	8.10000	3.79447	3.14336	0.24310	0.34304	0.06750	0.08000	-	15.77147	9.60976	14.90920	14.08973	40.29043	39.47096

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, and $.0675 for the Levee as shown above. A maximum rate of $.95 applies to the Transit tax and a maximum rate of $.27 applies to the Emergency tax; the City's Transit & Emergency levies are 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)

Taxpayer	January 1, 2009 Valuation (for 2010/2011 Tax Levy)			January 1, 2000 Valuation (for 2001/2002 Tax Levy)		
	Assessed Valuation	Rank	Percent of Total Assessed Value	Assessed Valuation (1)	Rank	Percent of Total Assessed Value
Grain Processing/Kent Feeds	$ 40,908,610	1	5.6%	$ 58,584,296	1	9.5%
HNI Corporation (HON Industries/HON Financial)	34,700,060	2	4.7%	42,200,945	2	6.9%
Bandag, Inc.	11,477,880	3	1.6%	18,928,644	3	3.1%
Heinz, U.S.A.	11,123,480	4	1.5%	13,878,311	4	2.3%
Menard Inc.	9,692,520	5	1.3%			
Warehouse Distributing, LLC	9,574,100	6	1.3%			
Wal-Mart Stores, Inc.	9,562,700	7	1.3%	10,208,270	5	1.7%
Riverbend Leasing, LLC	9,099,100	8	1.2%			
GRIDCO, LLC	7,852,940	9	1.1%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	7,796,120	10	1.1%			
Cobblestone Apartments	7,507,680	11	1.0%			
First National Bank of Muscatine	6,315,010	12	0.9%	5,252,720	11	0.9%
BT Prime Mover	5,913,870	13	0.8%	5,848,603	8	1.0%
Central State Bank	5,734,730	14	0.8%	5,653,304	9	0.9%
W I D, Inc.	5,669,480	15	0.8%			
Hy-Vee Inc.	5,648,890	16	0.8%	5,454,620	10	0.9%
Cottonwood Apartments LLC	5,451,680	17	0.7%			
SECO Investment Co. (Stanley Engineering Co.)	5,328,690	18	0.7%	6,494,490	7	1.1%
Tri State Joint Ventures (Muscatine Mall)				4,872,890	12	0.8%
Muscatine Plaza				6,514,780	6	1.1%
Pretium Packaging				3,052,894	14	0.5%
Jelms Hotel Company LLC (Muscatine Holiday Inn)				3,425,640	13	0.6%
	$ 199,357,540		27.2%	$ 190,370,407		31.3%

1. January 1, 2000 assessed valuations included machinery and equipment values. The State of Iowa eliminated taxes on new machinery and equipment beginning in 1995/96 and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year. This was a significant factor in the decrease in assessed valuations for Grain Processing/Kent Feeds.

Source: Muscatine County Auditor's Office

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)			
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%
2010/2011	11,692,917	11,681,035	99.90%	8,138	11,689,173	99.97%

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)
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	4.2%	1,473
2010/2011	13,953,147	1,330,000	-	2,197,656	15,609,360	33,090,163	N/A	1,446

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
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
2010/2011	16,150,803	1,163,419,885	1.4%	22,886	706

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, 2011
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable to City (1)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Muscatine County	$ 11,110,000	48.05%	$ 5,338,355
Eastern Iowa Community College (EICC)	29,675,000	6.41%	1,902,168
Other debt			
Eastern Iowa Community College (EICC)	38,000,000	6.41%	2,435,800
Subtotal, overlapping debt			$ 9,676,323
City direct debt (2)		100.00%	15,283,147
Total direct and overlapping debt			$ 24,959,470

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:
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)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Debt limit (1)	$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	$ 58,170,994
Total debt applicable to limit	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	17,555,000
Legal debt margin	$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	$ 40,615,994
Total debt applicable to the limit as a percentage of debt limit	47.43%	41.79%	41.54%	35.71%	35.79%	28.26%	33.02%	26.70%	35.03%	30.18%

Legal Debt Margin Calculation for Fiscal Year 2010/2011

Total assessed valuation as of January 1, 2009	$1,163,419,885
Debt limit - 5% of assessed valuation	$ 58,170,994
Amount of debt applicable to debt limit:	
General obligation bonds	16,225,000
Tax increment revenue bonds	1,330,000
Total debt applicable to debt limit	17,555,000
Legal debt margin	$ 40,615,994

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)
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	804,449,771	35,443	35.8	80.3%	5,395	8.1%
2010/2011	22,886	N/A	N/A	38.2	85.2%	5,293	7.6%

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 2010.
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)

Employer	2011 Approximate Number of Employees (1)	2011 Rank	2011 Percentage of Estimated Total County Employment (2)	2002 Approximate Number of Employees (1)	2002 Rank	2002 Percentage of Estimated Total County Employment (2)
HNI Corporation//The HON Company, Allsteel	3,200	1	14.4%	3,300	1	15.1%
Grain Processing/Kent Feeds	1,011	2	4.6%	1,121	2	5.1%
Muscatine Community School District	823	3	3.7%	950	3	4.3%
Trinity Muscatine (Formerly Unity Health Care)	483	4	2.2%	487	7	2.2%
Musco Sports Lighting	400	5	1.8%	150	15	0.7%
Monsanto Company	381	6	1.7%	586	6	2.7%
Wal-Mart Superstore	338	7	1.5%	373	9	1.7%
Heinz, U.S.A.	305	8	1.4%	642	5	2.9%
Muscatine Power & Water	300	9	1.4%	277	10	1.3%
Hy-Vee Food Store	265	10	1.2%	410	8	1.9%
SECO Investment Co. (Stanley Engineering Co.)	279	11	1.3%	251	13	1.1%
City of Muscatine	222	12	1.0%	241	14	1.1%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	220	13	1.0%	260	12	1.2%
Muscatine County	198	14	0.9%	273	11	1.2%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	180	15	0.8%	850	4	3.9%
	8,605		38.9%	10,171		46.4%

Sources:

1. Muscatine Chamber of Commerce & Industry provided the 2011 employment figures. The 2002 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 22,164 in 2011 and 21,914 in 2002.

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

Function	Fiscal Year 2000/01	2001/02	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010	2010/2011
General government	18.94	18.94	17.12	16.80	17.50	17.85	17.35	17.35	17.05	16.00
Public Safety:										
Police										
Officers (1)	40.00	40.00	37.00	37.75	38.00	38.00	38.00	39.00	40.00	39.00
Civilians (2)	13.50	13.50	13.50	4.87	3.60	3.75	3.88	3.88	3.88	3.88
Fire										
Firefighters and officers (3)	31.50	31.50	29.50	28.50	29.00	29.50	36.00	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	15.58	15.75	15.75	15.75	15.75	15.75	15.93	15.91
Art center	4.58	4.60	4.30	4.43	4.33	4.33	4.33	4.34	4.04	4.57
Parks and recreation (4)	15.25	15.25	13.75	13.25	12.82	13.00	12.75	12.75	12.75	11.83
Community and economic development (5)	9.00	9.00	9.00	7.00	7.00	7.00	6.50	6.50	6.17	6.67
Public works (6)	20.75	20.75	16.75	16.75	16.75	16.74	16.84	16.50	16.51	16.51
Business-type:										
Parking	3.50	3.50	3.65	3.65	3.65	3.60	3.60	3.10	3.10	3.10
Golf course (7)	3.00	3.00	3.00	3.00	2.75	2.00	3.00	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	3.00	2.62	2.83	2.83	2.83	2.83	3.03	3.03	3.03	3.03
Refuse collection	9.00	9.00	9.80	9.80	9.80	9.80	10.30	10.30	11.33	10.45
Landfill	0.83	0.83	0.83	0.83	0.33	0.33	0.33	0.33	0.33	0.30
Transfer station	3.17	3.17	3.17	3.17	3.67	3.67	3.67	3.67	3.67	3.58
Water pollution control	28.75	29.75	29.75	29.50	29.50	29.50	29.70	31.00	30.33	29.61
Ambulance (8)	6.00	6.75	7.75	8.75	8.25	7.75	1.25	1.25	1.25	1.25
Housing	9.30	9.30	10.50	10.50	10.50	10.50	10.50	10.50	10.75	12.50
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals (9)	240.82	242.21	232.53	221.88	220.78	220.65	221.53	223.00	223.87	221.94

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

Source: City of Muscatine records

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

Calendar Year Indicators

Function/Department	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety:										
Police										
Calls for service	26,205	26,543	26,555	24,590	21,638	20,427	21,437	20,066	22,011	18,667
Traffic enforcement	4,284	5,574	5,535	4,946	4,020	5,188	4,616	3,425	4,066	3,406
Arrests	2,113	1,789	2,229	2,068	1,971	2,062	2,114	2,195	2,111	1,827
Parking tickets issued	2,033	1,792	2,037	2,122	1,852	1,764	1,710	1,721	1,438	1,280
Fire (includes ambulance) (1)										
Calls for service	2,954	2,779	3,143	3,085	3,161	2,963	3,530	3,650	3,414	3,711
Culture and recreation:										
Parks and recreation										
Weed Park Pool/Aquatic Center attendance (2)(6)	17,026	19,152	-	46,576	55,948	45,891	41,076	46,649	33,462	39,813
Adult program participants (3)	859	862	1,075	1,006	272	328	376	408	499	532
Children's program participants	1,621	1,684	1,333	1,558	1,698	1,547	1,602	1,610	1,590	2,006
Cemetery burials	108	132	126	111	99	104	99	97	96	97
Community and economic development:										
Building-related permits	1,247	1,277	1,150	1,231	1,063	969	1,195	915	902	925
Business-type:										
Transit (4)										
Total passengers	135,437	(See fiscal year indicators below)								
Golf course										
Rounds played	41,329	37,666	35,989	32,768	33,195	31,825	29,748	32,687	34,767	33,374

Fiscal Year Indicators

Function/Department	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Culture and recreation:										
Library										
Registered borrowers	19,421	19,779	19,910	20,756	22,298	20,315	16,504	16,415	17,671	17,512
Circulation	291,544	306,950	312,623	331,445	324,179	319,446	332,355	336,210	357,897	311,425
Art center										
Attendance	16,730	16,653	18,451	17,945	18,088	15,640	22,582	19,704	26,054	27,522
Public works:										
Miles of streets maintained	136	136	138	139	140	140	140	140	140	140
Business-type activities:										
Transit (4)										
Total passengers	(See above)	141,143	131,117	136,476	136,265	151,434	180,382	188,303	172,306	172,580
Parking										
Tickets issued	20,144	17,708	15,763	14,764	15,598	15,764	13,204	9,704	8,465	8,684
Refuse collection										
Tons of refuse collected	8,906	8,593	8,521	8,888	9,449	9,482	8,731	8,129	8,391	8,180
Transfer station										
Tons of waste processed	48,797	45,911	41,435	44,423	41,356	44,883	49,263	41,320	29,915	31,492
Tons recycled (contractor)	5,741	5,571	4,734	4,854	5,721	6,215	5,830	5,388	4,993	4,609
Water pollution control										
Cubic feet of wastewater treated (in millions)	133.16	192.78	187.47	183.18	173.38	208.26	279.03	289.79	301.01	314.76

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

Source: City of Muscatine records

Schedule 18

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

Function/Department	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	9	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	4	4	4	4	4
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	3	3	3	4	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	14	14	14	14	14	14	14
Park acreage	258	258	258	246	254	254	254	254	254	254
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball and baseball diamonds	21	20	19	19	19	19	19	19	19	19
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	10	10	10	8	8	8	8	8	10	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	138	139	140	140	140	140	140	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	10	10	10	11	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

Compliance Section

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
City of Muscatine, Iowa
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, 2011, which collectively comprise the City of Muscatine, Iowa's basic financial statements and have issued our report thereon dated November 22, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of Muscatine Power and Water, a discretely presented component unit, as described in our report on the City of Muscatine, Iowa's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the City of Muscatine, Iowa is responsible for establishing and maintaining effective 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 City'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, 2011 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 22, 2011.

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 22, 2011

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
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, 2011. The City of Muscatine, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Muscatine, Iowa's management. Our responsibility is to express an opinion on the City of Muscatine, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Muscatine, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Muscatine, Iowa's compliance with those requirements.

In our opinion, the City of Muscatine, Iowa complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 11-III-A.

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 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 them.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, others within the City, 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 22, 2011

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

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	IA049VO0084/0089	$ 1,579,698
Section 8 Housing Choice Vouchers	14.871	IA049VOPR10	9,842
Section 8 Housing Choice Vouchers	14.871	IA049AF0050/0059	208,260
Housing Choice Voucher Family Self Sufficiency Program	14.871	2009-FSSA-IA049-5628/2010-FSS8-IA049-5229	43,153
Public and Indian Housing Operating Subsidy	14.850	IA04900000110D/111D	165,584
Public Housing Capital Fund	14.872	IA05P049509-10	196,691
Passed through Iowa Finance Authority:			
Home Owner Education Grant Housing Counseling Program	14.169	HC-0841-004	277
Home Owner Education Grant Housing Counseling Program	14.169	HC10-0841-001	9,492
Passed through the Iowa Department of Economic Development:			
Community Development Block Grant State's Program	14.228	09-HSG-068	210,697
Subtotal			2,423,694
U.S. Department of Transportation			
Direct:			
Parallel Taxiway for Runway 12/30	20.106	AIP-3-19-0063-15	23,978
Snow Removal Equipment-Tractor	20.106	AIP 3-19-0063-16-2010	117,917
			141,895
Passed through Iowa Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	18-0029-533-11	274,847
Non-Urbanized Capital Assistance Project	20.509	85-0032-533-09	35,641
Job Access/Reverse Commute Grant	20.516	37-X016-533-11	37,728
New Freedoms Program	20.521	57-X008-533-11	7,614
Formula Grants for Other than Urbanized Areas	20.509	TF 2011-024	94
Formula Grants for Other than Urbanized Areas	20.509	TF 2011-060	365
Formula Grants for Other than Urbanized Areas	20.509	TF 2011-140	241
Formula Grants for Other than Urbanized Areas	20.509	TF-2011-232	658
Formula Grants for Other than Urbanized Areas	20.509	TF 2011-233	320
Formula Grants for Other than Urbanized Areas	20.509	TF-2011-234	320
Highway Planning and Construction	20.205	STP-U-5330(618)-70-70	153,199
Highway Planning and Construction	20.205	STP-U-5330(614)-27-70	333,483
Passed through Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 10-04, Task 21	3,110
State and Community Highway Safety	20.600	PAP 11-02, Task 8	15,833
			863,453
Subtotal			1,005,348

(Continued)

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2011

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	8,492
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Governments	16.804	2009-SBJ-B9-1353	36,868
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	2010-Dj-BX-0778	5,217
Bulletproof Vest Partnership Program	16.607	N/A	2,347
Passed through Iowa Governor's Office of Drug Control Policy:			
Stop Violence Against Women Grant	16.588	VW-11-58A	6,898
Methamphetamine Drug Hot Spots Grant Program	16.710	09-Hotspots/Interdiction-03	2,070
Passed through Iowa Governor's Alliance on Substance Abuse and Muscatine County, ARRA- Edward Byrne Memorial Justice Assistance Programs/Grant to States and Territories	16.803	09-JAG/ARRA-4245B	46,060
Subtotal			107,952
Office of National Drug Control Policy			
Passed through Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	None	G09MW0002A	30
High Intensity Drug Trafficking Area Grant	None	G10MW0002A	37,892
High Intensity Drug Trafficking Area Grant	None	G11MW0002A	39,457
Subtotal			77,379
U.S. Department of Labor			
Passed through Generations Area Agency on Aging:			
Senior Community Service Employment Program	17.235	N/A	14,280
Environmental Protection Agency			
Direct:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98795801	54,526
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98795901	57,967
Subtotal			112,493
U.S. Department of Homeland Security			
Passed through Scott County, Iowa:			
Law Enforcement Terrorism Prevention Program	97.074	FFY2008-LETPP-LEIN6-06	69,220
Passed through Iowa Department of Public Defense, Homeland Security and Emergency Management Division	97.036	139-55110-00	165,523
Subtotal			234,743
Total			$ 3,975,889

See Notes to Schedule of Expenditures of Federal Awards.

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 accrual or 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 has met the eligibility criteria of the federal grant.

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
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	$ 7,573
Edward Byrne Justic Assistance Grant (Byrne/JAG) Program	16.738	7,254

City of Muscatine, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

Number	Comment	Status	Corrective Action or Other Explanation
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.	Corrected	
	The City did not submit quarterly progress reports to the Iowa DOT relating to the Bridge Tribute Plaza	Corrected	
10-III-B	An expenditure included for reimbursement for the transportation grant was not paid before the request for reimbursement was made	Corrected	
10-III-C	The City did not have semiannual certifications for three employees that were 100% funded in the transportation grant.	Corrected	
	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.	Uncorrected	See corrective action at 11-III-A
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.	Uncorrected	See corrective action at 11-IV-D

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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
20.205	Highway Planning and Construction
14.871	Section 8 Housing Choice Vouchers, Housing Choice Voucher Family Self Sufficiency Program

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**

11-III-A

U.S. Department of Housing and Urban Development
Direct
Section 8 Housing Choice Vouchers
(CFDA 14.871)
Federal Award Year 2009 & 2010

Finding: 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 employees in the Section 8 Housing Choice Voucher Grants for the first half of the fiscal year.

Criteria: The Office of Management and Budget (OMB) Circular A-87 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 records supporting the actual wages for split-funded employees to reconcile with the budgeted percentages used for these employees in the Section 8 Housing Grants for the first half of the fiscal year.

Questioned Costs: $6,948

Context: Four of 25 transactions tested.

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 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 for all pay periods of the fiscal year.

Response and Corrective Action Plan: Effective January 1, 2011 the City's split-funded Housing staff began recording their work time on each federal housing grant on their weekly timesheets and the housing programs are now in compliance with this requirement. This change was implemented a short time after the prior year audit finding was released. The time allocations could not be accurately computed or reconstructed for the first half of the fiscal year.

(Continued)

IV. Other Findings Related to Required Statutory Reporting

11-IV-A – Certified Budget: Expenditures/expenses during the year ended June 30, 2011 did not exceed amount budgeted prior to budget being amended or at year-end.

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

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

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

Transaction Description		Amount
Temporary employment services	$	925
Supplies		8,719

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. In March of 2011 the employee's spouse sold her interest in this business and the related party relationship no longer exists.

Conclusion: Response accepted.

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

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

11-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.

11-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, 2011

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Findings Related to Federal Awards				
11-III-A	The City did not compare budget to actual time for the Section 8 Housing Choice Vouchers grant for the first half of the fiscal year employees who are split funded.	See response and corrective action plan at 11-III-A.	July 1, 2012	Nancy Lueck, Finance Director
Other Findings Related to Required Statutory Reporting				
11-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 11-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, 2011, 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 City 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.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 22, 2011

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