

# *City of Muscatine, Iowa*



## *Comprehensive Annual Financial Report*

*For the Year Ended June 30, 2013*

**CITY OF MUSCATINE, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SUBMITTED BY:**

**FINANCE DEPARTMENT**  
**CITY OF MUSCATINE, IOWA**

**Nancy A. Lueck**  
**Finance Director**

**LeAnna McCullough**  
**Accounting Supervisor**

**COVER:**

*Mississippi Mist* sculpture on the Muscatine Riverfront with a view of the  
Norbert F. Beckey Bridge over the Mississippi River in the background

**CITY OF MUSCATINE, IOWA**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2013**

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**FINANCE & RECORDS**

TO: Honorable Mayor and City Council

DATE: December 5, 2013

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, 2013.

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 LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Muscatine’s financial statements for the year ended June 30, 2013. 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 18.5 square miles and serves a population of 23,819 people. Two voluntary annexations in 2012 and 2013 increased the City’s population by 933 from the 2010 Census population of 22,886 to the current level. The City is empowered to levy a tax on all property located within its boundaries.

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

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

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

The City Council is required to hold a public hearing on and adopt a budget for each fiscal year no later than March 15<sup>th</sup> 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 three 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), the Muscatine Convention and Visitors Bureau (CVB), 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 rates and approves any debt issuance. The CVB is administered by the CVB Board of Directors and receives nearly all of its funding from the City from a portion of the hotel/motel taxes making the CVB fiscally dependent on the City. 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 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 2012 at 5.5%. Prior to 2009, 2010, and 2011 when the rates were 8.1%, 7.6%, and 6.4%, 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 \$2.5 million in the most recent year.

In 2008 the City held an election for the continuation of this tax. The ballot question approved by voters extended 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 (E.P.A.). Provisions of the Order required 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. In November of 2012 the City received approval from the E.P.A for extension of the completion deadline for the multi-phase, multi-year West Hill area sewer separation to December 31, 2028. The Hershey Avenue Sewer Separation project was completed in 2011/2012 and the contract for the first phase of the West Hill Sewer Separation project was awarded in May of 2012. The contract for the second phase of the West Hill project was awarded in February of 2013. 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. This 20% allocation was \$504,932 in 2012/2013. In addition to street improvements funded from local option sales taxes, engineering design was underway in 2012/2013 for major improvements to both Cedar Street and Colorado Street. Those projects will be funded from federal grants, general obligation bond proceeds, road use taxes, and local option sales taxes.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. In 2012/2013 construction was completed on the runway lighting improvement and airfield maintenance projects. Work was also underway on the airport obstruction removal project. Projects for the upcoming year include the runway repair project, the airport hangar access security project, and the T-hangar drainage project.

Since 2003/2004 the City has made operational changes 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 reductions, 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 thirteen (13) less than what was included in the original 2003/2004 budget. 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 in the development of the 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. Implementation of this fee allowed for a reduction in the City's property tax rate for 2010/2011 and future years. The establishment of this fee also allowed the City to diversify funding sources used for the provision of General Fund services. With this franchise fee in place for up to 5% of gas sales, this will allow flexibility in future years for the City Council to modify this rate if needed to continue to provide expected levels of City services to residents. This rate can be modified by giving a 90-day notice to Alliant Energy. For the 2012/2013 year City Council chose to reduce the Utility Franchise Fee rate to 1% which generated \$103,931. This reduction was possible since there has been increased revenues in other areas of the General Fund budget, specifically Automatic Traffic Enforcement (ATE) fines and fees for Fire department inspections and permits. The 1% Utility Franchise Fee was continued in the 2013/2014 budget.

The City made a number of 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 in 2011/2012), (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 which provided 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.

Additional changes implemented in 2011/2012 and 2012/2013 focused on department efficiencies and cost savings including (1) using sponsorships for the Parks seasonal brochure and Golf score cards saving \$4,700 annually; (2) the new eleven foot mower in the Parks department and trackhoe for grave digging at the Cemetery both saved man hours that were redirected to other functions in those divisions; (3) additional Park sites were "adopted" under the "Adopt a Park" program with this program expanding from four sites in 2010 to twelve in 2013; (4) redesigning the Library circulation system process eliminating a 35-hour/week position and creating a new 30-hour/week "Holds" person at a lower pay rate for a savings of \$17,800; (5) using staggered work times in the Police investigations division which reduced overtime and call-ins saving an estimated \$3,500 in overtime costs annually; (6) activities in the Engineering (engineering design for smaller projects), Community Development (Comprehensive Plan update), and Art Center (printing) were done in-house rather than under contracts resulting in varying amounts of cost savings; (7) using inmate labor to clear the Airport fence line of unwanted growth saved an estimated \$22,000; and (8) the use of automatic traffic enforcement cameras has allowed the Police department to re-direct their time to other areas of law enforcement.

Departments will continue to look for efficiencies and cost savings in their operations in 2013/2014 and future years. The City's goal for the upcoming year of establishing a formal "Lean" program will assist departments in identifying and implementing efficiencies and cost savings applicable to their department

operations. With limited financial resources expected to be available in future years and a growing demand for municipal services, the City must continue to take significant steps to enhance revenue streams as well as reduce expenditures where appropriate to meet these challenges.

### **Relevant Financial Policies**

The City's current budget policies provide that the City's unreserved General Fund balance be at least 10% of budgeted General Fund expenditures. The City has been striving to increase the General Fund balance in recent years over this minimum level. One of City Council's goals for 2013/2014 is to formally update this policy to reflect a higher minimum fund balance and to address conditions for use of reserves, authority over reserves, and replenishment of reserves.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2010/2011. This Statement provided for the following 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 current financial policies. The unassigned General Fund balance at June 30, 2011 was \$2,141,534 which was 14.3% of General Fund expenditures. The unassigned General Fund balance increased to \$3,319,319 at June 30, 2012 which is 21.2% of General Fund expenditures. The unassigned General Fund balance decreased to \$3,073,412 (18.8% of General Fund expenditures) at June 30, 2013. This was a decrease of \$245,907 compared to the prior year unassigned balance. This was a budgeted decrease in fund balance. For 2012/2013 City Council chose to use a portion of the increased General Fund balance for one-time capital purchases including \$496,438 for a new fire engine and \$160,000 for new financial software. The availability of General Fund resources for these purchases is in part attributed to several categories of new revenues including automatic traffic enforcement fines (implemented in the spring of 2011) and fire inspection and permit fees (effective in April, 2011).

For the 2013/2014 budget, taxable property values increased by 2.3% which will provide \$141,891 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 5.1%. Commercial property valuations, however, decreased by 1.2% and industrial property valuations decreased for 2013/2014 by 7.4% 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. This fee was decreased to 1% for 2012/2013 and the 1% rate was maintained for 2013/2014. The availability of this revenue source will assist in continuing to fund the City's core General Fund services to the community. This fee is budgeted to generate \$100,000 in the upcoming 2013/2014 fiscal year. As noted above, this fee may be increased up to 5% by City Council action with a 90-day notice to the utility.

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 \$522,000 of incremental taxes were not claimed by the City for 2012/2013 and this same amount is estimated for 2013/2014. 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 through 2012/2013 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 and automated traffic enforcement cameras beginning in the spring of 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 2013/2014 include (1) completion of the engineering design, awarding the bids, and starting construction for major improvements to Cedar Street and Colorado Street; (2) completion of the first phase of the multi-year, multi-phase West Hill separation project with the first phase scheduled to be completed late in 2013; (3) start of construction for the second phase of the West Hill Sewer Separation project; (4) complete construction of the new Weed Park Maintenance facility; (5) complete construction of the Lab Annex building at the Water Pollution Control plant; and (6) completion of the design and soliciting bids for the Musser Park to Weggins Road Trail Extension.

### **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, 2012. This was the 19th 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 2013/2014. 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 2013/2014 budget was the 29th 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 2014/2015 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 and City departments in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Lastly, we would extend our appreciation to McGladrey LLP, Certified Public Accountants, for their assistance and suggestions in regard to the preparation of the Comprehensive Annual Financial Report.

Respectfully submitted,

/s/ Gregg Mandsager  
City Administrator

/s/ Nancy A. Lueck  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Muscatine  
Iowa**

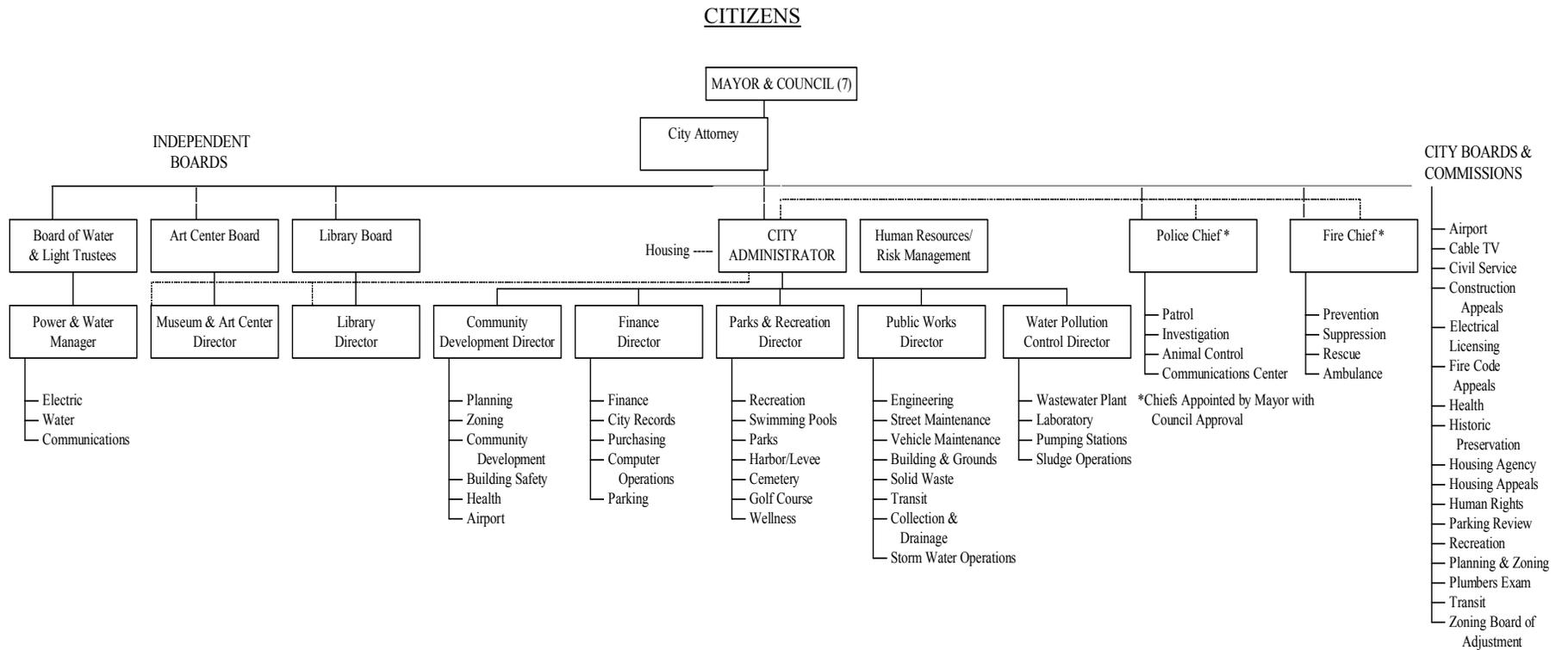
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# CITY OF MUSCATINE, IOWA

## ORGANIZATIONAL STRUCTURE



Department organizational charts are presented in a separate section of the Introductory portion of the budget.

**CITY OF MUSCATINE, IOWA**

**List of Principal Officials  
June 30, 2013**

DeWayne Hopkins, Mayor

**CITY COUNCIL**

Scott Natvig  
At Large

Osama Shihadeh  
At Large

Philip Fitzgerald  
First Ward

Mark LeRette  
Second Ward

Tom Spread  
Third Ward

Bob Bynum  
Fourth Ward

Jeanette Phillips  
Fifth Ward

**COUNCIL APPOINTED OFFICIALS**

City Administrator  
City Attorney

Gregg Mandsager  
Matt Brick

**DEPARTMENT DIRECTORS**

Art Center Director  
Finance Director  
Fire Chief  
Library Director  
Parks & Recreation Director  
Community Development Director  
Police Chief  
Public Works Director  
Water Pollution Control Director

Melanie Alexander  
Nancy A. Lueck  
Jerry Ewers  
Pam Collins  
Richard Klimes  
Steve Boka  
Brett Talkington  
Randall E. Hill  
Jon Koch



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Muscatine Power & Water, which represents 98 percent, 100 percent and 99 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power & Water, is based solely 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 from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As explained in Note 14 to the basic financial statements, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which restated the beginning net position of the governmental activities, business-type activities, Water Pollution Control Fund, Transfer Station Fund and Refuse Collection Fund. Our opinion is not modified in respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 30, 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 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, individual component unit financial statements and the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133 Audits of State, Local Governments and Nonprofit Organizations, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements 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 statement. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*McGladrey LLP*

Davenport, Iowa  
December 5, 2013

## 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, 2013. 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 and deferred outflows of resources of the City of Muscatine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$135,465,228 (net position). Of this amount, \$9,783,412 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,244,585 during the year. This overall increase is due to the \$2,523,690 increase in the business-type activities which was in part offset by a decrease in the governmental activities of \$279,105.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,319,341, a decrease of \$1,995,462 in comparison with the prior year. This overall decrease is primarily in the local option sales tax and capital projects funds. The local option sales tax fund balance decreased by \$694,710 with those funds used for the West Hill Sewer Separation project. Capital project fund balances decreased by \$1,117,778 primary due to the expenditure of prior year bond proceeds for current year capital project costs, primarily street projects. Of the ending balance, approximately 13% (\$1,315,180) was nonspendable, 54% (\$5,632,650) was restricted, 5% (\$506,407) was assigned, and 28% (\$2,865,104) 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 \$3,073,412, or 18.8% of total general fund expenditures.
- The City's total debt decreased by \$2,919,070 (8.3%) during the current fiscal year. During the year \$1,115,000 in general obligation refunding debt was issued and \$3,409,312 in general obligation debt was retired. No new tax increment revenue bonds were issued and \$105,000 was retired. Sewer revenue loans outstanding decreased by \$606,565 during the year.

### Overview of the Financial Statements

This discussion and analysis is 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 position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 three legally separate entities, Muscatine Power and Water, the Muscatine Convention and Visitors Bureau, and the Muscatine County Solid Waste Agency, for which the City of Muscatine is considered to be financially accountable. Financial information for these three *component units* is reported separately from the financial information presented for the primary government itself. Muscatine Power and Water issues separate financial statements. The Muscatine Convention and Visitors Bureau and the Solid Waste Agency do not issue separate financial statements.

The government-wide financial statements can be found on pages 31-32 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 33-36 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 37-41 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 42 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 43-70.

**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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$135,465,228 at the close of the fiscal year ended June 30, 2013.

By far the largest portion of the City's net position (87.8%) 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 POSITION

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 26,280,394	\$ 28,512,152	\$ 8,831,464	\$ 9,528,547	\$ 35,111,858	\$ 38,040,699
Capital assets	66,711,244	66,531,763	83,498,523	81,553,383	150,209,767	148,085,146
Total assets	<u>92,991,638</u>	<u>95,043,915</u>	<u>92,329,987</u>	<u>91,081,930</u>	<u>185,321,625</u>	<u>186,125,845</u>
Deferred outflows of resources	6,218	-	43,404	-	49,622	-
Long-term liabilities outstanding	18,284,870	19,795,510	16,183,542	17,451,630	34,468,412	37,247,140
Other liabilities	726,968	1,185,446	1,253,729	1,069,402	1,980,697	2,254,848
Total liabilities	<u>19,011,838</u>	<u>20,980,956</u>	<u>17,437,271</u>	<u>18,521,032</u>	<u>36,449,109</u>	<u>39,501,988</u>
Deferred inflows of resources	13,456,910	13,106,743	-	-	13,456,910	13,106,743
Net position:						
Net investment in capital assets	51,062,032	49,843,849	67,867,972	64,583,715	118,930,004	114,427,564
Restricted	6,614,924	8,626,783	136,888	178,360	6,751,812	8,805,143
Unrestricted	2,852,152	2,485,584	6,931,260	7,798,823	9,783,412	10,284,407
Total net position	<u>\$ 60,529,108</u>	<u>\$ 60,956,216</u>	<u>\$ 74,936,120</u>	<u>\$ 72,560,898</u>	<u>\$ 135,465,228</u>	<u>\$ 133,517,114</u>

A portion of the City's net position (5.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$9,783,412) 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 position, 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 investment in capital assets increased by \$4,502,440 during the year. Restricted net position decreased by \$2,053,331. Unrestricted net position decreased by \$500,995 during the year with the unrestricted net position of business-type activities decreasing by \$867,563 and the unrestricted net position of governmental activities increasing by \$366,568.

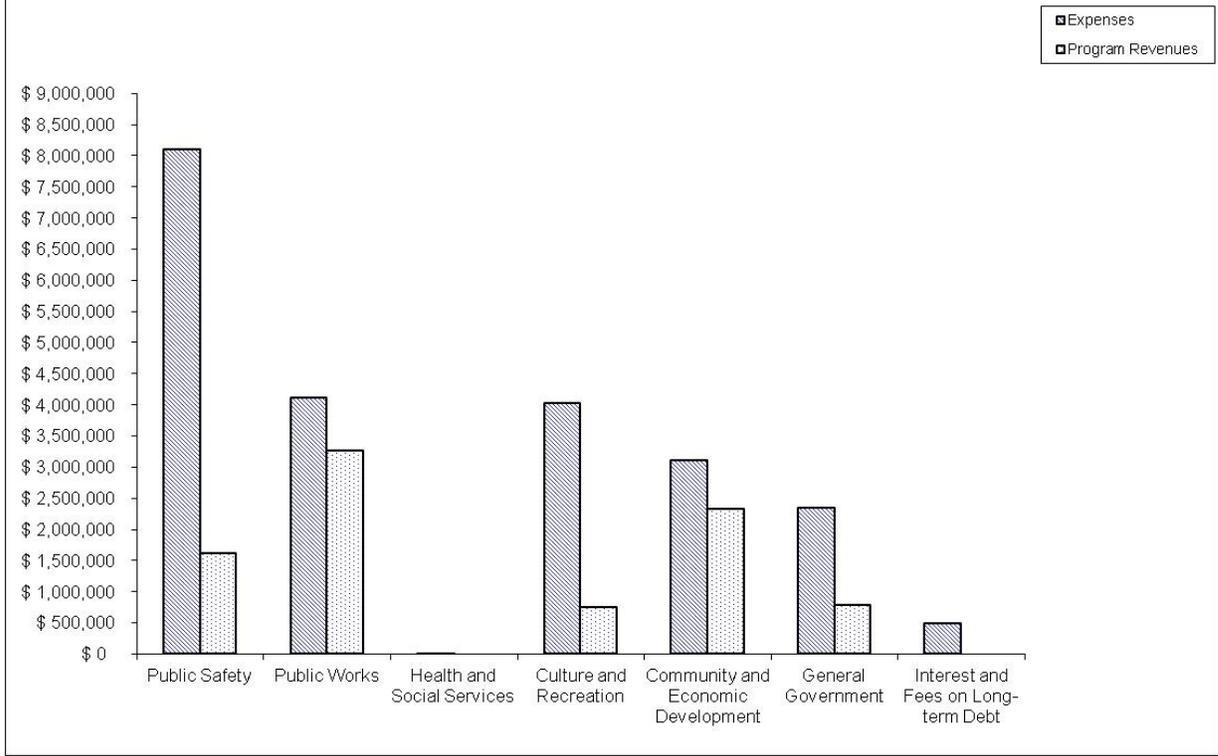
**CITY OF MUSCATINE CHANGES IN NET POSITION**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,053,992	\$ 3,366,985	\$ 12,423,768	\$ 12,060,724	\$ 15,477,760	\$ 15,427,709
Operating grants, contributions and restricted interest	4,922,364	4,915,000	820,150	659,185	5,742,514	5,574,185
Capital grants and contributions	767,392	1,398,288	561,426	661,419	1,328,818	2,059,707
General revenues:						
Property taxes	13,117,510	12,861,006	-	-	13,117,510	12,861,006
Utility taxes	57,576	58,048	-	-	57,576	58,048
Local option sales tax	2,567,849	2,543,654	-	-	2,567,849	2,543,654
Hotel/motel tax	335,701	347,771	-	-	335,701	347,771
Cable franchise tax	222,288	225,902	-	-	222,288	225,902
Utility franchise fees	103,931	170,225	-	-	103,931	170,225
Intergovernmental, not restricted to specific programs	150,031	156,229	-	-	150,031	156,229
Unrestricted investment earnings	13,582	16,177	9,379	17,875	22,961	34,052
Other	6,958	6,373	19,874	-	26,832	6,373
<b>Total revenues</b>	<b>25,319,174</b>	<b>26,065,658</b>	<b>13,834,597</b>	<b>13,399,203</b>	<b>39,153,771</b>	<b>39,464,861</b>
Expenses:						
Public safety	8,106,891	7,933,672	-	-	8,106,891	7,933,672
Public works	4,111,389	4,603,469	-	-	4,111,389	4,603,469
Health and social service	20,000	17,800	-	-	20,000	17,800
Culture and recreation	4,018,788	4,072,299	-	-	4,018,788	4,072,299
Community and economic development	3,099,380	3,063,468	-	-	3,099,380	3,063,468
General government	2,352,743	2,129,477	-	-	2,352,743	2,129,477
Interest and fees on long-term debt	496,578	504,515	-	-	496,578	504,515
Water pollution control	-	-	6,088,562	5,757,128	6,088,562	5,757,128
Transfer station	-	-	2,140,480	2,302,385	2,140,480	2,302,385
Refuse collection	-	-	2,068,419	2,015,577	2,068,419	2,015,577
Airport	-	-	551,499	462,094	551,499	462,094
Parking	-	-	237,933	244,115	237,933	244,115
Transit	-	-	1,121,524	1,077,339	1,121,524	1,077,339
Golf course	-	-	864,167	871,848	864,167	871,848
Boat harbor	-	-	27,878	31,036	27,878	31,036
Marina	-	-	13,873	19,507	13,873	19,507
Ambulance	-	-	500,046	473,350	500,046	473,350
Public housing	-	-	1,089,036	1,164,215	1,089,036	1,164,215
<b>Total expenses</b>	<b>22,205,769</b>	<b>22,324,700</b>	<b>14,703,417</b>	<b>14,418,594</b>	<b>36,909,186</b>	<b>36,743,294</b>
Increase (decrease) in net position before transfers	3,113,405	3,740,958	(868,820)	(1,019,391)	2,244,585	2,721,567
Transfers in (out)	(3,392,510)	(1,144,303)	3,392,510	1,144,303	-	-
<b>Increase (decrease) in net position</b>	<b>(279,105)</b>	<b>2,596,655</b>	<b>2,523,690</b>	<b>124,912</b>	<b>2,244,585</b>	<b>2,721,567</b>
Net position, beginning of year (as restated)	60,808,213	58,359,561	72,412,430	72,435,986	133,220,643	130,795,547
<b>Net position, end of year</b>	<b>\$ 60,529,108</b>	<b>\$ 60,956,216</b>	<b>\$ 74,936,120</b>	<b>\$ 72,560,898</b>	<b>\$ 135,465,228</b>	<b>\$ 133,517,114</b>

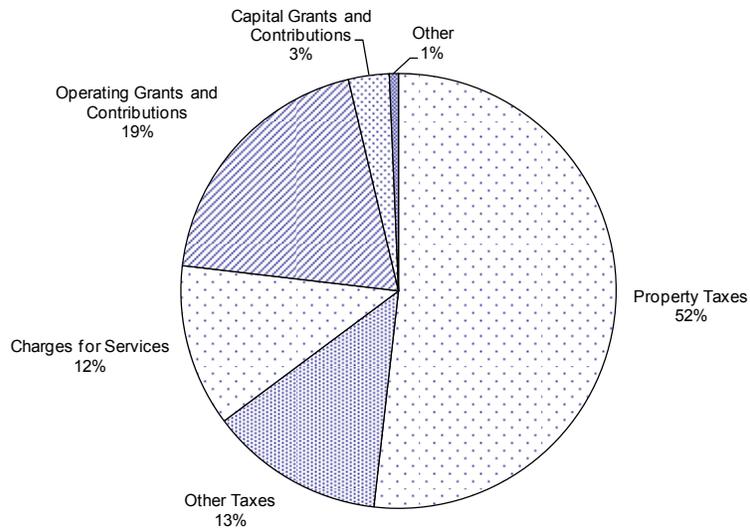
**Governmental activities.** Governmental activities decreased the City’s net position by \$279,105. This overall decrease was primarily due to the increase in transfers out, a substantial portion of which is the local option sales tax transfer for the West Hill Sewer Separation project accounted for in the Water Pollution Control fund.

- Revenues for governmental activities decreased in total by \$746,484 or 2.9% from the previous year primarily due to a decrease of \$630,896 in capital grants and contributions and a decrease in charges for services of \$312,993. These decreases were partially offset by increases in property taxes and local option sales taxes.
- Charges for services for governmental activities decreased by \$312,993. Charges for services in the public safety function decreased by \$92,893 primarily due to a decrease in automatic traffic enforcement (ATE) fines. The ATE cameras became operational in the spring of 2011 and 2011/2012 was the first full fiscal year of their operation. The ATE fines decreased in 2012/2013 due to increased compliance with traffic laws in these areas. Charges for services in the public works function decreased by \$410,607 and culture and recreation charges decreased by \$56,841. The public works decrease was primarily due to one-time charges in 2011/2012 related to a street project. The decrease in culture and recreation was due to less favorable weather conditions in the spring of 2013 which impacted aquatic center revenues as well as revenues for other recreation programs. These decreases were partially offset by increases of \$29,757 in the community and economic development and \$217,591 in the general government functions.
- Operating grants and contributions for governmental activities increased slightly (by \$7,364) compared to the previous year. .
- Capital grants and contributions decreased by \$630,896 from the previous year primarily due to decreased grant funding for capital projects. Prior year capital grants included the final state grant payment of \$718,755 for the new Southend Fire Station.
- Property taxes increased by \$256,504 during the year or 2.0%.
- Local option sales taxes increased by \$24,195 or 1.0% during the year.
- Hotel/motel taxes decreased by \$12,070 or 3.5%.
- The reduction of \$66,294 in utility franchise fees is due to City Council reducing the franchise fee rate from 2% to 1% as part of the budget for 2012/2013. The City's franchise fee ordinance allows the rate to be up to 5%. This rate can be changed by City Council action by giving a minimum of a 90 day notice to the utility company.
- Unrestricted investment earnings decreased by \$2,595 or 16.0% during the year due to the continued low interest rates.
- Expenses for governmental activities decreased by \$118,931 or .5% from the previous year.
- Governmental expenses increased in the public safety (\$173,219), community development (\$35,912), general government (\$223,266), and health and social services (\$2,200) functions. Expenses decreased in the public works (\$492,080) and culture and recreation (\$53,511) functions. Interest and fee expenses also decreased by \$7,937.

### Expenses and Program Revenues - Governmental Activities

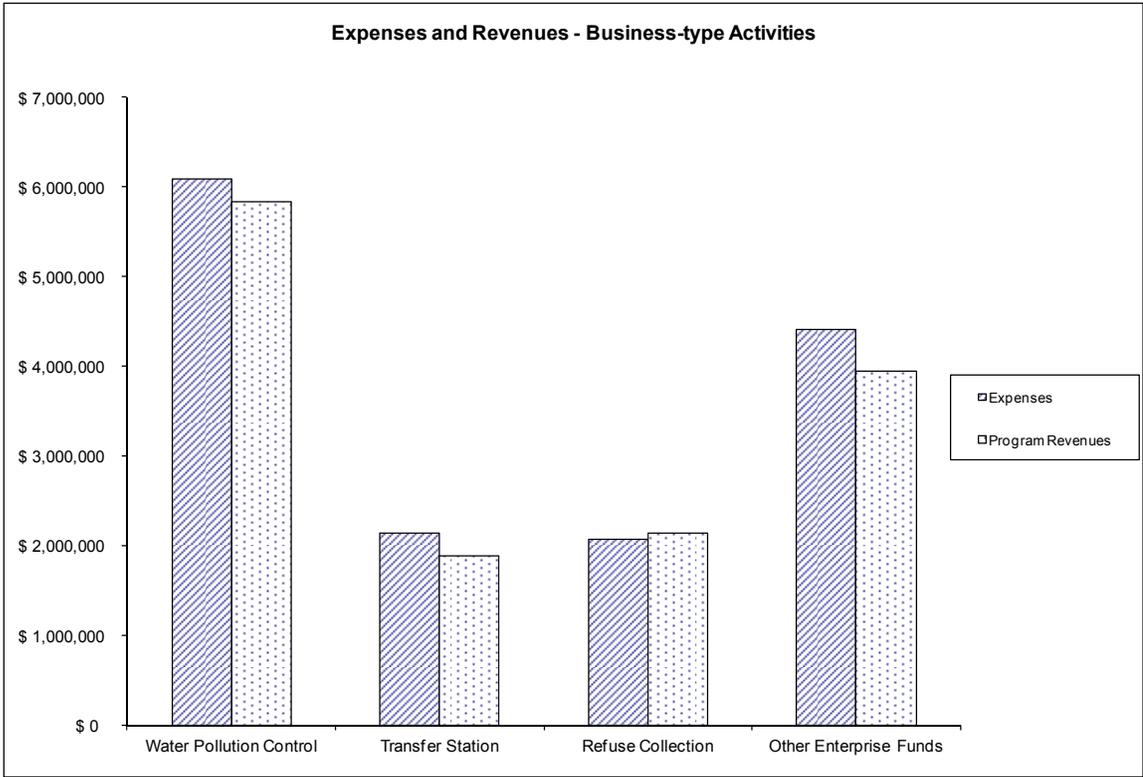


### Revenues By Source - Governmental Activities

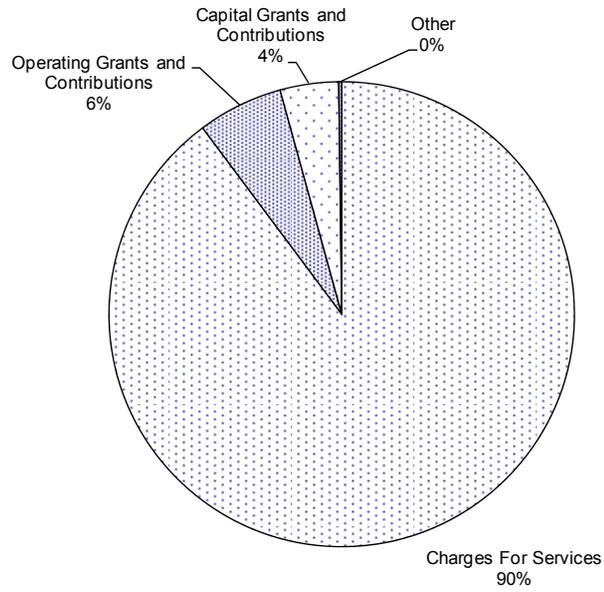


**Business-type activities.** Business-type activities increased the City's total net position by \$2,523,690, accounting for all of the total increase in the City of Muscatine's net position during the year. Increases in net position were reported in the Water Pollution Control, Transfer Station, Refuse Collection, Boat Harbor, and Ambulance funds. Decreases in net position were reported in the Airport, Parking, Transit, Golf Course, Marina, and Public Housing funds. Key elements of these changes are as follows:

- Net position of the Water Pollution Control fund increased by \$2,847,872 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$3,130,824 of sewer-related capital project costs during the year.
- Net position of the Transfer Station fund increased by \$479,979 during the year. During the year there was a \$726,219 transfer from the debt service fund to fund the transfer station debt requirements for the year.
- Net position of the Refuse Collection fund increased by \$55,802 during the year.
- Net position of the non-major enterprise funds decreased by \$951,183 during the year with the most significant decreases in the Public Housing (\$361,243), Airport (\$293,366), Golf Course (\$128,110), and Transit (\$116,087) funds.
- Revenues for the business-type activities increased in total by \$435,394 (3.3%).
- Charges for services increased in total by \$363,044. Water pollution control charges for services increased by \$452,526 and refuse collection charges increased by \$27,330. The increase in water pollution control charges was due to a rate increase. Transfer station charges for services decreased by \$108,389 as a result of decreased waste volume at this facility. There were decreases in Golf fees and charges of \$133,807, boat harbor charges of \$11,149, and marina charges of \$5,678, all related to the extremely wet spring weather in 2013. Ambulance fees and charges increased by \$184,672 during the year due to increased ambulance runs and public housing charges decreased by \$67,235 since the prior year amount included \$67,134 in one-time revenue.
- Operating grants and contributions increased by \$160,965. Public housing operating grants increased by \$179,879. The prior year amount was lower than most years due to changes in the federal housing program operating subsidy calculations.
- Capital grants and contributions decreased by \$99,993. Water pollution control capital grants increased by \$170,382 and Airport capital grants decreased by \$270,375. Unrestricted investment income decreased by \$8,496 due to the continued low interest rates.
- Expenses for the business-type activities increased \$284,823 (2.0%). Expenses increased by \$331,434 in the Water Pollution Control fund, decreased by \$161,905 in the Transfer Station fund, and increased by \$52,842 in the Refuse Collection fund. Expenses increased by \$89,405 in the Airport fund, by \$44,185 in the Transit fund, and by \$26,696 in the Ambulance fund. Expenses decreased by \$6,182 in the Parking fund, by \$7,681 in the Golf Court fund, by \$3,158 in the Boat Harbor fund, by \$5,634 in the Marina fund, and by \$75,179 in the Public Housing 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 \$10,319,341, a decrease of \$1,995,462 in comparison with the prior year. This decrease was primarily due to the \$1,117,778 decrease in the capital projects funds, \$694,710 decrease in the local option sales tax fund, decrease of \$113,890 in the employee benefits fund, and a decrease of \$40,425 in the debt service fund. The decrease in the capital projects funds was primarily due to the expenditure of prior year general obligation bond proceeds on current year capital project costs. The local option sales tax fund decrease was primarily due to use of accumulated balance in this fund for a major sewer project. The decreases in the employee benefits and debt service funds were budgeted decreases to fund current year employee benefit and debt service costs.

Of the combined \$10,319,341 governmental fund balances at year end 12.7% (\$1,315,180) is classified as nonspendable and includes prepaid items, advances to other funds, and permanent fund principal. A total of \$5,632,650 (54.6%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total \$506,407 (4.9%) with these funds assigned for purchases on order, future equipment purchases, risk management, and future grant commitments. The remaining \$2,865,104 is classified as unassigned (27.8%). By definition unassigned balances include all deficit balances. The Community Development Improvements and Riverfront Improvements capital projects funds had unassigned fund balance deficits at year-end of \$14,219 and \$209,005, respectively. These deficits will be eliminated with future year revenues.

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 \$3,073,412, while the total fund balance was \$3,668,147. The General Fund balance includes \$88,328 classified as nonspendable for prepayments. The assigned portion of the balance totals \$506,407 which includes \$250,993 for purchases on order, \$141,838 for future equipment purchases, \$73,576 for risk management, and \$40,000 for a future grant commitment. 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 18.8% and 22.4%, respectively, of total general fund expenditures. These percentages decreased from the prior year computation of unassigned and total fund balances of 21.2% and 22.9%, respectively. These decreases were planned decreases since the City budgeted to purchase a new fire engine (\$496,438) and new financial software (\$160,000) from the General fund in 2012/2013. The City of Muscatine's general fund balance increased by \$87,344 during the current fiscal year.

The Employee Benefits fund balance decreased during the year by \$113,890. Taxes are levied in this fund for employee benefits for general fund employees. The decrease in fund balance was due to the budgeted use of a portion of the prior year balance in this fund which had accumulated due to savings in employee benefit costs from vacancies in prior years.

The Local Option Sales Tax fund balance decreased during the fiscal year by \$694,710. Funds accumulated in this fund in prior years were used to fund Phase I of the West Hill Sewer Separation project.

The Debt Service Fund balance decreased \$40,425 due to the budgeted use of prior year excess bond proceeds.

The fund balances in the Other Governmental Funds decreased in total by \$1,233,781. This was primarily due to the decreases in the capital projects fund balances of \$1,117,778. Most of this decrease was due to the expenditure of prior year general obligation bond proceeds on current year capital project costs.

**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 position for the City's enterprise funds as of June 30, 2013 was \$74,758,037, an increase of \$2,432,470 from the previous fiscal year. Of the net position of the enterprise funds, \$67,867,972 is the net investment in capital assets of the enterprise funds. Restricted net position totaled \$136,888. Unrestricted net position totaled \$6,753,177, a decrease of \$958,783 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Net position for the internal service funds totaled \$1,904,869 as of June 30, 2013, an increase of \$189,509 from the previous year. This overall increase was primarily due to an increase in the Health Insurance fund.

### **General Fund Budgetary Highlights**

During the year there was a \$564,990 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 \$326,344 from the original to the amended budget. Following are the main components of the overall budget increases during the year:

- The \$130,130 overall increase in the public safety function budget included increases of \$124,000 in the fire department and \$7,930 for emergency management. The police budget decreased slightly (\$1,800) between the original budget and the amended budget. The increase in the fire budget included increases in various areas of the budget including increased allocations for fuel, vehicle and equipment repair parts and services, increased personnel costs including retirement pay for a former assistant chief, and increased insurance costs. The increase in the emergency management budget was primarily due to the matching funds (15%) for a homeland security grant which funded the emergency siren activation upgrade to a radio controlled system
- The culture and recreation function increased in total by \$87,100. This overall increase includes increases totaling \$63,900 in the various Parks department budgets. The Park department increase included \$22,200 for a new park shelter in Weed Park which was 100% funded from donations, with the balance of the increase in various other park activities, primarily for increased maintenance costs. The Art Center budget was increased by \$23,200 which included an increase of \$13,500 from a State Cultural Affairs grant in that amount awarded after the original budget was adopted and an increase of \$9,700 in insurance costs for the art center's collections.
- The community and economic development function appropriation was increased by \$4,700 primarily for economic development administrative and legal costs.

- Public works department expenditures were amended upward in total by \$35,900 with this increase primarily in the roadway maintenance activity.
- The amended budget included a \$37,000 increase in the general government function expenditures. Significant increases were in the Human Resources (\$16,000), Risk Management (\$12,700), and Buildings and Grounds (\$55,500) budgets. These increases were partially offset by decreases in other general government activity budgets.

### 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, 2013, amounts to \$150,209,767 (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 \$179,481 for governmental activities compared to the prior year and increased by \$1,945,140 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 \$8,660,549.
- Major asset additions included \$2,179,968 in street improvements; \$4,470,176 in sewer system improvements; \$330,164 for the golf course irrigation system, \$496,438 for a new fire engine, and \$79,686 for Airport improvements.
- Depreciation expense totaled \$7,050,824 for the year with \$3,343,878 in the governmental activities and \$3,706,946 in the business-type activities.

#### City of Muscatine Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land, art work and construction in progress, not being depreciated	\$ 19,880,556	\$ 20,734,527	\$ 8,446,710	\$ 4,524,371	\$ 28,327,266	\$ 25,258,898
Other capital assets net of accumulated depreciation	46,830,688	45,797,236	75,051,813	77,029,012	121,882,501	122,826,248
Total capital assets	\$ 66,711,244	\$ 66,531,763	\$ 83,498,523	\$ 81,553,383	\$ 150,209,767	\$ 148,085,146

Additional information on the City of Muscatine’s capital assets can be found in note 4 on pages 55-58 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$32,367,687. Of this amount, \$16,459,687 is debt backed by the full faith and credit of the City. Of this amount \$800,955 is debt that serves enterprise funds and therefore is reflected as debt of the respective enterprise funds with the remainder of the general obligation bonds \$15,658,732 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 15,658,732	\$ 17,177,089	\$ 800,955	\$ 1,490,103	\$ 16,459,687	\$ 18,667,192
Revenue bonds	1,035,000	1,140,000	14,873,000	15,479,565	15,908,000	16,619,565
Total	\$ 16,693,732	\$ 18,317,089	\$ 15,673,955	\$ 16,969,668	\$ 32,367,687	\$ 35,286,757

The City's total bonded debt decreased by \$2,919,070 during the year. The City issued \$1,115,000 in general obligation refunding bonds during the year and issued \$5,000 in new sewer revenue debt. The \$5,000 in sewer revenue debt was the final amount on the State Revolving Fund Loan which financed major improvements to the Water Pollution Control plant. Debt retired included \$3,405,000 in general obligation bonds, \$105,000 of tax increment revenue bonds, and \$611,565 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 \$60,902,264. The amount of bonded debt applicable to the debt limit totals \$17,450,000. The City also has Tax Increment Financing rebate agreements which total to a maximum obligation of \$13,690,463 as of the end of the year. The bonded debt and rebate agreements total to \$31,140,463. Although tax increment rebate agreements are required to be included in the computation of debt subject to the debt limit, these obligations are totally financed by incremental taxes received from the benefitted properties. The City's debt, including the rebate agreement obligations, is significantly less than the maximum debt limit allowed.

The City was assigned an Aa2 rating from Moody's for the City's general obligation debt issue in June of 2012. This rating was the same rating as that assigned for the June, 2010 bond issue.

Additional information on the City's long-term debt can be found in note 5 on pages 58-63 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Muscatine County was 5.5% for calendar year 2012 compared to 6.4% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by 2.8% for the 2012/2013 year and increased by 2.3% for the upcoming 2013/2014 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%).
- Two major street reconstruction projects are scheduled for 2014 - Cedar Street from Parham to Houser and Colorado Street. These projects will be financed with a combination of grant funds, general obligation bonds, road use taxes, and local option sales taxes.
- In 2013/2014 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. In November of 2012 the City received notification that the request to extend the deadline to 2028 had been approved by the E.P.A. The West Hill Sewer Separation project is the remaining project mandated by this Consent Order. This is a multi-year, multi-phase project estimated to reach or exceed \$50 million in total costs. Local option sales tax funds will fund a significant portion of the cost of this project. The local option sales tax funds, however, will need to be supplemented with future sewer revenue bonds or other funds to complete the financing for this project. The City is setting aside annual allocations from the Water Pollution Control fund operating budget so these funds will be available to assist with financing this project.
- The 2013/2014 budget provides for increases in sewer fees. No fee increases are budgeted for the transfer station, refuse collection, parking, golf course, boat harbor, airport, 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 Position**  
**June 30, 2013**

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Muscatine County Solid Waste Agency</u>	<u>Muscatine Convention &amp; Visitors Bureau</u>	<u>Muscatine Power &amp; Water</u>
<b>ASSETS</b>						
Cash and pooled investments	\$ 9,796,348	\$ 5,352,588	\$ 15,148,936	\$ -	\$ 64,831	\$ 13,637,808
Investments	1,331,345	316,584	1,647,929	-	-	3,027,000
Receivables (net of allowance for uncollectibles):						
Interest	5,783	-	5,783	-	-	736,918
Taxes	14,054,498	-	14,054,498	-	-	-
Accounts	375,147	1,675,544	2,050,691	-	-	7,497,904
Intergovernmental	676,009	89,830	765,839	-	-	-
Loan receivable from component unit	-	1,022,347	1,022,347	-	-	-
Internal balances	(178,083)	178,083	-	-	-	-
Inventories	131,019	55,200	186,219	-	-	20,090,576
Prepays	88,328	4,400	92,728	-	-	561,327
Restricted assets:						
Temporarily restricted:						
Cash and pooled investments	-	136,888	136,888	1,360,499	-	7,039,626
Capital assets:						
Land, art work and construction in progress, not being depreciated	19,880,556	8,446,710	28,327,266	1,080,608	-	3,649,526
Other capital assets net of accumulated depreciation	46,830,688	75,051,813	121,882,501	1,300,039	10,271	-
Utility plant in service	-	-	-	-	-	119,442,218
Joint venture rights	-	-	-	-	-	110,558
<b>Total assets</b>	<b>92,991,638</b>	<b>92,329,987</b>	<b>185,321,625</b>	<b>3,741,146</b>	<b>75,102</b>	<b>175,793,461</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charges on refundings	6,218	43,404	49,622	-	-	-
<b>LIABILITIES</b>						
Accounts payable and accruals	541,133	900,278	1,441,411	58,400	296	7,702,062
Retainages payable	82,594	216,239	298,833	-	-	-
Deposits	-	45,801	45,801	-	-	2,177,462
Accrued interest payable	37,073	42,444	79,517	-	-	623,522
Escrow liability	21,637	-	21,637	-	-	-
Unearned revenue	44,531	48,967	93,498	-	-	6,349,845
Liabilities payable from restricted assets:						
Current installment of long-term debt	-	-	-	-	-	943,000
Accrued interest payable	-	-	-	-	-	92,980
Noncurrent liabilities:						
Due within one year	2,316,549	1,562,988	3,879,537	1,406	-	-
Due in more than one year	15,968,321	14,581,909	30,550,230	182	-	3,427,351
Loan due to primary government	-	-	-	1,022,347	-	-
Closure/post-closure obligation	-	38,645	38,645	2,558,574	-	-
<b>Total liabilities</b>	<b>19,011,838</b>	<b>17,437,271</b>	<b>36,449,109</b>	<b>3,640,909</b>	<b>296</b>	<b>21,316,222</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	13,456,910	-	13,456,910	-	-	-
<b>NET POSITION</b>						
Net investment in capital assets	51,062,032	67,867,972	118,930,004	2,380,647	10,271	117,327,198
Restricted for:						
Debt service	93,347	98,243	191,590	-	-	-
Public works	2,786,595	-	2,786,595	-	-	-
Community and economic development	321,698	-	321,698	-	-	-
Public safety	41,579	-	41,579	-	-	-
Employee benefits	50,368	-	50,368	-	-	-
Tax increment financing projects	1,091,092	-	1,091,092	-	-	-
Culture and recreation	28,935	-	28,935	-	-	-
Capital projects	598,605	-	598,605	-	-	-
Perpetual care, nonexpendable	850,274	-	850,274	-	-	-
Endowments:						
Nonexpendable	168,061	-	168,061	-	-	-
Expendable	584,370	-	584,370	-	-	-
Other purposes	-	38,645	38,645	-	-	6,947,624
Unrestricted	2,852,152	6,931,260	9,783,412	(2,280,410)	64,535	30,202,417
<b>Total net position</b>	<b>\$ 60,529,108</b>	<b>\$ 74,936,120</b>	<b>\$ 135,465,228</b>	<b>\$ 100,237</b>	<b>\$ 74,806</b>	<b>\$ 154,477,239</b>

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, 2013

Functions:	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-Type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Convention & Visitors Bureau	Muscatine Power & Water		
<b>Primary Government:</b>												
Governmental activities:												
Public safety	\$ 8,106,891	\$ 1,137,537	\$ 450,326	\$ 28,439	\$ (6,490,589)	\$ -	\$ (6,490,589)					
Public works	4,111,389	224,263	2,345,681	695,184	(846,261)	-	(846,261)					
Health and social services	20,000	-	-	-	(20,000)	-	(20,000)					
Culture and recreation	4,018,788	488,456	251,156	15,759	(3,263,417)	-	(3,263,417)					
Community and economic development	3,099,380	456,674	1,875,201	-	(767,505)	-	(767,505)					
General government	2,352,743	747,062	-	28,010	(1,577,671)	-	(1,577,671)					
Interest and fees on long-term debt	496,578	-	-	-	(496,578)	-	(496,578)					
Total governmental activities	<u>22,205,769</u>	<u>3,053,992</u>	<u>4,922,364</u>	<u>767,392</u>	<u>(13,462,021)</u>	<u>-</u>	<u>(13,462,021)</u>					
Business-type activities:												
Water pollution control	6,088,562	5,399,757	529	439,360	-	(248,916)	(248,916)					
Transfer station	2,140,480	1,850,428	34,540	-	-	(255,512)	(255,512)					
Refuse collection	2,068,419	2,137,772	-	-	-	69,353	69,353					
Airport	551,499	69,136	12,929	122,066	-	(347,368)	(347,368)					
Parking	237,933	177,415	-	-	-	(60,518)	(60,518)					
Transit	1,121,524	179,622	509,141	-	-	(432,761)	(432,761)					
Golf course	864,167	740,694	-	-	-	(123,473)	(123,473)					
Boat harbor	27,878	28,665	-	-	-	787	787					
Marina	13,873	13,079	-	-	-	(794)	(794)					
Ambulance	500,046	1,351,714	-	-	-	851,668	851,668					
Public housing	1,089,036	475,486	263,011	-	-	(350,539)	(350,539)					
Total business-type activities	<u>14,703,417</u>	<u>12,423,768</u>	<u>820,150</u>	<u>561,426</u>	<u>-</u>	<u>(898,073)</u>	<u>(898,073)</u>					
Total primary government	<u>\$ 36,909,186</u>	<u>\$ 15,477,760</u>	<u>\$ 5,742,514</u>	<u>\$ 1,328,818</u>	<u>(13,462,021)</u>	<u>(898,073)</u>	<u>(14,360,094)</u>					
<b>Component Units:</b>												
Muscatine County Solid Waste Agency	\$ 1,127,763	\$ 1,210,186	\$ 117,177	\$ -			\$ 199,600	\$ -	\$ -			
Muscatine Convention & Visitors Bureau	29,247	-	103,980	-			-	74,733	-			
Muscatine Power & Water	98,094,426	97,130,827	-	296,821			-	-	-	(666,778)		
Total component units	<u>\$ 99,251,436</u>	<u>\$ 98,341,013</u>	<u>\$ 221,157</u>	<u>\$ 296,821</u>			<u>199,600</u>	<u>74,733</u>	<u>-</u>	<u>(666,778)</u>		
General revenues:												
Property taxes					13,117,510	-	13,117,510	-	-	-		
Utility taxes					57,576	-	57,576	-	-	-		
Local option sales tax					2,567,849	-	2,567,849	-	-	-		
Hotel/motel taxes					335,701	-	335,701	-	-	-		
Cable franchise taxes					222,288	-	222,288	-	-	-		
Utility franchise fees					103,931	-	103,931	-	-	-		
Intergovernmental, unrestricted					150,031	-	150,031	-	-	-		
Unrestricted investment income					13,582	9,379	22,961	149	73	1,372,414		
Gain on sale of capital assets					-	19,874	19,874	-	-	-		
Contributions to endowments					6,958	-	6,958	-	-	-		
Transfers					(3,392,510)	3,392,510	-	-	-	-		
Total general revenues, contributions to endowments and transfers					<u>13,182,916</u>	<u>3,421,763</u>	<u>16,604,679</u>	<u>149</u>	<u>73</u>	<u>1,372,414</u>		
Change in net position					(279,105)	2,523,690	2,244,585	199,749	74,806	705,636		
Net position, June 30, 2012, as restated					60,808,213	72,412,430	133,220,643	(99,512)	-	153,771,603		
Net position, June 30, 2013					<u>\$ 60,529,108</u>	<u>\$ 74,936,120</u>	<u>\$ 135,465,228</u>	<u>\$ 100,237</u>	<u>\$ 74,806</u>	<u>\$ 154,477,239</u>		

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

City of Muscatine, Iowa

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 3,196,648	\$ 20,072	\$ 1,475,843	\$ 70,256	\$ 2,997,691	\$ 7,760,510
Investments	-	-	-	-	1,331,345	1,331,345
Receivables (net of allowance for uncollectibles):						
Interest	29	-	-	-	5,754	5,783
Taxes	7,207,741	3,057,501	470,045	2,397,277	921,934	14,054,498
Accounts	306,074	-	-	-	40,097	346,171
Intergovernmental	243,416	-	-	-	432,593	676,009
Prepaid insurance	88,328	-	-	-	-	88,328
Advances to other funds	-	-	-	-	244,578	244,578
Total assets	<u>11,042,236</u>	<u>3,077,573</u>	<u>1,945,888</u>	<u>2,467,533</u>	<u>5,973,992</u>	<u>24,507,222</u>
<b>LIABILITIES</b>						
Accounts payable and accruals	\$ 212,259	\$ -	\$ -	\$ -	\$ 73,124	\$ 285,383
Retainages payable	-	-	-	-	82,594	82,594
Escrow liability	-	-	-	-	21,637	21,637
Advances from other funds	-	-	-	-	244,578	244,578
Unearned revenue	22,811	-	-	-	21,720	44,531
Total liabilities	<u>235,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,653</u>	<u>678,723</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	7,138,119	3,027,205	-	2,374,186	917,400	13,456,910
Unavailable revenue - other taxes	-	-	51,348	-	-	51,348
Unavailable revenue - intergovernmental	900	-	-	-	-	900
Total deferred inflows of resources	<u>7,139,019</u>	<u>3,027,205</u>	<u>51,348</u>	<u>2,374,186</u>	<u>917,400</u>	<u>13,509,158</u>
<b>FUND BALANCES</b>						
<b>Nonspendable</b>						
Prepaid items	-	-	-	-	-	-
Advances to other funds	-	-	-	-	244,578	244,578
Permanent fund principal	-	-	-	-	982,274	982,274
<b>Restricted for:</b>						
Grant purposes	-	-	-	-	965,280	965,280
Housing assistance payments	-	-	-	-	54,393	54,393
Tax levy purposes	-	50,368	-	-	1,091,092	1,141,460
Sewer and street projects	-	-	1,894,540	-	-	1,894,540
Debt service	-	-	-	93,347	-	93,347
Housing and community development	-	-	-	-	194,080	194,080
Art center	-	-	-	-	372,820	372,820
Library	-	-	-	-	218,009	218,009
Capital projects	-	-	-	-	598,605	598,605
Other purposes	-	-	-	-	100,116	100,116
<b>Assigned to:</b>						
Purchases on order	250,993	-	-	-	-	250,993
Future equipment purchases	141,838	-	-	-	-	141,838
Risk management	73,576	-	-	-	-	73,576
Future grant commitments	40,000	-	-	-	-	40,000
<b>Unassigned</b>	<u>3,161,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,308)</u>	<u>2,953,432</u>
Total fund balances	<u>3,668,147</u>	<u>50,368</u>	<u>1,894,540</u>	<u>93,347</u>	<u>4,612,939</u>	<u>10,319,341</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,042,236</u>	<u>\$ 3,077,573</u>	<u>\$ 1,945,888</u>	<u>\$ 2,467,533</u>	<u>\$ 5,973,992</u>	<u>\$ 24,507,222</u>

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 Position  
June 30, 2013

Total governmental fund balances	\$ 10,319,341
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.	66,690,936
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	52,248
Unamortized balance of deferred amount of refunding bonds not reported in the funds	6,218
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.	1,904,869
Internal service fund allocations to business-type activities	(178,083)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(16,693,732)
Accrued interest payable	(37,073)
Compensated absences	(1,246,190)
Other post-employment benefits	(289,426)
Net position of governmental activities	<u>\$ 60,529,108</u>

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, 2013

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 6,934,096	\$ 3,016,089	\$ -	\$ 2,330,018	\$ 837,307	\$ 13,117,510
Utility	32,683	14,225	-	10,668	-	57,576
Hotel/motel	335,701	-	-	-	-	335,701
Cable franchise	222,288	-	-	-	-	222,288
Utility franchise	103,931	-	-	-	-	103,931
Local option sales	-	-	2,524,657	-	-	2,524,657
Licenses and permits	390,491	-	-	-	-	390,491
Fines and forfeitures	895,789	-	-	-	-	895,789
Intergovernmental	578,958	-	-	114,312	4,274,617	4,967,887
Charges for services	527,813	-	-	-	-	527,813
Use of money and property	170,847	-	2,425	1,390	32,931	207,593
Other	956,507	-	-	-	351,818	1,308,325
Total revenues	11,149,104	3,030,314	2,527,082	2,456,388	5,496,673	24,659,561
<b>EXPENDITURES</b>						
Current:						
Public safety	7,703,350	-	-	-	642	7,703,992
Public works	1,829,551	-	-	-	-	1,829,551
Health and social services	20,000	-	-	-	-	20,000
Culture and recreation	2,753,211	-	-	-	31,056	2,784,267
Community and economic development	797,506	-	-	-	2,322,828	3,120,334
General government	2,049,017	-	-	-	-	2,049,017
Debt service:						
Principal	-	-	-	2,630,000	105,000	2,735,000
Interest	-	-	-	447,398	61,308	508,706
Paying agent	-	-	-	2,800	-	2,800
Refunding bond issuance costs	-	-	-	15,021	-	15,021
Capital outlay:						
Public safety	778,394	-	-	-	188,211	966,605
Public works	109,558	-	-	-	1,953,130	2,062,688
Culture and recreation	284,219	-	-	-	43,604	327,823
Community and economic development	17,250	-	-	-	4,664	21,914
General government	40,151	-	-	-	235,970	276,121
Total expenditures	16,382,207	-	-	3,095,219	4,946,413	24,423,839
Revenues over (under) expenditures	(5,233,103)	3,030,314	2,527,082	(638,831)	550,260	235,722
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	-	-	-	1,115,000	-	1,115,000
Transfers in	5,932,686	-	-	209,625	887,467	7,029,778
Transfers out	(612,239)	(3,144,204)	(3,221,792)	(726,219)	(2,671,508)	(10,375,962)
Total other financing sources (uses)	5,320,447	(3,144,204)	(3,221,792)	598,406	(1,784,041)	(2,231,184)
Net change in fund balances	87,344	(113,890)	(694,710)	(40,425)	(1,233,781)	(1,995,462)
Fund balances, June 30, 2012	3,580,803	164,258	2,589,250	133,772	5,846,720	12,314,803
Fund balances, June 30, 2013	\$ 3,668,147	\$ 50,368	\$ 1,894,540	\$ 93,347	\$ 4,612,939	\$ 10,319,341

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, 2013

Net change in fund balances - total governmental funds \$ (1,995,462)

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	2,965,780
Depreciation expense	(3,341,132)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position:

Capital contributions - land and permanent easements	537,256
Capital contributions - art	43,000
Loss on disposal of capital assets	(31,353)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 52,248

Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years (134,809)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

General obligation refunding bond proceeds	(1,115,000)
General obligation bond principal payments	2,630,000
Tax increment bond principal payments	105,000
Net effects of bond premiums, discounts, and deferred amounts on refunding	9,575

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

Change in compensated absences	(44,443)
Other post-employment benefits	(63,408)
Change in accrued interest payable	5,354

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	189,509
Allocation of net revenue (expense) to business-type activities	(91,220)

Change in net position of governmental activities \$ (279,105)

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

**City of Muscatine, Iowa**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>ASSETS</b>						
Current assets:						
Cash and pooled investments	\$ 5,048,080	\$ -	\$ 48,433	\$ 256,075	\$ 5,352,588	\$ 2,035,838
Investments	-	-	-	316,584	316,584	-
Receivables (net of allowance for uncollectibles):						
Accounts	612,422	545,641	298,093	219,388	1,675,544	28,976
Intergovernmental:						
Federal	-	-	-	73,364	73,364	-
State	5,000	-	-	6,665	11,665	-
County	-	-	-	4,801	4,801	-
Due from other funds	6,540	-	-	5,212	11,752	1,095
Inventories	-	-	-	55,200	55,200	131,019
Prepaid items	-	-	-	4,400	4,400	-
<b>Total current assets</b>	<b>5,672,042</b>	<b>545,641</b>	<b>346,526</b>	<b>941,689</b>	<b>7,505,898</b>	<b>2,196,928</b>
Noncurrent assets:						
Restricted cash and pooled investments	98,243	38,645	-	-	136,888	-
Advances to component unit	1,022,347	-	-	-	1,022,347	-
Advances to other funds	637,769	-	-	-	637,769	-
Capital assets:						
Land	536,914	175,000	-	2,173,659	2,885,573	-
Land improvements	173,126	1,019,897	-	12,126,683	13,319,706	-
Buildings and building improvements	49,583,409	7,428,336	1,312,083	10,530,356	68,854,184	-
Equipment	4,652,698	221,942	108,521	1,220,440	6,203,601	117,956
Vehicles	982,546	538,701	608,901	1,476,528	3,606,676	64,309
Infrastructure	45,274,672	-	-	-	45,274,672	-
Construction in progress	5,545,937	-	-	15,200	5,561,137	-
Less accumulated depreciation	(38,156,853)	(4,836,228)	(1,099,797)	(18,114,148)	(62,207,026)	(161,957)
Total capital assets net of accumulated depreciation	68,592,449	4,547,648	929,708	9,428,718	83,498,523	20,308
<b>Total noncurrent assets</b>	<b>70,350,808</b>	<b>4,586,293</b>	<b>929,708</b>	<b>9,428,718</b>	<b>85,295,527</b>	<b>20,308</b>
<b>Total assets</b>	<b>76,022,850</b>	<b>5,131,934</b>	<b>1,276,234</b>	<b>10,370,407</b>	<b>92,801,425</b>	<b>2,217,236</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	-	39,018	4,386	-	43,404	-
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accruals	603,038	42,234	51,049	203,957	900,278	255,750
Retainages payable	211,009	-	-	5,230	216,239	-
Compensated absences payable	94,509	8,115	28,407	53,002	184,033	19,805
Due to other funds	-	-	-	11,752	11,752	1,095
Deposits	-	-	-	45,801	45,801	-
Accrued interest payable	40,278	1,904	262	-	42,444	-
Unearned revenue	-	-	732	48,235	48,967	-
State revolving fund loan	578,000	-	-	-	578,000	-
General obligation bonds	-	704,040	96,915	-	800,955	-
<b>Total current liabilities</b>	<b>1,526,834</b>	<b>756,293</b>	<b>177,365</b>	<b>367,977</b>	<b>2,828,469</b>	<b>276,650</b>
Noncurrent liabilities:						
State revolving fund loan	14,295,000	-	-	-	14,295,000	-
Advances from other funds	-	449,449	-	188,320	637,769	-
Compensated absences	89,579	5,978	35,523	50,994	182,074	27,873
Other post-employment benefits	56,594	7,197	19,277	21,767	104,835	7,844
Transfer station closure obligation	-	38,645	-	-	38,645	-
<b>Total noncurrent liabilities</b>	<b>14,441,173</b>	<b>501,269</b>	<b>54,800</b>	<b>261,081</b>	<b>15,258,323</b>	<b>35,717</b>
<b>Total liabilities</b>	<b>15,968,007</b>	<b>1,257,562</b>	<b>232,165</b>	<b>629,058</b>	<b>18,086,792</b>	<b>312,367</b>
<b>NET POSITION</b>						
Net investment in capital assets	53,719,449	3,882,626	837,179	9,428,718	67,867,972	20,308
Restricted for:						
Debt service	98,243	-	-	-	98,243	-
Closure costs	-	38,645	-	-	38,645	-
Unrestricted	6,237,151	(7,881)	211,276	312,631	6,753,177	1,884,561
<b>Total net position</b>	<b>\$ 60,054,843</b>	<b>\$ 3,913,390</b>	<b>\$ 1,048,455</b>	<b>\$ 9,741,349</b>	<b>\$ 74,758,037</b>	<b>\$ 1,904,869</b>

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

**City of Muscatine, Iowa**

**Reconciliation of Proprietary Funds Net Position  
to the Net Position of Business-Type Activities**

**June 30, 2013**

Total enterprise fund net position \$ 74,758,037

Amounts reported for enterprise activities in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain services to individual funds. Internal service fund net position increased during the year. A portion of this increase has been allocated to business-type activities in the statement of net position

178,083

Net position of business-type activities

\$ 74,936,120

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 Position  
 Proprietary Funds  
 For the Year Ended June 30, 2013

	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	\$ 5,127,920	\$ 1,843,339	\$ 2,133,017	\$ 2,884,495	\$ 11,988,771	\$ 1,211,305
Employer contributions	-	-	-	-	-	2,278,187
Employee contributions	-	-	-	-	-	216,783
Other contributions	-	-	-	-	-	159,741
Other	271,837	7,089	4,755	151,316	434,997	4,636
Total operating revenues	5,399,757	1,850,428	2,137,772	3,035,811	12,423,768	3,870,652
Operating expenses:						
Cost of sales and services:						
Personal services	2,016,346	231,695	732,771	1,702,963	4,683,775	297,637
Commodities	245,114	39,521	88,103	555,254	927,992	643,456
Contractual services	744,258	1,580,139	1,106,820	1,075,542	4,506,759	2,674,855
Administration	167,400	2,500	61,700	132,500	364,100	18,300
Depreciation	2,457,414	211,567	83,840	954,125	3,706,946	2,746
Total operating expenses	5,630,532	2,065,422	2,073,234	4,420,384	14,189,572	3,636,994
Operating income (loss)	(230,775)	(214,994)	64,538	(1,384,573)	(1,765,804)	233,658
Non-operating revenues (expenses):						
Intergovernmental	-	34,540	-	785,081	819,621	-
Interest revenue	8,049	-	125	1,734	9,908	2,177
Interest expense	(502,570)	(81,327)	(10,210)	-	(594,107)	-
Gain (loss) on sale of capital assets	2,984	16,890	-	(10,958)	8,916	-
Non-operating revenues (expenses), net	(491,537)	(29,897)	(10,085)	775,857	244,338	2,177
Income (loss) before capital contributions and transfers	(722,312)	(244,891)	54,453	(608,716)	(1,521,466)	235,835
Capital contributions - grants	-	-	-	122,066	122,066	-
Capital contributions - property owners	439,360	-	-	-	439,360	-
Transfers in	3,130,824	726,219	1,349	374,467	4,232,859	-
Transfers out	-	(1,349)	-	(839,000)	(840,349)	(46,326)
Change in net position	2,847,872	479,979	55,802	(951,183)	2,432,470	189,509
Net position, June 30, 2012, as restated	57,206,971	3,433,411	992,653	10,692,532	72,325,567	1,715,360
Net position, June 30, 2013	\$ 60,054,843	\$ 3,913,390	\$ 1,048,455	\$ 9,741,349	\$ 74,758,037	\$ 1,904,869

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

**City of Muscatine, Iowa**

**Reconciliation of the Change in Net Position of Enterprise Funds  
to the Statement of Activities**

**For the Year Ended June 30, 2013**

Change in net position in enterprise funds	\$ 2,432,470
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 position increased during the year. A portion of this increase has been allocated to business-type activities in the statement of net position	<u>91,220</u>
Change in net position of business-type activities	<u><u>\$ 2,523,690</u></u>

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, 2013**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Refuse Collection</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 5,383,645	\$ 2,171,729	\$ 2,119,987	\$ 3,054,526	\$ 12,729,887	\$ -
Receipts from interfund services provided	-	-	-	-	-	3,860,638
Payments to suppliers	(1,013,446)	(1,543,211)	(1,090,743)	(1,103,730)	(4,751,130)	(3,325,565)
Payments to employees	(1,400,532)	(156,370)	(496,615)	(1,323,231)	(3,376,748)	(201,116)
Payments for employee benefits	(612,884)	(68,716)	(225,382)	(372,420)	(1,279,402)	(91,656)
Payments for interfund services used	(205,906)	(94,878)	(172,833)	(606,399)	(1,080,016)	(18,300)
Net cash provided (used) by operating activities	<u>2,150,877</u>	<u>308,554</u>	<u>134,414</u>	<u>(351,254)</u>	<u>2,242,591</u>	<u>224,001</u>
<b>Cash flows from noncapital financing activities</b>						
Transfers to other funds	-	-	-	(839,000)	(839,000)	(46,326)
Transfers from other funds	3,130,824	726,219	-	374,467	4,231,510	-
Advances from other funds	-	-	-	193,531	193,531	1,095
Advances to other funds	(188,320)	-	-	(5,212)	(193,532)	(1,095)
Repayment of advance to solid waste component unit	433,295	-	-	-	433,295	-
Repayment of advances from other funds	-	(359,985)	-	(3,992)	(363,977)	(1,199)
Repayment of advances to other funds	363,451	-	-	526	363,977	1,199
Subsidies from federal, state and local grants	-	34,540	-	785,681	820,221	-
Net cash provided (used) by noncapital financing activities	<u>3,739,250</u>	<u>400,774</u>	<u>-</u>	<u>506,001</u>	<u>4,646,025</u>	<u>(46,326)</u>
<b>Cash flows from capital and related financing activities</b>						
Capital contributions	407,500	-	-	108,689	516,189	-
Purchase of capital assets	(4,891,706)	-	(31,622)	(444,629)	(5,367,957)	(8,676)
Return of portion of prior year prepaid asset purchase	-	-	-	1,100	1,100	-
Principal paid on capital debt	(611,565)	(681,225)	(93,775)	-	(1,386,565)	-
Interest paid on capital debt	(545,341)	(44,994)	(6,194)	-	(596,529)	-
Proceeds from sale of capital assets	26,608	16,890	-	-	43,498	-
Net cash provided (used) by capital and related financing activities	<u>(5,614,504)</u>	<u>(709,328)</u>	<u>(131,591)</u>	<u>(334,840)</u>	<u>(6,790,263)</u>	<u>(8,676)</u>
<b>Cash flows from investing activities</b>						
Proceeds from sales and maturities of investments	-	-	-	540,011	540,011	-
Purchase of investments	-	-	-	(464,983)	(464,983)	-
Interest received	8,049	-	125	1,890	10,064	2,177
Net cash provided (used) by investing activities	<u>8,049</u>	<u>-</u>	<u>125</u>	<u>76,918</u>	<u>85,092</u>	<u>2,177</u>
Net increase (decrease) in cash and pooled investments	283,673	-	2,948	(103,175)	183,446	171,176
Cash and pooled investments, June 30, 2012	4,862,650	38,645	45,485	359,250	5,306,030	1,864,662
Cash and pooled investments, June 30, 2013	<u>\$ 5,146,323</u>	<u>\$ 38,645</u>	<u>\$ 48,433</u>	<u>\$ 256,075</u>	<u>\$ 5,489,476</u>	<u>\$ 2,035,838</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Cash flows from operating activities:						
Operating income (loss)	\$ (230,775)	\$ (214,994)	\$ 64,538	\$ (1,384,573)	\$ (1,765,804)	\$ 233,658
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,457,414	211,567	83,840	954,125	3,706,946	2,746
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(16,112)	321,301	(18,100)	11,538	298,627	(10,014)
Inventories	-	-	-	(4,671)	(4,671)	26,438
Prepaid items	-	-	-	38,624	38,624	-
Increase (decrease) in:						
Accounts payable and accruals	(62,580)	(15,929)	(6,954)	19,217	(66,246)	(33,692)
Compensated absences payable	(8,844)	5,112	6,764	2,782	5,814	3,233
Other post-employment benefits	11,774	1,497	4,011	4,528	21,810	1,632
Unearned revenue	-	-	315	5,351	5,666	-
Deposits	-	-	-	1,825	1,825	-
Total adjustments	<u>2,381,652</u>	<u>523,548</u>	<u>69,876</u>	<u>1,033,319</u>	<u>4,008,395</u>	<u>(9,657)</u>
Net cash provided (used) by operating activities	<u>\$ 2,150,877</u>	<u>\$ 308,554</u>	<u>\$ 134,414</u>	<u>\$ (351,254)</u>	<u>\$ 2,242,591</u>	<u>\$ 224,001</u>
<b>Non-cash capital and related financing activities:</b>						
Accounts payable used to purchase capital assets	272,830	-	-	15,121	287,951	-
Intergovernmental receivable for capital debt	5,000	-	-	-	5,000	-
Capital contributions	31,860	-	-	-	31,860	-
Transfer of capital asset	-	(1,349)	1,349	-	-	-

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, 2013**

	<b>Agency Funds</b>
Assets:	
Cash and pooled investments	\$ 672,424
Accounts receivable	50,821
Due from other funds	<u>50,500</u>
Total assets	<u><u>773,745</u></u>
Liabilities:	
Accounts payable and accruals	723,245
Due to other funds	<u>50,500</u>
Total liabilities	<u><u>\$ 773,745</u></u>

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

**CITY OF MUSCATINE, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

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

## CITY OF MUSCATINE, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The City of Muscatine, Iowa, was chartered in 1851 under the laws of the state of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a Mayor/Council/City Administrator form of government and provides a broad range of services to its citizens, including general government, public safety, public works, community development, 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 Convention and Visitors Bureau (CVB).** The CVB was established as a non-profit corporation as defined in section 501(c)(6) of the Internal Revenue Code in the current year. The initial CVB Board of Directors was appointed by the Mayor. Thereafter board member appointments will be made according to provisions of the CVB's bylaws. The City of Muscatine has allocated 25% of the hotel/motel tax revenue to the CVB which is substantially all of the CVB's financial resources. Because of its fiscal dependence on the City the CVB is considered a component unit of the City. The CVB has a June 30 year-end. Separate financial statements are not issued for the CVB.

**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 position 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 Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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.

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, items previously reported as assets and liabilities in the current year. The adoption of these Statements changed the presentation of the basic financial statements to a statement of net position format and restated net position, as disclosed in Note 14.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and budgeted for, 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.

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.

## **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, the CVB 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, the CVB 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, which approximates fair value.

### **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 amount 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, 2013, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2012 and March 31, 2013. Any County collections on the 2012-2013 tax levy remitted to the City within sixty days subsequent to June 30, 2013, 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, 2013, are delinquent and have been recorded as receivables and deferred inflows of resources 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 and budgeted for 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. Transfer Station assets of \$38,645 at June 30, 2013 are classified as restricted because their use is restricted 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. Water Pollution Control assets of \$98,243 at June 30, 2013 are classified as restricted because their use is restricted under the State Revolving Fund loan.

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. Solid Waste Agency assets of \$1,360,499, at June 30, 2013 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, 2012 was as follows:

Current accounts:	
Extraordinary operation and maintenance account	\$ 6,032,610
Communications loan sinking fund	<u>1,007,016</u>
Total restricted assets	<u>\$ 7,039,626</u>

## 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 position and in the proprietary funds statement of net position. 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.

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

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

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

## 6. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding

reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## **7. 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.

## **8. Long-Term Obligations**

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

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. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and balances sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from three sources: Property taxes, other taxes, and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements, only the property tax revenues remain a deferred inflow and will become an inflow in the year they are levied and budgeted for.

## **10. 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, 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 resolutions 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. It is the City’s policy that the authority to assign fund balance has been delegated by City Council 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. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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.

## **11. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets 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 investment in capital assets excludes unspent bond proceeds. As of June 30, 2013, there were unspent bond proceeds totaling \$1,038,302 in the non-major Capital Projects funds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted through enabling legislation consists of \$2,786,595 for public works, \$50,368 for employee benefits, \$41,579 for public safety, and \$1,091,092 for tax increment financing projects.

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

## **NOTE 2. DEPOSITS AND INVESTMENTS**

The deposits and investments of the Solid Waste Agency and Muscatine Convention and Visitors Bureau (CVB) are pooled with those of the City. Disclosures referring to deposits and investments of the City include the pooled amounts belonging to the Agency and CVB.

As of June 30, 2013, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 82,324
Cash in bank	297,201
Savings accounts	45,651
Money market accounts	14,902,012
Iowa Public Agency Investment Trust	2,552,319
Certificates of deposit	<u>1,152,000</u>
	<u>\$ 19,031,507</u>

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 \$2,552,319 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. As of June 30, 2013 the carrying amount of the City's deposits with financial institutions totaled \$16,396,864 and the bank balances were \$16,512,632. 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.

**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, 2012 MP&W's deposits and investments consist primarily of cash and certificates of deposit as follows:

	<u>Fair Value</u>
Cash	\$ 20,677,434
Certificates of deposit	<u>3,027,000</u>
	<u>\$ 23,704,434</u>

As of December 31, 2012 the carrying amount of MP&W's deposits with financial institutions totaled \$23,701,398, and the bank balances were \$24,219,135. 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.

As of December 31, 2012, Muscatine Power & Water had no investments subject to credit risk, concentration of risk, or interest rate risk.

**NOTE 3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances at June 30, 2013 consist of the following:

		<u>Due from/advance to</u>					
		<u>Nonmajor Governmental</u>	<u>Transfer Station</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Totals</u>
<u>Due to/Advance from</u>	Nonmajor governmental	\$ 244,578	\$ -	\$ -	\$ -	\$ -	\$ 244,578
	Water pollution control	-	449,449	194,860	-	-	644,309
	Nonmajor enterprise	-	-	5,212	-	-	5,212
	Internal service	-	-	-	1,095	-	1,095
	Fiduciary	-	-	-	-	50,500	50,500
	Total	<u>\$ 244,578</u>	<u>\$ 449,449</u>	<u>\$ 200,072</u>	<u>\$ 1,095</u>	<u>\$ 50,500</u>	<u>\$ 945,694</u>

The \$449,449 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 \$1,022,347 as of June 30, 2013. 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 169,000 tons of waste or 4.5 years of use based on projected annual waste volumes.

Interfund transfers for the year are as follows:

		Transfers from								
		General	Employee Benefits	Local Option Sales Tax	Debt Service	Nonmajor Governmental	Transfer Station	Nonmajor Enterprise	Internal Service	Totals
Transfers to	General	\$ -	\$ 3,144,204	\$ -	\$ -	\$ 1,903,156	\$ -	\$ 839,000	\$ 46,326	\$ 5,932,686
	Debt service	-	-	-	-	209,625	-	-	-	209,625
	Nonmajor governmental	237,772	-	90,968	-	558,727	-	-	-	887,467
	Water pollution control	-	-	3,130,824	-	-	-	-	-	3,130,824
	Transfer station	-	-	-	726,219	-	-	-	-	726,219
	Refuse collection	-	-	-	-	-	1,349	-	-	1,349
	Nonmajor enterprise	374,467	-	-	-	-	-	-	-	374,467
Total		\$ 612,239	\$ 3,144,204	\$ 3,221,792	\$ 726,219	\$ 2,671,508	\$ 1,349	\$ 839,000	\$ 46,326	\$ 11,262,637

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 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

##### Primary government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 9,149,516	\$ 1,011,694	\$ (4,000)	\$ -	\$ 10,157,210
Art work	7,462,776	43,000	-	-	7,505,776
Construction in progress	4,122,235	3,041,179	(4,945,844)	-	2,217,570
Total capital assets, not being depreciated	20,734,527	4,095,873	(4,949,844)	-	19,880,556
Capital assets, being depreciated:					
Land improvements	17,945,847	13,080	-	-	17,958,927
Buildings	7,739,520	1,506,708	(8,652)	-	9,237,576
Building improvements	2,122,873	222,314	-	-	2,345,187
Equipment	5,213,057	158,077	(7,750)	-	5,363,384
Vehicles	4,280,618	321,155	(168,729)	(361)	4,432,683
Other Assets	22,968	-	-	-	22,968
Infrastructure	58,312,647	2,183,349	-	-	60,495,995
Total capital assets, being depreciated	95,637,530	4,404,683	(185,131)	(361)	99,856,721
Less accumulated depreciation for:					
Land improvements	(8,662,871)	(718,569)	-	-	(9,381,440)
Buildings	(5,040,160)	(196,560)	8,652	-	(5,228,068)
Building improvements	(870,832)	(124,708)	-	-	(995,540)
Equipment	(3,427,050)	(291,682)	7,750	-	(3,710,982)
Vehicles	(3,403,195)	(232,091)	141,376	361	(3,493,549)
Other Assets	(6,891)	(4,594)	-	-	(11,485)
Infrastructure	(28,429,295)	(1,775,674)	-	-	(30,204,969)
Total accumulated depreciation	(49,840,294)	(3,343,878)	157,778	361	(53,026,033)
Total capital assets, being depreciated, net	45,797,236	1,060,805	(27,353)	-	46,830,688
Governmental activities capital assets, net	\$ 66,531,763	\$ 5,156,678	\$ (4,977,197)	\$ -	\$ 66,711,244

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,833,495	\$ 52,078	\$ -	\$ -	\$ 2,885,573
Construction in progress	<u>1,690,876</u>	<u>5,307,564</u>	<u>(1,437,303)</u>	<u>-</u>	<u>5,561,137</u>
Total capital assets, not being depreciated	<u>4,524,371</u>	<u>5,359,642</u>	<u>(1,437,303)</u>	<u>-</u>	<u>8,446,710</u>
Capital assets, being depreciated:					
Land improvements	13,052,966	416,056	(149,316)	-	13,319,706
Buildings	64,794,904	148,367	-	-	64,943,271
Building improvements	3,562,180	370,650	(21,917)	-	3,910,913
Equipment	5,780,397	643,671	(220,467)	-	6,203,601
Vehicles	3,420,730	185,585	-	361	3,606,676
Sewer system	<u>45,274,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,274,672</u>
Total capital assets, being depreciated	<u>135,885,849</u>	<u>1,764,329</u>	<u>(391,700)</u>	<u>361</u>	<u>137,258,839</u>
Less accumulated depreciation for:					
Land improvements	(10,116,668)	(404,165)	149,316	-	(10,371,517)
Buildings	(28,588,349)	(1,565,936)	-	-	(30,154,285)
Building improvements	(2,191,525)	(189,035)	10,959	-	(2,369,601)
Equipment	(3,002,370)	(381,254)	196,843	-	(3,186,781)
Vehicles	(2,282,705)	(261,062)	0	(361)	(2,544,128)
Sewer system	<u>(12,675,220)</u>	<u>(905,494)</u>	<u>-</u>	<u>-</u>	<u>(13,580,714)</u>
Total accumulated depreciation	<u>(58,856,837)</u>	<u>(3,706,946)</u>	<u>357,118</u>	<u>(361)</u>	<u>(62,207,026)</u>
Total capital assets, being depreciated, net	<u>77,029,012</u>	<u>(1,942,617)</u>	<u>(34,582)</u>	<u>-</u>	<u>75,051,813</u>
Business type activities capital assets, net	<u>\$ 81,553,383</u>	<u>\$ 3,417,025</u>	<u>\$ (1,471,885)</u>	<u>\$ -</u>	<u>\$ 83,498,523</u>

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

Governmental activities:	
Public safety	\$ 304,428
Public works	1,934,894
Culture and recreation	1,043,856
Community and economic development	6,267
General government	51,687
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,746</u>
Total depreciation expense – governmental activities	<u>\$ 3,343,878</u>
Business-type activities:	
Water pollution control	\$ 2,457,414
Refuse collection	83,840
Transfer station	211,567
Airport	358,298
Parking	45,704
Transit	80,163
Golf course	104,759
Boat harbor	4,865
Ambulance	60,461
Public housing	<u>299,875</u>
Total depreciation expense – business-type activities	<u>\$ 3,706,946</u>

## Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Total capital assets, not being depreciated	<u>1,080,608</u>	<u>-</u>	<u>-</u>	<u>1,080,608</u>
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	<u>2,559,053</u>	<u>-</u>	<u>-</u>	<u>2,559,053</u>
Less accumulated depreciation for:				
Land improvements	(674,268)	(257,852)	-	(932,120)
Buildings	(16,326)	(933)	-	(17,259)
Equipment	(15,861)	(1,472)	-	(17,333)
Leachate collection system	(272,436)	(19,866)	-	(292,302)
Total accumulated depreciation	<u>(978,891)</u>	<u>(280,123)</u>	<u>-</u>	<u>(1,259,014)</u>
Total capital assets, being depreciated, net	<u>1,580,162</u>	<u>(280,123)</u>	<u>-</u>	<u>1,300,039</u>
Solid Waste Agency capital assets, net	<u>\$ 2,660,770</u>	<u>\$ (280,123)</u>	<u>\$ -</u>	<u>\$ 2,380,647</u>

Activity for Convention and Visitors Bureau for the year ended June 30, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, being depreciated:				
Equipment	\$ -	\$ 11,412	\$ -	\$ 11,412
Total capital assets, being depreciated	<u>-</u>	<u>11,412</u>	<u>-</u>	<u>11,412</u>
Less accumulated depreciation for:				
Equipment	-	(1,141)	-	(1,141)
Total accumulated depreciation	<u>-</u>	<u>(1,141)</u>	<u>-</u>	<u>(1,141)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>10,271</u>	<u>-</u>	<u>10,271</u>
Convention and Visitors Bureau capital assets, net	<u>\$ -</u>	<u>\$ 10,271</u>	<u>\$ -</u>	<u>\$ 10,271</u>

Activity for Muscatine Power & Water for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land and land rights	\$ 2,926,911	\$ -	\$ -	\$ -	\$ 2,926,911
Construction work in progress	349,057	4,408,738	(354,532)	(3,680,648)	722,615
Total capital assets, not being depreciated	<u>3,275,968</u>	<u>4,408,738</u>	<u>(354,532)</u>	<u>(3,680,648)</u>	<u>3,649,526</u>
Capital assets, being depreciated:					
Generation plant	328,487,163	521	(426,399)	1,249,716	329,311,001
Transmission and distribution plant	56,978,992	589,286	(99,829)	513,690	57,982,139
General plant	21,854,609	129,655	(512,016)	1,093,029	22,565,277
Source of supply	2,127,805	14,293	-	2,878	2,144,976
Pumping equipment	2,043,250	-	-	-	2,043,250
Purification equipment	1,051,289	-	-	-	1,051,289
Distribution system	16,608,549	18,008	(92,236)	355,504	16,889,825
Network operations plant	29,111,294	949,143	(530,766)	465,831	29,995,502
Total capital assets being depreciated	<u>458,262,951</u>	<u>1,700,906</u>	<u>(1,661,246)</u>	<u>3,680,648</u>	<u>461,983,259</u>
Less accumulated depreciation for:					
Generation plant	(241,025,990)	(7,468,308)	336,749	-	(248,157,549)
Transmission and distribution plant	(43,087,115)	(2,193,396)	114,043	-	(45,166,468)
General plant	(19,125,485)	(1,649,376)	410,338	-	(20,364,523)
Source of supply	(1,158,488)	(70,932)	-	-	(1,229,420)
Pumping equipment	(480,869)	(65,976)	-	-	(546,845)
Purification system	(775,426)	(28,056)	-	-	(803,482)
Distribution system	(5,560,952)	(366,396)	565,706	-	(5,361,642)
Network operations plant and general plant	(18,664,136)	(2,246,976)	-	-	(20,911,112)
Total accumulated depreciation	<u>(329,878,461)</u>	<u>(14,089,416)</u>	<u>1,426,836</u>	<u>-</u>	<u>(342,541,041)</u>
Total capital assets, being depreciated, net	<u>128,384,490</u>	<u>(12,388,510)</u>	<u>(234,410)</u>	<u>3,680,648</u>	<u>119,442,218</u>
Muscatine Power & Water capital assets, net	<u>\$ 131,660,458</u>	<u>\$ (7,979,772)</u>	<u>\$ (588,942)</u>	<u>\$ -</u>	<u>\$ 123,091,744</u>
Muscatine Power & Water intangible asset	<u>\$ 773,136</u>	<u>\$ -</u>	<u>\$ (773,136)</u>	<u>\$ -</u>	<u>\$ -</u>

## NOTE 5. LONG-TERM DEBT

**General Obligation Bonds.** The general obligation bonds outstanding as of June 30, 2013 total \$16,459,687. These bonds bear interest at rates ranging from .40% to 3.50%. 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.

On March 7, 2013, the City of Muscatine issued \$1,115,000 in General Obligation Refunding Bonds, Series 2013 with interest rates ranging from 0.55 percent to 0.90 percent to current refund \$1,095,000 of the 2006 General Obligation Corporate Purpose Bonds, with interest rates from 3.90 percent to 4.00 percent. The proceeds were used to pay \$15,021 in issuance costs immediately and the remainder was used on June 1, 2013 for the redemption of the 2006 Bonds. The net change was a decrease in cash flows related to the current refunding of \$48,465. The economic gain resulting from the current refunding was \$52,225.

General obligation bonds as of June 30, 2013 consist of the following individual issues:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance 6/30/2013</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General obligation bonds							
General corporate	6/1/2008	\$ 5,120,000	3.25-3.50	\$ 3,106,329	(1)	\$ 3,106,329	\$ -
General refunding	6/1/2008	6,560,000	3.25	800,955	(2)	-	800,955
General corporate	6/1/2010	7,425,000	2.00-3.125	7,017,403	(3)	7,017,403	-
General corporate and refunding	6/1/2012	4,715,000	.40-1.90	4,420,000	(4)	4,420,000	-
General corporate and refunding	3/7/2013	1,115,000	.55-.90	1,115,000	(5)	1,115,000	-
				<u>\$ 16,459,687</u>		<u>\$ 15,658,732</u>	<u>\$ 800,955</u>

1. Net of unamortized premium of \$1,329
2. Net of unamortized premium of \$955
3. Net of unamortized premium of \$42,403
4. No premium or discount
5. No premium or discount

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

<u>Year Ending June 30</u>	<u>Governmental</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,585,000	\$ 374,104	\$ 800,955	\$ 26,000
2015	2,294,047	343,243	-	-
2016	2,393,010	294,198	-	-
2017	2,236,692	236,648	-	-
2018	2,295,273	177,388	-	-
2019-2021	4,854,710	216,701	-	-
	<u>\$ 15,658,732</u>	<u>\$ 1,642,282</u>	<u>\$ 800,955</u>	<u>\$ 26,000</u>

**Tax Increment Revenue Bonds.** 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 \$1,308,445 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were \$166,308 and \$626,708, respectively.

Tax increment revenue bonds as of June 30, 2013 consist of the following issues:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2013</u>
<b>Tax Increment Revenue Bonds:</b>				
Urban Renewal Tax Increment	06/24/2004	\$ 1,885,000	4.75-5.80%	<u>\$ 1,035,000</u>

Annual debt service requirements to maturity for the tax increment revenue bond is as follows:

<b>Year Ending</b> <b>June 30</b>	<b>Governmental</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$ 110,000	\$ 56,320
2015	115,000	50,930
2016	120,000	45,065
2017	125,000	38,705
2018	130,000	31,955
2019-2021	435,000	50,470
	<u>\$ 1,035,000</u>	<u>\$ 273,445</u>

**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, 2013, the loan balance is \$14,873,000. 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 Loan 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:

<b>Year Ending</b> <b>June 30</b>	<b>Business-Type</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>
2014	\$ 578,000	\$ 446,172	\$ 37,183
2015	597,000	428,850	35,738
2016	616,000	410,940	34,245
2017	636,000	392,460	32,705
2018	657,000	373,380	31,115
2019-2023	3,619,000	1,558,200	129,852
2024-2028	4,248,000	978,780	81,566
2029-2032	3,922,000	298,860	24,905
	<u>\$ 14,873,000</u>	<u>\$ 4,887,642</u>	<u>\$ 407,309</u>

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. The City decided to finance this project from available reserve funds during the current year, paying the outstanding balance of \$51,565 in March of 2013.

Long-term liability activity for the year ended June 30, 2013 was as follows:

**Primary government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 17,130,000	\$ 1,115,000	\$ (2,630,000)	\$ 15,615,000	\$ 1,585,000
Tax increment revenue bonds	1,140,000	-	(105,000)	1,035,000	110,000
Premiums/discounts	47,089	-	(3,357)	43,732	-
Total bonds payable	18,317,089	1,115,000	(2,738,357)	16,693,732	1,695,000
Compensated absences	1,246,192	809,110	(761,434)	1,293,868	621,549
Other post-employment benefits liability	232,229	65,041	-	297,270	-
Governmental activity long-term liabilities	<u>\$ 19,795,510</u>	<u>\$ 1,989,151</u>	<u>\$ (3,499,791)</u>	<u>\$ 18,284,870</u>	<u>\$ 2,316,549</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,575,000	\$ -	\$ (775,000)	\$ 800,000	\$ 800,000
State revolving fund loan	15,428,000	5,000	(560,000)	14,873,000	578,000
State revolving fund planning and design loan	51,565	-	(51,565)	-	-
Premiums and deferred charges	1,910	-	(955)	955	955
Total bonds payable	17,056,475	5,000	(1,387,520)	15,673,955	1,378,955
Compensated absences	360,292	293,614	(287,799)	366,107	184,033
Other post-employment benefits liability	83,025	21,810	-	104,835	-
Closure/post-closure obligation	38,645	-	-	38,645	-
Business-type activity long-term liabilities	<u>\$ 17,538,437</u>	<u>\$ 320,424</u>	<u>\$ (1,675,319)</u>	<u>\$ 16,183,542</u>	<u>\$ 1,562,988</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$47,678, of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and other post employment benefits are generally liquidated by the general fund.

**Discretely presented component units**

Activity for the Solid Waste Agency for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 1,320	\$ 1,080	\$ (812)	\$ 1,588	\$ 1,406
Closure/post-closure obligation	2,494,809	63,765	-	2,558,574	-
Total liabilities	<u>\$ 2,496,129</u>	<u>\$ 64,845</u>	<u>\$ (812)</u>	<u>\$ 2,560,162</u>	<u>\$ 1,406</u>

Activity for Muscatine Power & Water for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State revolving fund loan	\$ 274,000	\$ -	\$ (27,000)	\$ 247,000
Note payable to bank	4,800,000	-	(885,000)	3,915,000
Post-employment health benefit provision	178,594	29,757	-	208,351
Total long-term debt	5,252,594	<u>\$ 29,757</u>	<u>\$ (912,000)</u>	4,370,351
Less current installments	912,000			943,000
Long-term debt, net of current portion	<u>\$ 4,340,594</u>			<u>\$ 3,427,351</u>

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 allowed 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 is to be paid semi-annually beginning July 1, 2009; principal repayment is to be paid annually beginning January 1, 2012. During the current year the communications utility made principal payment totaling \$885,000. As of December 31, 2012, the total outstanding loan payable is \$3,915.00.

On November 18, 2009, the utility closed on a loan from the Iowa Department of Natural Resources' State Drinking Water Revolving Loan Fund for the well motor control project. The loan is administered by the Iowa Finance Authority. The loan agreement provided for the borrowing of up to \$494,000; the total amount borrowed was \$399,000. The project qualified for ARRA (Stimulus Act) funding as a "green" water project and eligible for \$93,000 loan forgiveness. The interest rate on the loan is 3.0% interest, plus a 0.25% servicing fee, with a 10-year repayment term. Interest payments are payable semi-annually and began June 1, 2010; principal payments began June 1, 2011 and are due annually. The total outstanding loan payable at December 31, 2012 was \$247,000.

At December 31, 2012, the bank loan and state revolving fund loan mature and bear interest as follows:

<u>Year Ending December 31</u>	<u>Bank Loan</u>		<u>State Revolving Fund Loan</u>		
	<u>Principal Amount</u>	<u>Interest</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Servicing Fee</u>
2013	\$ 915,000	\$ 162,502	\$ 28,000	\$ 6,990	\$ 618
2014	960,000	118,440	29,000	6,135	548
2015	1,005,000	72,263	29,000	5,265	475
2016	1,035,000	24,322	30,000	4,380	402
2017	-	-	31,000	3,465	328
2018-2020	-	-	100,000	4,590	507
Totals	<u>\$ 3,915,000</u>	<u>\$ 377,527</u>	<u>\$ 247,000</u>	<u>\$ 30,825</u>	<u>\$ 2,878</u>

In prior years, the Utility provided for the advance refunding of certain revenue bonds. In connection with these advance refundings, the Utility deposited certain amounts in irrevocable trust funds for the repayment of all principal and interest on the advance refunded bonds. The Utility is contingently liable for repayment of these bonds which in the aggregate amounted to \$17,860,000 at December 31, 2012. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2012 as the outstanding bonds are considered defeased.

Water and communications utility revenues, net of specified operating expenses, are pledged as security of the water and communications debt until fully paid. Principal and interest paid in 2012 and water and communications utility net revenues are as follows:

	<u>Water</u>	<u>Communications</u>
Principal and interest paid	\$ 35,511	\$ 1,713,324
Net revenues	754,835	3,366,321

Annual future principal and interest payments are expected to require 5% and 59% of the water and communications utility net revenues, respectively.

#### **NOTE 6. 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 \$2,558,574 reported as landfill closure and post closure care liability at June 30, 2013, represents the cumulative amount reported to date based on the use of 69.09% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$1,144,626 as the remaining estimated capacity is filled over the 17 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2013. 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 7. 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 5.78% of their annual covered salary and the City was required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$649,684, \$596,712, and \$507,528 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, 2013 was 26.12% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2013, 2012, and 2011 were \$1,138,473, \$1,029,441, and \$778,181 respectively, which met the required minimum contribution for each year.

### **NOTE 8. DEFICIT FUND EQUITY**

Two of the City's funds had fund balance deficits as of June 30, 2013. These funds and the amount of the deficits are as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Non-major capital projects:	
Community development improvements	\$ 14,219
Riverfront improvement projects	209,005

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

### **NOTE 9. 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, 2013, the City contributed \$11,219, which was net of retiree premiums received of \$159,741.

**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 in the City's net OPEB obligation to the postemployment health plan:

Annual Required Contribution	\$ 102,814
Interest on net OPEB obligation	15,764
Adjustment to annual required contribution	<u>(20,508)</u>
Annual OPEB cost (expense)	98,070
Contributions and payments made	<u>11,219</u>
Increase in net OPEB obligation	86,851
Net OPEB obligation – July 1, 2012	<u>315,254</u>
Net OPEB obligation – June 30, 2013	<u>\$ 402,105</u>

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, 2013 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, 2011	\$ 155,310	62.17%	\$ 156,003
June 30, 2012	164,574	3.23%	315,254
June 30, 2013	98,070	11.44%	402,105

**Funded status and funding progress:** As of July 1, 2012 the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$850,500 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$850,500. The covered payroll (annual payroll of active employees covered by the plan) was \$10,143,280 and the ratio of the UAAL to the covered payroll was 8.4 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 5 percent per year. 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 10. 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 \$3,405,000 as of June 30, 2013.

#### **NOTE 11. 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. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

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 \$2,909,000 for 2013. 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 \$201,160 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, 2013 and 2012 are summarized as follows:

Liabilities at July 1, 2011	\$ 257,858
Claims and changes in estimates during fiscal year 2012	2,094,943
Claim payments	<u>(2,139,919)</u>
Liabilities at June 30, 2012	\$ 212,882
Claims and changes in estimates during fiscal year 2013	2,003,087
Claim payments	<u>(2,014,809)</u>
Liabilities at June 30, 2013	<u>\$ 201,160</u>

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

The City Attorney has reported that as of June 30, 2013, 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, 2013, is \$4,789,512.

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 2014 is set at \$102,880.

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 including the West Hill area by December 31, 2028. Preliminary cost estimates for the projects could reach or exceed \$50 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 committed to purchasing 522,000 tons of coal in 2012 on the spot market under ten different contracts with six different suppliers. In May 2012, 58,000 tons of 8800 BTU coal was sold simultaneously with a purchase of 54,000 tons of 8400 BTU coal that was delivered later in the year.

Muscatine Power & Water has rail transportation agreements with two separate companies for the delivery of coal through December 31, 2017 and December 31, 2016. 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 July 1, 2011 through December 31, 2017 where the rate is adjusted quarterly beginning January 2012 plus monthly fuel surcharges. The utility's minimum requirement is 100% of the tons shipped from the PRB up to the utility's annual tonnage nomination. In the event the utility does not meet their nominated tons, the utility has agreed to pay a per ton fee as compensation for lost traffic.

Shipment of coal from the interchange point to the utility's generating station is covered by one agreement that expired 12/31/2012 and another that begins January 1, 2013 and expires December 31, 2016. The contract rate in both agreements is adjusted quarterly. There is no annual minimum tonnage requirement in either agreement; however, in the second agreement, the utility will nominate their needs by November 1 of the preceding year. In the event the utility does not meet their nominated tons, the utility has agreed to pay a per ton fee as compensation for lost traffic.

Muscatine Power & Water 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). 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 sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>) 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.

Muscatine Power & Water entered into a contract with a developer who constructed a new section of water main for water service to a new subdivision. The route of the developer's main coincided with the utility's expansion plan for water main and the utility agreed to reimburse the developer for the cost differential for increasing the eight-inch water main to a 16-inch water main to accommodate future development in the area. At December 31, 2012, the utility owed the developer \$125,946 for the construction.

In 2012, Muscatine Power & Water entered into a loan agreement with First National Bank of Muscatine for a line of credit in an amount not to exceed \$10,000,000. The terms of the loan require monthly interest payments on the outstanding principal at the Prime Rate as published in the *Wall Street Journal*; a quarterly fee of 3/8% on the unused amount is also due. The loan matures on January 15, 2014. No advances were drawn against the loan during 2012 and no amount were outstanding at December 31, 2012.

#### **NOTE 13. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

As of June 30, 2013, the GASB had issued several statements not yet implemented by the City. The City has not yet determined the impact of the statements not yet implemented. The statements which might impact the City are as follows:

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

**NOTE 14. RESTATEMENT**

As a result of the adoption of GASB Statement No. 65, the beginning net position of the governmental activities, business type activities, water pollution control fund, transfer station fund, and refuse collection fund were restated. The effect on fiscal year 2012 is as follows:

	Governmental Activities
Net position June 30, 2012, as previously reported	\$ 60,956,216
Bond issuance costs previously reported as assets	(148,003)
Net position June 30, 2012, as restated	<u>\$ 60,808,213</u>
	Business Type Activities
Net position June 30, 2012, as previously reported	\$ 72,560,898
Bond issuance costs previously reported as assets	(148,468)
Net position June 30, 2012, as restated	<u>\$ 72,412,430</u>

	<u>Water Pollution Control Fund</u>
Net position June 30, 2012, as previously reported	\$ 57,349,526
Bond issuance costs previously reported as assets	<u>(142,555)</u>
Net position June 30, 2012, as restated	<u>\$ 57,206,971</u>
	<u>Transfer Station Fund</u>
Net position June 30, 2012, as previously reported	\$ 3,438,609
Bond issuance costs previously reported as assets	<u>(5,198)</u>
Net position June 30, 2012, as restated	<u>\$ 3,433,411</u>
	<u>Refuse Collection Fund</u>
Net position June 30, 2012, as previously reported	\$ 993,368
Bond issuance costs previously reported as assets	<u>(715)</u>
Net position June 30, 2012, as restated	<u>\$ 992,653</u>

Prior to adoption of GASB Statement No. 65, bond issuance costs were capitalized and amortized over the life of the debt. Amortization expense that was recognized during the year ended June 30, 2012 was \$17,959 for Governmental Activities and \$15,725 for Business Type Activities. The Business Type Activities amount consisted of \$12,768 for the Water Pollution Control Fund, \$2,599 for the Transfer Station Fund, and \$358 for the Refuse Collection Fund.

**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, 2013**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final Budget to Actual Variance
				Original	Final	
Revenues:						
Taxes:						
Property	\$ 12,261,319	\$ -	\$ 12,261,319	\$ 12,258,743	\$ 12,258,743	\$ 2,576
Tax increment financing	837,306	-	837,306	848,000	836,170	1,136
Other city taxes	3,263,039	-	3,263,039	3,326,354	3,253,454	9,585
Licenses and permits	390,490	17,912	408,402	313,200	323,000	85,402
Use of money and property	207,594	698,828	906,422	1,034,190	1,062,870	(156,448)
Intergovernmental	4,853,573	1,068,928	5,922,501	6,047,760	6,831,600	(909,099)
Charges for services	527,813	12,424,813	12,952,626	12,866,250	13,029,550	(76,924)
Miscellaneous	2,204,114	3,678,687	5,882,801	4,544,200	5,501,300	381,501
Total revenues	<u>24,545,248</u>	<u>17,889,168</u>	<u>42,434,416</u>	<u>41,238,697</u>	<u>43,096,687</u>	<u>(662,271)</u>
Expenditures:						
Public safety	8,490,371	-	8,490,371	7,998,500	8,661,430	(171,059)
Public works	2,132,321	-	2,132,321	2,280,400	2,316,300	(183,979)
Health and social service	20,000	-	20,000	20,000	20,000	-
Culture and recreation	3,125,524	-	3,125,524	3,166,150	3,269,950	(144,426)
Community and economic development	3,137,583	-	3,137,583	3,160,480	3,199,387	(61,804)
General government	2,090,013	-	2,090,013	2,162,300	2,208,858	(118,845)
Debt service	4,088,134	-	4,088,134	3,008,038	4,089,815	(1,681)
Capital projects	2,368,257	-	2,368,257	2,475,200	3,063,400	(695,143)
Business type activities	-	20,558,784	20,558,784	20,184,463	21,584,743	(1,025,959)
Total expenditures	<u>25,452,203</u>	<u>20,558,784</u>	<u>46,010,987</u>	<u>44,455,531</u>	<u>48,413,883</u>	<u>(2,402,896)</u>
Revenues over (under) expenditures	<u>(906,955)</u>	<u>(2,669,616)</u>	<u>(3,576,571)</u>	<u>(3,216,834)</u>	<u>(5,317,196)</u>	<u>1,740,625</u>
Other financing sources (uses):						
Proceeds of long term debt	1,115,000	5,000	1,120,000	-	1,120,000	-
Proceeds of capital asset sales	-	-	-	-	-	-
Transfers in	6,335,662	7,031,171	13,366,833	15,879,909	16,493,063	(3,126,230)
Transfers out	(8,741,346)	(4,625,487)	(13,366,833)	(15,879,909)	(16,493,063)	3,126,230
Total other financing sources (uses)	<u>(1,290,684)</u>	<u>2,410,684</u>	<u>1,120,000</u>	<u>-</u>	<u>1,120,000</u>	<u>-</u>
Net change in fund balances	(2,197,639)	(258,932)	(2,456,571)	(3,216,834)	(4,197,196)	1,740,625
Fund balances, June 30, 2012	<u>12,265,988</u>	<u>9,076,729</u>	<u>21,342,717</u>	<u>18,708,749</u>	<u>21,337,570</u>	<u>5,147</u>
Fund balances, June 30, 2013	<u>\$ 10,068,349</u>	<u>\$ 8,817,797</u>	<u>\$ 18,886,146</u>	<u>\$ 15,491,915</u>	<u>\$ 17,140,374</u>	<u>\$ 1,745,772</u>

See notes to Required Supplementary Information.

City of Muscatine, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

For the Year Ended June 30, 2013

	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	\$ 24,545,248	\$ 114,313	\$ 24,659,561	\$ 17,889,168	\$ (181,742)	\$ 17,707,426
Expenditures/expenses	25,452,203	(1,028,364)	24,423,839	20,558,784	(2,127,153)	18,431,631
Net	(906,955)	1,142,677	235,722	(2,669,616)	1,945,411	(724,205)
Other financing sources (uses), net	(1,290,684)	(940,500)	(2,231,184)	2,410,684	935,500	3,346,184
Beginning fund balances/net assets as restated	12,265,988	48,815	12,314,803	9,076,729	64,964,198	74,040,927
Ending fund balances/net assets	<u>\$ 10,068,349</u>	<u>\$ 250,992</u>	<u>\$ 10,319,341</u>	<u>\$ 8,817,797</u>	<u>\$ 67,845,109</u>	<u>\$ 76,662,906</u>

See notes to Required Supplementary Information.

**City of Muscatine, Iowa**

**Other Postemployment Benefit Plan**

**Required Supplementary Information**

<b>Schedule of Funding Progress</b>							
<b>Fiscal Year Ended June 30</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Net Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded (Over-funded) AAL (UALL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2011	7-1-2010	-	\$ 1,302,300	\$ 1,302,300	0%	\$ 9,966,290	13.1%
2012	7-1-2010	-	1,302,300	1,302,300	0%	10,108,158	12.9%
2013	7-1-2012		850,500	850,500	0%	10,143,280	8.4%

See notes to Required Supplementary Information.

## CITY OF MUSCATINE, IOWA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2013

#### **NOTE 1. Budget Preparation and Adoption**

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. The budget must include the amount to be raised by property taxation, income from sources other than property taxation, and expenditures for each of the functional areas described in Note 3.

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.

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.

#### **Note 2. 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 purchases on order related to unperformed contracts for goods or services with the exception of capital projects fund contracts. 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.

**NOTE 3. 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 City's budget document presents expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements in total by \$3,958,352. This overall increase is primarily due to changes in capital project construction schedules, grant funds awarded after the original budget was adopted, and refunding \$1,095,000 of outstanding general obligation debt. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013 expenditures did not exceed the budgeted amounts in any of the nine functions.

**NOTE 4. Other Postemployment Benefit Plan**

The information in the required supplementary schedule was determined as part of the actuarial valuations as of July 1, 2010, and July 1, 2012. 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, 2012 valuation are as follows: health care cost trend rate of 5%, 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.

**1ST 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 bond issues 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.

**HIGHWAY 38 NORTHEAST TAX INCREMENT** - Accounts for incremental taxes from the expanded Highway 38 Northeast 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 FUND** - Accounts for the Library Gift and Memorial Trust used for general donations to the Musser Public Library.

**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, 2013

	Special Revenue	Capital Projects	Permanent	Totals
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,226,461	\$ 702,118	\$ 69,112	\$ 2,997,691
Investments	359,345	-	972,000	1,331,345
Receivables (net of allowance for uncollectibles):				
Interest	1,204	-	4,550	5,754
Taxes	921,934	-	-	921,934
Intergovernmental	425,861	6,732	-	432,593
Accounts	7,298	32,579	220	40,097
Advances to other funds	26,489	218,089	-	244,578
Total assets	<u>3,968,592</u>	<u>959,518</u>	<u>1,045,882</u>	<u>5,973,992</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	21,617	50,449	1,058	73,124
Retainages payable	-	82,594	-	82,594
Escrow liability	21,637	-	-	21,637
Advances from other funds	-	218,089	26,489	244,578
Unearned revenue	21,720	-	-	21,720
Total liabilities	<u>64,974</u>	<u>351,132</u>	<u>27,547</u>	<u>443,653</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	917,400	-	-	917,400
<b>FUND BALANCES (DEFICITS)</b>				
<b>Nonspendable:</b>				
Advances to other funds	26,489	218,089	-	244,578
Permanent fund principal	-	-	982,274	982,274
<b>Restricted for:</b>				
Grant purposes	965,280	-	-	965,280
Housing assistance payments	54,393	-	-	54,393
Tax levy purposes	1,091,092	-	-	1,091,092
Housing and community development	194,080	-	-	194,080
Law enforcement	41,579	-	-	41,579
Art center	366,361	-	6,459	372,820
Library	218,009	-	-	218,009
Parks and recreation	28,935	-	-	28,935
Cemetery	-	-	29,602	29,602
Street improvement projects	-	533,460	-	533,460
Building improvement projects	-	49,201	-	49,201
Parks and recreation projects	-	15,944	-	15,944
<b>Unassigned</b>	-	(208,308)	-	(208,308)
Total fund balances (deficits)	<u>2,986,218</u>	<u>608,386</u>	<u>1,018,335</u>	<u>4,612,939</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 3,968,592</u>	<u>\$ 959,518</u>	<u>\$ 1,045,882</u>	<u>\$ 5,973,992</u>

City of Muscatine, Iowa

Non-Major Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2013

	Special Revenue	Capital Projects	Permanent	Totals
<b>REVENUES</b>				
Taxes:				
Property	\$ 837,307	\$ -	\$ -	\$ 837,307
Intergovernmental	4,092,769	181,848	-	4,274,617
Use of money and property	7,986	1,800	23,145	32,931
Other	108,940	235,920	6,958	351,818
Total revenues	<u>5,047,002</u>	<u>419,568</u>	<u>30,103</u>	<u>5,496,673</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	642	-	-	642
Culture and recreation	27,622	-	3,434	31,056
Community and economic development	2,322,828	-	-	2,322,828
Debt service:				
Principal	105,000	-	-	105,000
Interest	61,308	-	-	61,308
Capital outlay:				
Public safety	14,910	173,301	-	188,211
Public works	-	1,953,130	-	1,953,130
Culture and recreation	42,412	1,192	-	43,604
Community and economic development	-	4,664	-	4,664
General government	-	235,970	-	235,970
Total expenditures	<u>2,574,722</u>	<u>2,368,257</u>	<u>3,434</u>	<u>4,946,413</u>
Revenues over (under) expenditures	<u>2,472,280</u>	<u>(1,948,689)</u>	<u>26,669</u>	<u>550,260</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	887,467	-	887,467
Transfers out	<u>(2,595,187)</u>	<u>(56,556)</u>	<u>(19,765)</u>	<u>(2,671,508)</u>
Total other financing sources (uses)	<u>(2,595,187)</u>	<u>830,911</u>	<u>(19,765)</u>	<u>(1,784,041)</u>
Net change in fund balances	(122,907)	(1,117,778)	6,904	(1,233,781)
Fund balances, June 30, 2012	<u>3,109,125</u>	<u>1,726,164</u>	<u>1,011,431</u>	<u>5,846,720</u>
Fund balances, June 30, 2013	<u>\$ 2,986,218</u>	<u>\$ 608,386</u>	<u>\$ 1,018,335</u>	<u>\$ 4,612,939</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2013

	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
<b>ASSETS</b>							
Cash and pooled investments	\$ 39,688	\$ 140,403	\$ 466,194	\$ 5,637	\$ 9,735	\$ 41,579	\$ 75,973
Investments	-	-	-	179,345	-	-	-
Receivables (net of allowance for uncollectibles):							
Interest	-	-	-	1	-	-	-
Taxes	-	-	-	-	-	-	210,000
Accounts	-	4,632	-	2,666	-	-	-
Intergovernmental	-	-	425,861	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Total assets	<u>39,688</u>	<u>145,035</u>	<u>892,055</u>	<u>187,649</u>	<u>9,735</u>	<u>41,579</u>	<u>285,973</u>
<b>LIABILITIES</b>							
Accounts payable and accruals	-	22	-	16,674	356	-	-
Escrow liability	-	-	-	21,637	-	-	-
Unearned revenue	-	-	-	21,720	-	-	-
Total liabilities	<u>-</u>	<u>22</u>	<u>-</u>	<u>60,031</u>	<u>356</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	-	-	-	-	-	-	210,000
<b>FUND BALANCES</b>							
<b>Nonspendable:</b>							
Advances to other funds	-	-	-	-	-	-	-
<b>Restricted for:</b>							
Grant purposes	-	-	892,055	73,225	-	-	-
Housing assistance payments	-	-	-	54,393	-	-	-
Tax levy purposes	-	-	-	-	-	-	75,973
Housing and community development	39,688	145,013	-	-	9,379	-	-
Law enforcement	-	-	-	-	-	41,579	-
Art center	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Total fund balances	<u>39,688</u>	<u>145,013</u>	<u>892,055</u>	<u>127,618</u>	<u>9,379</u>	<u>41,579</u>	<u>75,973</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,688</u>	<u>\$ 145,035</u>	<u>\$ 892,055</u>	<u>\$ 187,649</u>	<u>\$ 9,735</u>	<u>\$ 41,579</u>	<u>\$ 285,973</u>

<b>Southend Tax Increment</b>	<b>Cedar Development Tax Increment</b>	<b>Muscatine Mall Tax Increment</b>	<b>Highway 38 Northeast Tax Increment</b>	<b>Heinz Tax Increment</b>	<b>Art Center Special Funds</b>	<b>Library Special Funds</b>	<b>Parks Donations</b>	<b>Total</b>
\$ 979,426	\$ 22,149	\$ 5,136	\$ -	\$ 3,874	\$ 187,358	\$ 220,349	\$ 28,960	\$ 2,226,461
-	-	-	-	-	180,000	-	-	359,345
-	-	-	-	-	1,203	-	-	1,204
429,534	203,000	19,000	60,400	-	-	-	-	921,934
-	-	-	-	-	-	-	-	7,298
-	-	-	-	-	-	-	-	425,861
-	-	-	-	-	-	-	26,489	26,489
<u>1,408,960</u>	<u>225,149</u>	<u>24,136</u>	<u>60,400</u>	<u>3,874</u>	<u>368,561</u>	<u>220,349</u>	<u>55,449</u>	<u>3,968,592</u>
-	-	-	-	-	2,200	2,340	25	21,617
-	-	-	-	-	-	-	-	21,637
-	-	-	-	-	-	-	-	21,720
-	-	-	-	-	2,200	2,340	25	64,974
<u>425,000</u>	<u>203,000</u>	<u>19,000</u>	<u>60,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,400</u>
-	-	-	-	-	-	-	26,489	26,489
-	-	-	-	-	-	-	-	965,280
-	-	-	-	-	-	-	-	54,393
983,960	22,149	5,136	-	3,874	-	-	-	1,091,092
-	-	-	-	-	-	-	-	194,080
-	-	-	-	-	-	-	-	41,579
-	-	-	-	-	366,361	-	-	366,361
-	-	-	-	-	-	218,009	-	218,009
-	-	-	-	-	-	-	28,935	28,935
<u>983,960</u>	<u>22,149</u>	<u>5,136</u>	<u>-</u>	<u>3,874</u>	<u>366,361</u>	<u>218,009</u>	<u>55,424</u>	<u>2,986,218</u>
<u>\$ 1,408,960</u>	<u>\$ 225,149</u>	<u>\$ 24,136</u>	<u>\$ 60,400</u>	<u>\$ 3,874</u>	<u>\$ 368,561</u>	<u>\$ 220,349</u>	<u>\$ 55,449</u>	<u>\$ 3,968,592</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2013

	<u>Community Development Block Grant</u>	<u>1st Time Home Owners Program</u>	<u>Road Use Tax</u>	<u>Section 8 Housing Program</u>	<u>Sunset Park Education Program</u>	<u>Police Forfeitures</u>
<b>REVENUES</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:						
HUD grants	-	-	-	1,802,082	-	-
Road use tax	-	-	2,254,220	-	-	-
State grants	-	-	-	-	-	-
Local grants	-	19,818	-	-	-	-
Interest	48	173	-	160	13	25
Other:						
Donations	-	-	-	-	17,200	-
Miscellaneous	-	-	-	1,816	-	54,328
Total revenues	<u>48</u>	<u>19,991</u>	<u>2,254,220</u>	<u>1,804,058</u>	<u>17,213</u>	<u>54,353</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	-	-	-	-	-	642
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	41,923	-	1,898,847	18,514	-
Capital outlay:						
Public safety	-	-	-	-	-	14,910
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>41,923</u>	<u>-</u>	<u>1,898,847</u>	<u>18,514</u>	<u>15,552</u>
Revenues over (under) expenditures	<u>48</u>	<u>(21,932)</u>	<u>2,254,220</u>	<u>(94,789)</u>	<u>(1,301)</u>	<u>38,801</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	<u>(3,000)</u>	<u>-</u>	<u>(2,202,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>-</u>	<u>(2,202,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,952)	(21,932)	51,912	(94,789)	(1,301)	38,801
Fund balances, June 30, 2012	<u>42,640</u>	<u>166,945</u>	<u>840,143</u>	<u>222,407</u>	<u>10,680</u>	<u>2,778</u>
Fund balances, June 30, 2013	<u>\$ 39,688</u>	<u>\$ 145,013</u>	<u>\$ 892,055</u>	<u>\$ 127,618</u>	<u>\$ 9,379</u>	<u>\$ 41,579</u>

<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>	<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Heinz Tax Increment</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Parks Donations</u>	<u>Total</u>
\$ 208,285	\$ 417,758	\$ 180,516	\$ 14,878	\$ 15,870	\$ -	\$ -	\$ -	\$ 837,307
-	-	-	-	-	-	-	-	1,802,082
-	-	-	-	-	-	-	-	2,254,220
-	-	-	-	-	-	16,649	-	16,649
-	-	-	-	-	-	-	-	19,818
174	1,325	28	5	2	5,710	260	63	7,986
-	-	-	-	-	5,289	20,425	2,520	45,434
-	-	-	-	-	1,633	5,729	-	63,506
<u>208,459</u>	<u>419,083</u>	<u>180,544</u>	<u>14,883</u>	<u>15,872</u>	<u>12,632</u>	<u>43,063</u>	<u>2,583</u>	<u>5,047,002</u>
-	-	-	-	-	-	-	-	642
-	-	-	-	-	-	26,537	1,085	27,622
-	164,137	171,939	13,152	14,316	-	-	-	2,322,828
-	-	-	-	-	-	-	-	14,910
-	-	-	-	-	20,794	21,618	-	42,412
-	105,000	-	-	-	-	-	-	105,000
-	61,308	-	-	-	-	-	-	61,308
<u>-</u>	<u>330,445</u>	<u>171,939</u>	<u>13,152</u>	<u>14,316</u>	<u>20,794</u>	<u>48,155</u>	<u>1,085</u>	<u>2,574,722</u>
<u>208,459</u>	<u>88,638</u>	<u>8,605</u>	<u>1,731</u>	<u>1,556</u>	<u>(8,162)</u>	<u>(5,092)</u>	<u>1,498</u>	<u>2,472,280</u>
<u>(209,625)</u>	<u>(180,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,595,187)</u>
<u>(209,625)</u>	<u>(180,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,595,187)</u>
(1,166)	(91,616)	8,605	1,731	1,556	(8,162)	(5,092)	1,498	(122,907)
<u>77,139</u>	<u>1,075,576</u>	<u>13,544</u>	<u>3,405</u>	<u>2,318</u>	<u>374,523</u>	<u>223,101</u>	<u>53,926</u>	<u>3,109,125</u>
<u>\$ 75,973</u>	<u>\$ 983,960</u>	<u>\$ 22,149</u>	<u>\$ 5,136</u>	<u>\$ 3,874</u>	<u>\$ 366,361</u>	<u>\$ 218,009</u>	<u>\$ 55,424</u>	<u>\$ 2,986,218</u>

City of Muscatine, Iowa

Non-Major Capital Projects Funds  
Combining Balance Sheet  
June 30, 2013

	<u>Community Development Improvements</u>	<u>Street and Sidewalk Improvements</u>	<u>Other Street Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Other Public Improvements</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and pooled investments	\$ -	\$ -	\$ 551,342	\$ -	\$ 150,776	\$ 702,118
Receivables:						
Intergovernmental	-	-	6,732	-	-	6,732
Accounts	-	30,079	-	-	2,500	32,579
Advances to other funds	-	-	218,089	-	-	218,089
Total assets	-	30,079	776,163	-	153,276	959,518
<b>LIABILITIES</b>						
Accounts payable	4,664	19	6,649	15,615	23,502	50,449
Retainages payable	-	-	17,965	-	64,629	82,594
Advances from other funds	9,555	15,144	-	193,390	-	218,089
Total liabilities	14,219	15,163	24,614	209,005	88,131	351,132
<b>FUND BALANCES (DEFICITS)</b>						
<b>Nonspendable:</b>						
Advances to other funds	-	-	218,089	-	-	218,089
<b>Restricted for:</b>						
Street improvement projects	-	-	533,460	-	-	533,460
Building improvement projects	-	-	-	-	49,201	49,201
Parks and recreation projects	-	-	-	-	15,944	15,944
<b>Unassigned</b>	<u>(14,219)</u>	<u>14,916</u>	<u>-</u>	<u>(209,005)</u>	<u>-</u>	<u>(208,308)</u>
Total fund balances (deficits)	(14,219)	14,916	751,549	(209,005)	65,145	608,386
Total liabilities and fund balances (deficits)	<u>\$ -</u>	<u>\$ 30,079</u>	<u>\$ 776,163</u>	<u>\$ -</u>	<u>\$ 153,276</u>	<u>\$ 959,518</u>

City of Muscatine, Iowa

Non-Major Capital Projects Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2013

	<u>Community Development Improvements</u>	<u>Street and Sidewalk Improvements</u>	<u>Other Street Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Other Public Improvements</u>	<u>Total</u>
<b>REVENUES</b>						
Intergovernmental:						
Federal grants	\$ -	\$ -	\$ 75,282	\$ -	\$ 100,614	\$ 175,896
State grants	-	-	-	-	5,952	5,952
Interest	-	15	1,539	11	235	1,800
Other:						
Contributions	-	34,329	-	5,000	3,050	42,379
Reimbursement of costs	4,991	78,182	80,997	-	29,371	193,541
Total revenues	<u>4,991</u>	<u>112,526</u>	<u>157,818</u>	<u>5,011</u>	<u>139,222</u>	<u>419,568</u>
<b>EXPENDITURES</b>						
Capital outlay:						
Public safety	-	-	-	-	173,301	173,301
Public works	-	702,911	1,173,021	77,198	-	1,953,130
Culture and recreation	-	-	-	115	1,077	1,192
Community and economic development	4,664	-	-	-	-	4,664
General government	-	-	-	-	235,970	235,970
Total expenditures	<u>4,664</u>	<u>702,911</u>	<u>1,173,021</u>	<u>77,313</u>	<u>410,348</u>	<u>2,368,257</u>
Revenues over (under) expenditures	<u>327</u>	<u>(590,385)</u>	<u>(1,015,203)</u>	<u>(72,302)</u>	<u>(271,126)</u>	<u>(1,948,689)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	593,139	-	109,382	184,946	887,467
Transfers out	-	-	(56,556)	-	-	(56,556)
Total other financing sources (uses)	<u>-</u>	<u>593,139</u>	<u>(56,556)</u>	<u>109,382</u>	<u>184,946</u>	<u>830,911</u>
Net change in fund balances	327	2,754	(1,071,759)	37,080	(86,180)	(1,117,778)
Fund balances (deficits), June 30, 2012	<u>(14,546)</u>	<u>12,162</u>	<u>1,823,308</u>	<u>(246,085)</u>	<u>151,325</u>	<u>1,726,164</u>
Fund balances (deficits), June 30, 2013	<u>\$ (14,219)</u>	<u>\$ 14,916</u>	<u>\$ 751,549</u>	<u>\$ (209,005)</u>	<u>\$ 65,145</u>	<u>\$ 608,386</u>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds  
Combining Balance Sheet  
June 30, 2013**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 46,058	\$ 23,054	\$ -	\$ -	\$ 69,112
Investments	60,000	827,000	-	85,000	972,000
Receivables:					
Interest	401	-	3,974	175	4,550
Accounts	-	220	-	-	220
Total assets	<u>106,459</u>	<u>850,274</u>	<u>3,974</u>	<u>85,175</u>	<u>1,045,882</u>
<b>LIABILITIES</b>					
Accounts payable	-	-	-	1,058	1,058
Advances from other funds	-	-	3,974	22,515	26,489
Total liabilities	<u>-</u>	<u>-</u>	<u>3,974</u>	<u>23,573</u>	<u>27,547</u>
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
Permanent fund principal	100,000	850,274	-	32,000	982,274
<b>Restricted for:</b>					
Cemetery	-	-	-	29,602	29,602
Art center	6,459	-	-	-	6,459
Total fund balances	<u>106,459</u>	<u>850,274</u>	<u>-</u>	<u>61,602</u>	<u>1,018,335</u>
Total liabilities and fund balances	<u>\$ 106,459</u>	<u>\$ 850,274</u>	<u>\$ 3,974</u>	<u>\$ 85,175</u>	<u>\$ 1,045,882</u>

City of Muscatine, Iowa

**Non-Major Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2013**

	<u>McWhirter- Gilmore Trust</u>	<u>Perpetual Care Trust</u>	<u>Perpetual Care Interest Trust</u>	<u>Cemetery Special Trusts</u>	<u>Total</u>
<b>REVENUES</b>					
Cemetery perpetual care	\$ -	\$ 6,958	\$ -	\$ -	\$ 6,958
Interest	1,883	-	19,765	1,497	23,145
Total revenues	1,883	6,958	19,765	1,497	30,103
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	600	-	-	2,834	3,434
Revenues over (under) expenditures	1,283	6,958	19,765	(1,337)	26,669
<b>OTHER FINANCING (USES)</b>					
Transfers out	-	-	(19,765)	-	(19,765)
Net change in fund balances	1,283	6,958	-	(1,337)	6,904
Fund balances, June 30, 2012	105,176	843,316	-	62,939	1,011,431
Fund balances, June 30, 2013	<u>\$ 106,459</u>	<u>\$ 850,274</u>	<u>\$ -</u>	<u>\$ 61,602</u>	<u>\$ 1,018,335</u>

## **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 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 and a 50-unit family facility.

City of Muscatine, Iowa

Non-Major Enterprise Funds  
 Combining Statement of Revenues, Expenses and Changes in Net Position  
 Year Ended June 30, 2013

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Parking fees	-	177,415	-	-	-
Transit fees	-	-	179,203	-	-
Golf course fees	-	-	-	717,893	-
Boat harbor fees	-	-	-	-	28,665
Management fees	9,900	-	-	-	-
Rents	55,781	-	-	-	-
Other	3,455	-	419	22,801	-
Total operating revenues	<u>69,136</u>	<u>177,415</u>	<u>179,622</u>	<u>740,694</u>	<u>28,665</u>
Operating expenses:					
Cost of sales and services:					
Personal services	-	159,562	652,981	347,627	10,069
Commodities	2,353	4,934	129,116	232,199	696
Contractual services	182,748	9,565	246,487	135,761	7,048
Administration	8,100	20,500	16,600	48,600	5,200
Depreciation	358,298	45,704	80,163	104,759	4,865
Total operating expenses	<u>551,499</u>	<u>240,265</u>	<u>1,125,347</u>	<u>868,946</u>	<u>27,878</u>
Operating income (loss)	<u>(482,363)</u>	<u>(62,850)</u>	<u>(945,725)</u>	<u>(128,252)</u>	<u>787</u>
Non-operating revenues (expenses):					
Federal, state and local grants	12,929	-	509,141	-	-
Interest revenue	15	99	17	142	6
Gain (loss) on sale of capital assets	-	-	-	-	-
Non-operating revenues (expenses), net	<u>12,944</u>	<u>99</u>	<u>509,158</u>	<u>142</u>	<u>6</u>
Income (loss) before capital contributions and transfers	(469,419)	(62,751)	(436,567)	(128,110)	793
Capital contributions - grants	122,066	-	-	-	-
Transfers in	53,987	-	320,480	-	-
Transfers out	-	-	-	-	-
Change in net position	(293,366)	(62,751)	(116,087)	(128,110)	793
Net position, June 30, 2012	<u>4,535,842</u>	<u>1,359,277</u>	<u>318,586</u>	<u>1,128,544</u>	<u>49,018</u>
Net position, June 30, 2013	<u>\$ 4,242,476</u>	<u>\$ 1,296,526</u>	<u>\$ 202,499</u>	<u>\$ 1,000,434</u>	<u>\$ 49,811</u>

<b>Marina Operations</b>	<b>Ambulance Operations</b>	<b>Public Housing</b>	<b>Total</b>
\$ -	\$ 1,287,169	\$ -	\$ 1,287,169
-	-	-	177,415
-	-	-	179,203
-	-	-	717,893
-	-	-	28,665
-	-	-	9,900
-	-	428,469	484,250
<u>13,079</u>	<u>64,545</u>	<u>47,017</u>	<u>151,316</u>
<u>13,079</u>	<u>1,351,714</u>	<u>475,486</u>	<u>3,035,811</u>
1,118	139,343	392,263	1,702,963
11,186	108,579	66,191	555,254
1,569	160,610	331,754	1,075,542
-	33,500	-	132,500
<u>-</u>	<u>60,461</u>	<u>299,875</u>	<u>954,125</u>
<u>13,873</u>	<u>502,493</u>	<u>1,090,083</u>	<u>4,420,384</u>
<u>(794)</u>	<u>849,221</u>	<u>(614,597)</u>	<u>(1,384,573)</u>
-	-	263,011	785,081
-	154	1,301	1,734
<u>-</u>	<u>-</u>	<u>(10,958)</u>	<u>(10,958)</u>
<u>-</u>	<u>154</u>	<u>253,354</u>	<u>775,857</u>
(794)	849,375	(361,243)	(608,716)
-	-	-	122,066
-	-	-	374,467
<u>-</u>	<u>(839,000)</u>	<u>-</u>	<u>(839,000)</u>
(794)	10,375	(361,243)	(951,183)
<u>868</u>	<u>610,177</u>	<u>2,690,220</u>	<u>10,692,532</u>
<u>\$ 74</u>	<u>\$ 620,552</u>	<u>\$ 2,328,977</u>	<u>\$ 9,741,349</u>

City of Muscatine, Iowa

Non-Major Enterprise Funds  
 Combining Statement of Revenues, Expenses and Changes in Net Position  
 Year Ended June 30, 2013

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Parking fees	-	177,415	-	-	-
Transit fees	-	-	179,203	-	-
Golf course fees	-	-	-	717,893	-
Boat harbor fees	-	-	-	-	28,665
Management fees	9,900	-	-	-	-
Rents	55,781	-	-	-	-
Other	3,455	-	419	22,801	-
Total operating revenues	<u>69,136</u>	<u>177,415</u>	<u>179,622</u>	<u>740,694</u>	<u>28,665</u>
Operating expenses:					
Cost of sales and services:					
Personal services	-	159,562	652,981	347,627	10,069
Commodities	2,353	4,934	129,116	232,199	696
Contractual services	182,748	9,565	246,487	135,761	7,048
Administration	8,100	20,500	16,600	48,600	5,200
Depreciation	358,298	45,704	80,163	104,759	4,865
Total operating expenses	<u>551,499</u>	<u>240,265</u>	<u>1,125,347</u>	<u>868,946</u>	<u>27,878</u>
Operating income (loss)	<u>(482,363)</u>	<u>(62,850)</u>	<u>(945,725)</u>	<u>(128,252)</u>	<u>787</u>
Non-operating revenues (expenses):					
Federal, state and local grants	12,929	-	509,141	-	-
Interest revenue	15	99	17	142	6
Gain (loss) on sale of capital assets	-	-	-	-	-
Non-operating revenues (expenses), net	<u>12,944</u>	<u>99</u>	<u>509,158</u>	<u>142</u>	<u>6</u>
Income (loss) before capital contributions and transfers	(469,419)	(62,751)	(436,567)	(128,110)	793
Capital contributions - grants	122,066	-	-	-	-
Transfers in	53,987	-	320,480	-	-
Transfers out	-	-	-	-	-
Change in net position	(293,366)	(62,751)	(116,087)	(128,110)	793
Net position, June 30, 2012	<u>4,535,842</u>	<u>1,359,277</u>	<u>318,586</u>	<u>1,128,544</u>	<u>49,018</u>
Net position, June 30, 2013	<u>\$ 4,242,476</u>	<u>\$ 1,296,526</u>	<u>\$ 202,499</u>	<u>\$ 1,000,434</u>	<u>\$ 49,811</u>

<b>Marina Operations</b>	<b>Ambulance Operations</b>	<b>Public Housing</b>	<b>Total</b>
\$ -	\$ 1,287,169	\$ -	\$ 1,287,169
-	-	-	177,415
-	-	-	179,203
-	-	-	717,893
-	-	-	28,665
-	-	-	9,900
-	-	428,469	484,250
<u>13,079</u>	<u>64,545</u>	<u>47,017</u>	<u>151,316</u>
<u>13,079</u>	<u>1,351,714</u>	<u>475,486</u>	<u>3,035,811</u>
1,118	139,343	392,263	1,702,963
11,186	108,579	66,191	555,254
1,569	160,610	331,754	1,075,542
-	33,500	-	132,500
<u>-</u>	<u>60,461</u>	<u>299,875</u>	<u>954,125</u>
<u>13,873</u>	<u>502,493</u>	<u>1,090,083</u>	<u>4,420,384</u>
<u>(794)</u>	<u>849,221</u>	<u>(614,597)</u>	<u>(1,384,573)</u>
-	-	263,011	785,081
-	154	1,301	1,734
<u>-</u>	<u>-</u>	<u>(10,958)</u>	<u>(10,958)</u>
<u>-</u>	<u>154</u>	<u>253,354</u>	<u>775,857</u>
(794)	849,375	(361,243)	(608,716)
-	-	-	122,066
-	-	-	374,467
<u>-</u>	<u>(839,000)</u>	<u>-</u>	<u>(839,000)</u>
(794)	10,375	(361,243)	(951,183)
<u>868</u>	<u>610,177</u>	<u>2,690,220</u>	<u>10,692,532</u>
<u>\$ 74</u>	<u>\$ 620,552</u>	<u>\$ 2,328,977</u>	<u>\$ 9,741,349</u>

**City of Muscatine, Iowa**  
**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2013**

	<u>Airport Operations</u>	<u>Parking Operations</u>	<u>Transit Operations</u>	<u>Golf Course</u>	<u>Boat Harbor</u>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 69,212	\$ 173,580	\$ 181,795	\$ 748,104	\$ 28,665
Payments to suppliers	(166,827)	(12,700)	(38,474)	(341,583)	(8,081)
Payments to employees	-	(118,751)	(528,565)	(259,168)	(8,692)
Payments for employee benefits	-	(36,922)	(123,914)	(83,126)	(1,896)
Payments for interfund services used	(9,973)	(20,500)	(354,982)	(51,674)	(5,200)
Net cash provided (used) by operating activities	<u>(107,588)</u>	<u>(15,293)</u>	<u>(864,140)</u>	<u>12,553</u>	<u>4,796</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	53,986	-	320,480	-	-
Advances from other funds	-	-	-	188,320	-
Advances to other funds	-	-	-	-	(5,212)
Repayment of advances from other funds	(3,466)	-	-	-	-
Repayment of advances to other funds	-	526	-	-	-
Subsidies from federal, state and local grants	12,929	-	509,741	-	-
Net cash provided (used) by noncapital financing activities	<u>63,449</u>	<u>526</u>	<u>830,221</u>	<u>188,320</u>	<u>(5,212)</u>
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	108,689	-	-	-	-
Purchase of capital assets	(64,565)	-	-	(330,164)	-
Return of portion of prior year prepaid asset purchase	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>44,124</u>	<u>-</u>	<u>-</u>	<u>(330,164)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	15	99	17	142	6
Net cash provided (used) by investing activities	<u>15</u>	<u>99</u>	<u>17</u>	<u>142</u>	<u>6</u>
Net increase (decrease) in cash and pooled investments	-	(14,668)	(33,902)	(129,149)	(410)
Cash and pooled investments, June 30, 2012	-	94,984	88,586	129,149	8,201
Cash and pooled investments, June 30, 2013	<u>\$ -</u>	<u>\$ 80,316</u>	<u>\$ 54,684</u>	<u>\$ -</u>	<u>\$ 7,791</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (482,363)	\$ (62,850)	\$ (945,725)	\$ (128,252)	\$ 787
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	358,298	45,704	80,163	104,759	4,865
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	57	(1,375)	2,257	410	-
Inventories	-	-	-	(2,666)	-
Prepaid items	-	-	-	-	-
Increase (decrease) in:					
Accounts payable and accruals	16,401	1,799	(1,253)	25,969	(336)
Compensated absences payable	-	3,236	13	4,110	(520)
Other post-employment benefits	-	653	489	1,224	-
Unearned revenue	19	(2,460)	(84)	6,999	-
Deposits	-	-	-	-	-
Total adjustments	<u>374,775</u>	<u>47,557</u>	<u>81,585</u>	<u>140,805</u>	<u>4,009</u>
Net cash provided (used) by operating activities	<u>\$ (107,588)</u>	<u>\$ (15,293)</u>	<u>\$ (864,140)</u>	<u>\$ 12,553</u>	<u>\$ 4,796</u>
<b>Non-cash capital and related financing activities:</b>					
Change in accounts payable used to purchase capital assets	\$ 15,121	\$ -	\$ -	\$ -	\$ -

<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 13,329	\$ 1,362,706	\$ 477,135	\$ 3,054,526
(16,897)	(229,678)	(289,491)	(1,103,731)
(965)	(112,050)	(295,039)	(1,323,230)
(153)	(24,962)	(101,447)	(372,420)
-	(77,220)	(86,850)	(606,399)
<u>(4,686)</u>	<u>918,796</u>	<u>(295,692)</u>	<u>(351,254)</u>
-	(839,000)	-	(839,000)
-	-	-	374,466
5,212	-	-	193,532
-	-	-	(5,212)
(526)	-	-	(3,992)
-	-	-	526
-	-	263,011	785,681
<u>4,686</u>	<u>(839,000)</u>	<u>263,011</u>	<u>506,001</u>
-	-	-	108,689
-	-	(49,900)	(444,629)
-	1,100	-	1,100
<u>-</u>	<u>1,100</u>	<u>(49,900)</u>	<u>(334,840)</u>
-	-	540,011	540,011
-	-	(464,983)	(464,983)
-	154	1,457	1,890
<u>-</u>	<u>154</u>	<u>76,485</u>	<u>76,918</u>
-	81,050	(6,096)	(103,175)
-	30,532	7,798	359,250
<u>\$ -</u>	<u>\$ 111,582</u>	<u>\$ 1,702</u>	<u>\$ 256,075</u>
<u>\$ (794)</u>	<u>\$ 849,221</u>	<u>\$ (614,597)</u>	<u>\$ (1,384,573)</u>
-	60,461	299,875	954,125
250	5,006	4,933	11,538
(2,005)	-	-	(4,671)
-	-	38,624	38,624
(2,137)	(4,208)	(17,018)	19,217
-	1,922	(5,979)	2,782
-	408	1,754	4,528
-	5,986	(5,109)	5,351
-	-	1,825	1,825
<u>(3,892)</u>	<u>69,575</u>	<u>318,905</u>	<u>1,033,319</u>
<u>\$ (4,686)</u>	<u>\$ 918,796</u>	<u>\$ (295,692)</u>	<u>\$ (351,254)</u>
\$ -	\$ -	\$ -	\$ 15,121

## **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 Position  
June 30, 2013**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and pooled investments	\$ 68,641	\$ -	\$ 1,946,921	\$ 20,276	\$ 2,035,838
Receivables:					
Accounts	3,205	-	25,771	-	28,976
Due from other funds	-	-	1,095	-	1,095
Inventories	128,802	2,217	-	-	131,019
Total current assets	<u>200,648</u>	<u>2,217</u>	<u>1,973,787</u>	<u>20,276</u>	<u>2,196,928</u>
Capital assets:					
Equipment	117,956	-	-	-	117,956
Vehicles	64,309	-	-	-	64,309
Less accumulated depreciator	(161,957)	-	-	-	(161,957)
Total capital assets net of accumulated depreciation	<u>20,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,308</u>
Total assets	<u>220,956</u>	<u>2,217</u>	<u>1,973,787</u>	<u>20,276</u>	<u>2,217,236</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	51,654	151	201,160	2,785	255,750
Compensated absences payable	19,805	-	-	-	19,805
Due to other funds	-	1,095	-	-	1,095
Total current liabilities	<u>71,459</u>	<u>1,246</u>	<u>201,160</u>	<u>2,785</u>	<u>276,650</u>
Noncurrent liabilities:					
Compensated absences payable	27,873	-	-	-	27,873
Other post employment benefits	7,844	-	-	-	7,844
Total noncurrent liabilities	<u>35,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,717</u>
Total liabilities	<u>107,176</u>	<u>1,246</u>	<u>201,160</u>	<u>2,785</u>	<u>312,367</u>
<b>NET POSITION</b>					
Net investment in capital assets	20,308	-	-	-	20,308
Unrestricted	93,472	971	1,772,627	17,491	1,884,561
Total net position	<u>\$ 113,780</u>	<u>\$ 971</u>	<u>\$ 1,772,627</u>	<u>\$ 17,491</u>	<u>\$ 1,904,869</u>

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2013**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services:					
Services	\$ 695,397	\$ -	\$ -	\$ -	\$ 695,397
Fuel	513,161	-	-	-	513,161
Supply charges	-	2,747	-	-	2,747
Employer contributions	-	-	2,218,838	59,349	2,278,187
Employee contributions	-	-	157,021	59,762	216,783
Other contributions	-	-	154,109	5,632	159,741
Other operating revenue	1,266	-	3,370	-	4,636
Total operating revenues	<u>1,209,824</u>	<u>2,747</u>	<u>2,533,338</u>	<u>124,743</u>	<u>3,870,652</u>
Operating expenses:					
Cost of sales and services:					
Personal services	297,637	-	-	-	297,637
Commodities	640,907	2,549	-	-	643,456
Contractual services	241,770	-	2,301,391	131,694	2,674,855
Administration	15,300	-	3,000	-	18,300
Depreciation	2,746	-	-	-	2,746
Total operating expenses	<u>1,198,360</u>	<u>2,549</u>	<u>2,304,391</u>	<u>131,694</u>	<u>3,636,994</u>
Operating income (loss)	11,464	198	228,947	(6,951)	233,658
Non-operating revenues:					
Interest revenue	-	-	2,147	30	2,177
Income (loss) before transfers	11,464	198	231,094	(6,921)	235,835
Transfers out	-	-	(46,326)	-	(46,326)
Change in net position	11,464	198	184,768	(6,921)	189,509
Net position, June 30, 2012	<u>102,316</u>	<u>773</u>	<u>1,587,859</u>	<u>24,412</u>	<u>1,715,360</u>
Net position, June 30, 2013	<u>\$ 113,780</u>	<u>\$ 971</u>	<u>\$ 1,772,627</u>	<u>\$ 17,491</u>	<u>\$ 1,904,869</u>

City of Muscatine, Iowa

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2013

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ 1,215,990	\$ 2,747	\$ 2,517,158	\$ 124,743	\$ 3,860,638
Payments to suppliers	(876,854)	(2,643)	(2,313,113)	(132,955)	(3,325,565)
Payments to employees	(201,116)	-	-	-	(201,116)
Payments for employee benefits	(91,656)	-	-	-	(91,656)
Payments for interfund services used	(15,300)	-	(3,000)	-	(18,300)
Net cash provided (used) by operating activities	<u>31,064</u>	<u>104</u>	<u>201,045</u>	<u>(8,212)</u>	<u>224,001</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	(46,326)	-	(46,326)
Advances from other funds	-	1,095	-	-	1,095
Advances to other funds	-	-	(1,095)	-	(1,095)
Repayment of advances from other funds	-	(1,199)	-	-	(1,199)
Repayment of advances to other funds	-	-	1,199	-	1,199
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(104)</u>	<u>(46,222)</u>	<u>-</u>	<u>(46,326)</u>
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	<u>(8,676)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,676)</u>
<b>Cash flows from investing activities</b>					
Interest received	<u>-</u>	<u>-</u>	<u>2,147</u>	<u>30</u>	<u>2,177</u>
Net increase (decrease) in cash and pooled investments	22,388	-	156,970	(8,182)	171,176
Cash and pooled investments, June 30, 2012	<u>46,253</u>	<u>-</u>	<u>1,789,951</u>	<u>28,458</u>	<u>1,864,662</u>
Cash and pooled investments, June 30, 2013	<u>\$ 68,641</u>	<u>\$ -</u>	<u>\$ 1,946,921</u>	<u>\$ 20,276</u>	<u>\$ 2,035,838</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ 11,464	\$ 198	\$ 228,947	\$ (6,951)	\$ 233,658
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,746	-	-	-	2,746
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	6,166	-	(16,180)	-	(10,014)
Inventories	26,523	(85)	-	-	26,438
Increase (decrease) in:					
Accounts payable and accruals	(20,700)	(9)	(11,722)	(1,261)	(33,692)
Compensated absences payable	3,233	-	-	-	3,233
Other post employment benefits payable	1,632	-	-	-	1,632
Total adjustments	<u>19,600</u>	<u>(94)</u>	<u>(27,902)</u>	<u>(1,261)</u>	<u>(9,657)</u>
Net cash provided (used) by operating activities	<u>\$ 31,064</u>	<u>\$ 104</u>	<u>\$ 201,045</u>	<u>\$ (8,212)</u>	<u>\$ 224,001</u>

# **FIDUCIARY FUNDS**

## **AGENCY FUNDS**

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

**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, 2013

	<u>Payroll Clearing</u>	<u>Miscellaneous Clearing</u>	<u>Housing Revolving</u>	<u>Totals</u>
Assets:				
Cash and pooled investments	\$ 672,253	\$ 171	\$ -	\$ 672,424
Accounts receivable	-	-	50,821	50,821
Due from other funds	<u>50,500</u>	<u>-</u>	<u>-</u>	<u>50,500</u>
Total assets	<u><u>722,753</u></u>	<u><u>171</u></u>	<u><u>50,821</u></u>	<u><u>773,745</u></u>
Liabilities:				
Accounts payable and accruals	722,753	171	321	723,245
Due to other funds	<u>-</u>	<u>-</u>	<u>50,500</u>	<u>50,500</u>
Total liabilities	<u><u>\$ 722,753</u></u>	<u><u>\$ 171</u></u>	<u><u>\$ 50,821</u></u>	<u><u>\$ 773,745</u></u>

**City of Muscatine, Iowa**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year Ended June 30, 2013**

	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
<b><u>Payroll Clearing Fund</u></b>				
Assets:				
Cash and pooled investments	\$ 672,760	\$ 15,923,208	\$ 15,923,715	\$ 672,253
Advances to other funds	52,641	-	2,141	50,500
Total assets	<u>\$ 725,401</u>	<u>\$ 15,923,208</u>	<u>\$ 15,925,856</u>	<u>\$ 722,753</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 725,401</u>	<u>\$ 4,563,885</u>	<u>\$ 4,566,533</u>	<u>\$ 722,753</u>
<b><u>Miscellaneous Clearing Fund</u></b>				
Assets:				
Cash and pooled investments	\$ 362	\$ -	\$ 191	\$ 171
Accounts receivable	15	-	15	-
Total assets	<u>\$ 377</u>	<u>\$ -</u>	<u>\$ 206</u>	<u>\$ 171</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 377</u>	<u>\$ -</u>	<u>\$ 206</u>	<u>\$ 171</u>
<b><u>Housing Revolving Fund</u></b>				
Assets:				
Accounts receivable	<u>\$ 53,035</u>	<u>\$ -</u>	<u>\$ 2,214</u>	<u>\$ 50,821</u>
Liabilities:				
Accounts payable and accruals	\$ 394	\$ -	\$ 73	\$ 321
Advances from other funds	52,641	-	2,141	50,500
Total liabilities	<u>\$ 53,035</u>	<u>\$ -</u>	<u>\$ 2,214</u>	<u>\$ 50,821</u>
<b><u>Total</u></b>				
Assets:				
Cash and pooled investments	\$ 673,122	\$ 15,923,208	\$ 15,923,906	\$ 672,424
Accounts receivable	53,050	-	2,229	50,821
Advances to other funds	52,641	-	2,141	50,500
Total assets	<u>\$ 778,813</u>	<u>\$ 15,923,208</u>	<u>\$ 15,928,276</u>	<u>\$ 773,745</u>
Liabilities:				
Accounts payable and accruals	\$ 726,172	\$ 4,563,885	\$ 4,566,812	\$ 723,245
Advances from other funds	52,641	-	2,141	50,500
Total liabilities	<u>\$ 778,813</u>	<u>\$ 4,563,885</u>	<u>\$ 4,568,953</u>	<u>\$ 773,745</u>

## **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 Position  
June 30, 2013**

**ASSETS**

Restricted assets:	
Cash and pooled investments	\$ 1,360,499
Capital assets:	
Land	1,080,608
Land improvements	2,490,422
Buildings	37,314
Equipment	31,317
Less accumulated depreciation	<u>(1,259,014)</u>
Total capital assets (net of accumulated depreciation)	<u>2,380,647</u>
Total assets	<u><u>3,741,146</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accruals	58,400
Compensated absences payable	<u>1,406</u>
Total current liabilities	<u>59,806</u>
Noncurrent liabilities:	
Loan due to primary government	1,022,347
Closure/post-closure obligation	2,558,574
Compensated absences payable	<u>182</u>
Total noncurrent liabilities	<u>3,581,103</u>
Total liabilities	<u>3,640,909</u>

**NET POSITION**

Net investment in capital assets	2,380,647
Unrestricted	<u>(2,280,410)</u>
Total net position	<u><u>\$ 100,237</u></u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2013**

Operating revenues:	
Charges for services	\$ 1,195,186
Other operating revenues	<u>15,000</u>
Total operating revenues	<u>1,210,186</u>
Operating expenses:	
Cost of services:	
Personal services	25,714
Commodities	21,594
Contractual services	752,132
Administration	48,200
Depreciation	<u>280,123</u>
Total operating expenses	<u>1,127,763</u>
Operating income	<u>82,423</u>
Non-operating revenue:	
Intergovernmental revenue	117,177
Interest revenue	<u>149</u>
Total non-operating revenues	<u>117,326</u>
Net income	199,749
Net position, June 30, 2012	<u>(99,512)</u>
Net position, June 30, 2013	<u><u>\$ 100,237</u></u>

**Muscatine County Solid Waste Agency  
Component Unit**

**Statement of Cash Flows  
Year Ended June 30, 2013**

<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 1,210,185
Payments to suppliers	(712,889)
Payments to employees	(18,768)
Payments for employee benefits	(6,679)
Payments for interfund services used	(48,200)
Net cash provided by operating activities	<u>423,649</u>
<b>Cash flows from noncapital financing activities</b>	
Repayment of loan from primary government	(433,295)
Subsidies from federal, state and local governments	117,177
Net cash provided (used) by noncapital financing activities	<u>(316,118)</u>
<b>Cash flows from investing activities</b>	
Interest received	149
Net cash provided (used) by investing activities	<u>149</u>
Net increase in cash and pooled investments	107,680
Cash and pooled investments, June 30, 2012	<u>1,252,819</u>
Cash and pooled investments, June 30, 2013	<u><u>\$ 1,360,499</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Cash flows from operating activities:	
Operating income	<u>\$ 82,423</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	280,123
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts payable and accruals	(2,930)
Compensated absences payable	268
Closure/post-closure liability	63,765
Total adjustments	<u>341,226</u>
Net cash provided by operating activities	<u><u>\$ 423,649</u></u>

## **MUSCATINE COVENTION AND VISITORS BUREAU COMPONENT UNIT**

**Muscatine Convention and Visitors Bureau (CVB).** The CVB was established as a non-profit corporation as defined in section 501(c)(6) of the Internal Revenue Code in the current year. The initial CVB Board of Directors was appointed by the Mayor. Thereafter board member appointments will be made according to provisions of the CVB's bylaws. The City of Muscatine has allocated 25% of the hotel/motel tax revenue to the CVB which is substantially all of the CVB's financial resources. Because of its fiscal dependence on the City the CVB is considered a component unit of the City.

**Muscatine Convention and Visitors Bureau  
Component Unit**

**Statement of Net Position  
June 30, 2013**

**ASSETS**

Current assets:	
Cash and pooled investments	<u>\$ 64,831</u>
Capital assets:	
Equipment	11,412
Less accumulated depreciation	<u>(1,141)</u>
Total capital assets (net of accumulated depreciation)	<u>10,271</u>
Total assets	<u><u>75,102</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accruals	<u>296</u>
Total liabilities	<u>296</u>

**NET POSITION**

Net investment in capital assets	10,271
Unrestricted	<u>64,535</u>
Total net position	<u><u>\$ 74,806</u></u>

**Muscatine Convention and Visitors Bureau  
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2013**

Operating revenues:	
City contributions	\$ 55,000
Other contributions	48,980
	<u>103,980</u>
Total operating revenues	<u>103,980</u>
Operating expenses:	
Cost of services:	
Personal services	18,431
Commodities	1,075
Contractual services	8,600
Depreciation	1,141
	<u>29,247</u>
Total operating expenses	<u>29,247</u>
Operating income	<u>74,733</u>
Non-operating revenue:	
Interest revenue	73
	<u>73</u>
Change in net position	74,806
Net position, June 30, 2012	<u>-</u>
Net position, June 30, 2013	<u><u>\$ 74,806</u></u>

**Muscatine Convention and Visitors Bureau  
Component Unit**

**Statement of Cash Flows  
Year Ended June 30, 2013**

<b>Cash flows from operating activities</b>	
Receipts from contributing entities	\$ 103,980
Payments to suppliers	(9,379)
Payments to employees	(16,512)
Payments for employee benefits	(1,919)
Net cash provided by operating activities	<u>76,170</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	<u>(11,412)</u>
Net cash provided (used) by capital and related financing activities	<u>(11,412)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>73</u>
Net cash provided by investing activities	<u>73</u>
Net increase in cash and pooled investments	64,831
Cash and pooled investments, June 30, 2012	<u>-</u>
Cash and pooled investments, June 30, 2013	<u>\$ 64,831</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Cash flows from operating activities:	
Operating income	<u>\$ 74,733</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,141
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts payable and accruals	296
Total adjustments	<u>1,437</u>
Net cash provided by operating activities	<u>\$ 76,170</u>

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends (Schedules 1 – 5)	104-110
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (Schedules 6 – 9)	111-114
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity (Schedules 10 – 13)	115-118
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (Schedules 14 – 15)	119-120
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (Schedules 16 – 18)	121-123
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

	Fiscal Year									
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Governmental activities										
Net investment in capital assets	\$ 48,955,154	\$ 51,221,230	\$ 50,011,138	\$ 51,581,004	\$ 50,833,005	\$ 50,303,012	\$ 48,735,481	\$ 50,534,706	\$ 49,843,849	\$ 51,062,032
Restricted	3,044,136	2,948,998	3,420,397	3,305,450	5,644,659	2,989,872	2,899,555	4,914,742	8,626,783	6,614,924
Unrestricted	7,329,316	5,250,409	5,466,892	6,823,222	6,272,247	7,330,802	7,905,068	2,910,113	2,485,584	2,852,152
Total governmental activities net position	<u>\$ 59,328,606</u>	<u>\$ 59,420,637</u>	<u>\$ 58,898,427</u>	<u>\$ 61,709,676</u>	<u>\$ 62,749,911</u>	<u>\$ 60,623,686</u>	<u>\$ 59,540,104</u>	<u>\$ 58,359,561</u>	<u>\$ 60,956,216</u>	<u>\$ 60,529,108</u>
Business-type activities										
Net investment in capital assets	\$ 47,010,683	\$ 47,550,543	\$ 51,101,160	\$ 52,481,362	\$ 53,255,999	\$ 57,286,029	\$ 60,488,326	\$ 63,959,885	\$ 64,583,715	\$ 67,867,972
Restricted	-	-	-	-	-	190,093	413,321	135,331	178,360	136,888
Unrestricted	6,547,924	6,529,619	6,582,593	6,023,561	7,796,532	7,105,081	7,500,477	8,340,770	7,798,823	6,931,260
Total business-type activities net position	<u>\$ 53,558,607</u>	<u>\$ 54,080,162</u>	<u>\$ 57,683,753</u>	<u>\$ 58,504,923</u>	<u>\$ 61,052,531</u>	<u>\$ 64,581,203</u>	<u>\$ 68,402,124</u>	<u>\$ 72,435,986</u>	<u>\$ 72,560,898</u>	<u>\$ 74,936,120</u>
Primary government										
Net investment in capital assets	\$ 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	3,044,136	2,948,998	3,420,397	3,305,450	5,644,659	3,179,965	3,312,876	5,050,073	8,805,143	6,751,812
Unrestricted	13,877,240	11,780,028	12,049,485	12,846,783	14,068,779	14,435,883	15,405,545	11,250,883	10,284,407	9,783,412
Total primary government net position	<u>\$ 112,887,213</u>	<u>\$ 113,500,799</u>	<u>\$ 116,582,180</u>	<u>\$ 120,214,599</u>	<u>\$ 123,802,442</u>	<u>\$ 125,204,889</u>	<u>\$ 127,942,228</u>	<u>\$ 130,795,547</u>	#####	#####

**City of Muscatine, Iowa**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year									
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 5,561,580	\$ 6,081,788	\$ 6,164,169	\$ 6,476,982	\$ 6,972,493	\$ 7,136,808	\$ 6,038,292	\$ 7,231,247	\$ 7,933,672	\$ 8,106,891
Public works	2,970,927	3,220,525	3,802,168	3,299,503	3,498,689	5,262,061	4,392,189	6,104,574	4,603,469	4,111,389
Health and social service:	16,560	15,700	16,660	26,700	16,660	16,660	17,100	17,800	17,800	20,000
Culture and recreation	2,957,891	3,466,568	3,967,702	3,774,353	3,773,895	3,970,285	4,393,742	3,991,705	4,072,299	4,018,788
Community and economic development	3,849,722	3,217,531	2,234,880	2,446,232	2,757,190	2,656,737	2,918,941	3,232,025	3,063,468	3,099,380
General government	1,659,438	1,725,955	1,844,803	1,866,359	1,880,724	1,967,161	2,877,107	2,088,819	2,129,477	2,352,743
Interest and fees on long-term debt	397,429	422,410	379,549	432,626	391,759	473,916	439,305	570,313	504,515	496,578
Total governmental activities expenses	<u>17,413,547</u>	<u>18,150,477</u>	<u>18,409,931</u>	<u>18,322,755</u>	<u>19,291,410</u>	<u>21,483,628</u>	<u>21,076,676</u>	<u>23,236,483</u>	<u>22,324,700</u>	<u>22,205,769</u>
Business-type activities										
Water pollution control	4,094,791	4,134,898	4,329,934	4,581,077	4,649,437	4,992,317	5,413,555	5,083,681	5,757,128	6,088,562
Transfer station	2,002,761	2,181,508	2,130,005	2,363,530	2,486,114	1,519,980	2,240,614	2,174,384	2,302,385	2,140,480
Refuse collection:	1,221,882	1,243,306	1,283,743	1,423,922	1,390,113	2,228,048	1,798,493	1,827,138	2,015,577	2,068,419
Airport	621,520	551,070	579,586	545,259	561,312	605,009	709,883	566,129	462,094	551,499
Parking	204,879	205,301	220,508	210,405	244,774	201,409	228,674	247,292	244,115	237,933
Transit	618,308	678,757	763,123	781,763	872,252	907,562	1,028,876	1,016,663	1,077,339	1,121,524
Golf course	451,551	468,149	439,438	586,908	778,125	825,757	798,587	818,018	871,848	864,167
Boat harbor	41,486	33,273	33,630	37,325	33,015	34,648	31,605	29,041	31,036	27,878
Marina	8,430	8,004	27,176	24,203	12,461	10,961	19,451	12,802	19,507	13,873
Cable Television	31,137	-	-	-	-	-	-	-	-	-
Ambulance	749,644	914,100	908,058	912,403	428,659	483,223	390,308	426,829	473,350	500,046
Public housing	831,545	935,354	882,502	911,298	924,183	975,076	994,013	1,120,421	1,164,215	1,089,036
Total business-type activities expenses	<u>10,877,934</u>	<u>11,353,720</u>	<u>11,597,703</u>	<u>12,378,093</u>	<u>12,380,445</u>	<u>12,783,990</u>	<u>13,654,059</u>	<u>13,322,398</u>	<u>14,418,594</u>	<u>14,703,417</u>
Total primary government expenses	<u>\$ 28,291,481</u>	<u>\$ 29,504,197</u>	<u>\$ 30,007,634</u>	<u>\$ 30,700,848</u>	<u>\$ 31,671,855</u>	<u>\$ 34,267,618</u>	<u>\$ 34,730,735</u>	<u>\$ 36,558,881</u>	<u>\$ 36,743,294</u>	<u>\$ 36,909,186</u>

(Continued)

	Fiscal Year									
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
<b>(Continued)</b>										
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 310,762	\$ 356,703	\$ 306,954	\$ 383,518	\$ 421,978	\$ 438,932	\$ 339,786	\$ 530,879	\$ 1,230,430	\$ 1,137,537
Public works	143,089	179,104	141,803	140,649	151,785	319,112	231,564	262,393	634,870	224,263
Culture and recreation	537,726	599,761	577,257	616,982	598,707	494,131	448,271	478,394	545,297	488,456
Community and economic development	349,250	372,703	407,977	398,479	405,832	358,812	480,137	430,574	426,917	456,674
General government	307,054	324,733	432,880	382,812	410,042	473,567	506,364	545,322	529,471	747,062
Operating grants and contributions:	4,271,667	4,617,475	4,805,002	4,263,038	4,229,961	4,736,388	5,211,201	4,861,170	4,915,000	4,922,364
Capital grants and contributions:	2,544,051	894,158	1,733,592	2,018,077	963,114	108,213	1,726,091	3,398,652	1,398,288	767,392
Total governmental activities program revenue	<u>8,463,599</u>	<u>7,344,637</u>	<u>8,405,465</u>	<u>8,203,555</u>	<u>7,181,419</u>	<u>6,929,155</u>	<u>8,943,414</u>	<u>10,507,384</u>	<u>9,680,273</u>	<u>8,743,748</u>
Business-type activities										
Charges for services:										
Water pollution control	3,537,974	3,612,206	3,745,884	3,854,728	4,259,343	4,518,700	4,627,301	4,748,558	4,947,231	5,399,757
Transfer station	1,750,444	1,898,293	1,767,744	1,893,083	2,090,391	1,498,300	1,822,105	1,806,445	1,958,817	1,850,428
Refuse collection	1,257,199	1,261,040	1,312,208	1,364,809	1,462,820	1,555,388	1,905,643	1,961,389	2,110,442	2,137,772
Airport	43,639	46,086	43,564	47,351	41,023	39,523	37,647	37,833	42,124	69,136
Parking	171,614	161,344	188,146	178,128	204,733	194,821	176,103	175,691	182,220	177,415
Transit	86,731	90,457	106,144	129,429	183,586	185,653	175,505	169,004	177,055	179,622
Golf course	412,069	402,214	402,832	532,104	719,281	764,679	821,005	773,938	874,501	740,694
Boat harbor	19,552	18,745	21,782	26,022	23,899	23,359	29,104	27,338	39,814	28,665
Marina	7,129	5,200	26,616	22,494	10,721	6,599	19,623	13,473	18,757	13,079
Cable Television	236,479	-	-	-	-	-	-	-	-	-
Ambulance	792,432	850,406	735,295	817,532	968,157	1,048,722	1,038,306	1,360,650	1,167,042	1,351,714
Public housing	373,202	362,487	367,010	382,556	424,905	420,104	557,631	444,151	542,721	475,486
Operating grants and contributions:	594,674	551,160	619,692	674,031	1,017,826	1,008,488	961,896	924,856	659,185	820,150
Capital grants and contributions:	364,601	296,941	642,818	324,539	353,324	1,317,819	919,232	349,116	661,419	561,426
Total business-type activities program revenue	<u>9,647,739</u>	<u>9,556,579</u>	<u>9,979,735</u>	<u>10,246,806</u>	<u>11,760,009</u>	<u>12,582,155</u>	<u>13,091,101</u>	<u>12,792,442</u>	<u>13,381,328</u>	<u>13,805,344</u>
Total primary government program revenue:	<u>\$ 18,111,338</u>	<u>\$ 16,901,216</u>	<u>\$ 18,385,200</u>	<u>\$ 18,450,361</u>	<u>\$ 18,941,428</u>	<u>\$ 19,511,310</u>	<u>\$ 22,034,515</u>	<u>\$ 23,299,826</u>	<u>\$ 23,061,601</u>	<u>\$ 22,549,092</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (8,949,948)	\$ (10,805,840)	\$ (10,004,466)	\$ (10,119,200)	\$ (12,109,991)	\$ (14,554,473)	\$ (12,133,262)	\$ (12,729,099)	\$ (12,644,427)	\$ (13,462,021)
Business-type activities	(1,230,195)	(1,797,141)	(1,617,968)	(2,131,287)	(620,436)	(201,835)	(562,958)	(529,956)	(1,037,266)	(898,073)
Total primary government net expense:	<u>\$ (10,180,143)</u>	<u>\$ (12,602,981)</u>	<u>\$ (11,622,434)</u>	<u>\$ (12,250,487)</u>	<u>\$ (12,730,427)</u>	<u>\$ (14,756,308)</u>	<u>\$ (12,696,220)</u>	<u>\$ (13,259,055)</u>	<u>\$ (13,681,693)</u>	<u>\$ (14,360,094)</u>

**(Continued)**

	Fiscal Year									
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 9,983,521	\$ 10,242,610	\$ 10,916,665	\$ 11,763,138	\$ 12,141,875	\$ 12,040,376	\$ 12,114,066	\$ 12,478,438	\$ 12,861,006	\$ 13,117,510
Utility taxes	67,339	63,638	59,209	63,986	67,703	64,358	63,449	52,274	58,048	57,576
Local option sales tax	2,210,111	1,938,370	2,290,018	2,589,592	2,688,049	2,864,582	2,471,108	2,533,919	2,543,654	2,567,849
Hotel/motel taxes	310,798	327,575	306,075	338,818	366,261	344,354	302,273	363,664	347,771	335,701
Cable franchise taxes	-	238,788	245,132	242,164	239,812	239,039	236,192	236,253	225,902	222,288
Utility franchise taxes	-	-	-	-	-	-	-	227,680	170,225	103,931
Intergovernmental, unrestricted	129,974	64,870	61,834	99,002	150,424	149,913	151,270	154,551	156,229	150,031
Unrestricted investment income	111,595	203,275	337,227	455,562	399,317	267,227	45,999	22,297	16,177	13,582
Gain on sale of capital asset:	4,187	-	248,667	-	-	-	-	-	-	-
Contributions to endowments	8,100	4,500	8,820	8,735	7,980	6,620	5,550	7,850	6,373	6,958
Transfers	(993,773)	(2,185,755)	(4,991,391)	(2,630,548)	(2,911,195)	(3,548,221)	(4,340,227)	(4,528,370)	(1,144,303)	(3,392,510)
Total governmental activities	<u>11,831,852</u>	<u>10,897,871</u>	<u>9,482,256</u>	<u>12,930,449</u>	<u>13,150,226</u>	<u>12,428,248</u>	<u>11,049,680</u>	<u>11,548,556</u>	<u>15,241,082</u>	<u>13,182,916</u>
Business-type activities										
Unrestricted investment income	78,901	130,688	230,168	317,561	256,849	182,286	43,652	24,232	17,875	9,379
Gain on sale of capital asset:	3,108	2,253	-	4,348	-	-	-	11,216	-	19,874
Transfers	993,773	2,185,755	4,991,391	2,630,548	2,911,195	3,548,221	4,340,227	4,528,370	1,144,303	3,392,510
Total business-type activities	<u>1,075,782</u>	<u>2,318,696</u>	<u>5,221,559</u>	<u>2,952,457</u>	<u>3,168,044</u>	<u>3,730,507</u>	<u>4,383,879</u>	<u>4,563,818</u>	<u>1,162,178</u>	<u>3,421,763</u>
Total primary government	<u>\$ 12,907,634</u>	<u>\$ 13,216,567</u>	<u>\$ 14,703,815</u>	<u>\$ 15,882,906</u>	<u>\$ 16,318,270</u>	<u>\$ 16,158,755</u>	<u>\$ 15,433,559</u>	<u>\$ 16,112,374</u>	<u>\$ 16,403,260</u>	<u>\$ 16,604,679</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 2,881,904	\$ 92,031	\$ (522,210)	\$ 2,811,249	\$ 1,040,235	\$ (2,126,225)	\$ (1,083,582)	\$ (1,180,543)	\$ 2,596,655	\$ (279,105)
Business-type activities	(154,413)	521,555	3,603,591	821,170	2,547,608	3,528,672	3,820,921	4,033,862	124,912	2,523,690
Total primary government	<u>\$ 2,727,491</u>	<u>\$ 613,586</u>	<u>\$ 3,081,381</u>	<u>\$ 3,632,419</u>	<u>\$ 3,587,843</u>	<u>\$ 1,402,447</u>	<u>\$ 2,737,339</u>	<u>\$ 2,853,319</u>	<u>\$ 2,721,567</u>	<u>\$ 2,244,585</u>

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

	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11 (1)</u>	<u>2011/12</u>	<u>2012/13</u>
General Fund										
Reserved	\$ 36,674	\$ 27,589	\$ 27,156	\$ 65,640	\$ 11,833	\$ 119,222	\$ 155,132	\$ -	\$ -	\$ -
Unreserved	1,877,669	1,697,668	1,715,921	1,670,285	1,733,810	1,641,489	1,720,635	-	-	-
Nonspendable	-	-	-	-	-	-	-	15,637	5,221	88,328
Assigned	-	-	-	-	-	-	-	382,877	256,263	506,407
Unassigned	-	-	-	-	-	-	-	2,141,534	3,319,319	3,073,412
Total General Fund	<u>\$ 1,914,343</u>	<u>\$ 1,725,257</u>	<u>\$ 1,743,077</u>	<u>\$ 1,735,925</u>	<u>\$ 1,745,643</u>	<u>\$ 1,760,711</u>	<u>\$ 1,875,767</u>	<u>\$ 2,540,048</u>	<u>\$ 3,580,803</u>	<u>\$ 3,668,147</u>
All other governmental funds										
Reserved	\$ 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	6,872,499	3,202,064	6,292,089	6,965,479	8,589,873	7,606,228	7,026,552	-	-	-
Capital projects funds	510,981	184,922	(460,420)	(688,952)	(4,856)	(1,564,725)	(565,270)	-	-	-
Nonspendable	-	-	-	-	-	-	-	2,437,508	1,314,714	1,226,852
Restricted	-	-	-	-	-	-	-	4,062,133	7,651,467	5,632,650
Unassigned	-	-	-	-	-	-	-	(1,538,918)	(232,181)	(208,308)
Total all other governmental funds	<u>\$ 9,231,382</u>	<u>\$ 6,921,459</u>	<u>\$ 7,942,852</u>	<u>\$ 8,952,251</u>	<u>\$ 12,747,340</u>	<u>\$ 8,391,059</u>	<u>\$ 10,120,934</u>	<u>\$ 4,960,723</u>	<u>\$ 8,734,000</u>	<u>\$ 6,651,194</u>

1. 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.

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

	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/2012</u>	<u>2012/2013</u>
<b>Revenues</b>										
Taxes	\$ 12,571,769	\$ 12,810,981	\$ 13,817,099	\$ 14,997,698	\$ 15,503,700	\$ 15,484,709	\$ 15,235,088	\$ 15,792,228	\$ 16,318,451	\$ 16,361,663
Licenses and permits	312,573	301,322	332,378	324,913	319,931	324,492	285,956	271,372	308,385	390,491
Fines and forfeitures	143,730	149,785	126,720	144,427	203,136	177,324	183,714	393,340	1,029,833	895,789
Intergovernmental	4,391,299	4,613,775	5,695,585	5,170,180	4,247,598	4,830,706	6,461,868	6,031,516	6,449,297	4,967,887
Charges for services	390,484	478,454	416,045	418,119	437,472	480,659	449,346	444,456	556,802	527,813
Use of money and property	270,222	354,965	532,674	654,064	620,396	453,027	232,725	205,724	226,243	207,593
Special assessments	8,751	6,882	5,926	3,764	-	-	-	-	-	-
Other	2,890,469	1,695,158	1,472,920	1,488,012	1,201,473	1,174,617	1,112,327	1,249,691	1,526,397	1,308,325
Total revenues	<u>20,979,297</u>	<u>20,411,322</u>	<u>22,399,347</u>	<u>23,201,177</u>	<u>22,533,706</u>	<u>22,925,534</u>	<u>23,961,024</u>	<u>24,388,327</u>	<u>26,415,408</u>	<u>24,659,561</u>
<b>Expenditures</b>										
Public safety	5,237,847	5,397,682	5,743,778	6,122,631	6,704,267	6,887,993	6,687,695	6,818,872	7,414,924	7,703,992
Public works	1,399,487	1,487,544	1,553,652	1,640,026	1,821,559	2,021,234	2,017,868	2,092,212	1,998,400	1,829,551
Health and social services	16,560	15,700	16,660	26,700	16,660	16,660	17,100	17,800	17,800	20,000
Culture and recreation	2,233,786	2,366,457	2,445,399	2,513,499	2,632,617	2,708,935	2,823,824	2,815,312	2,834,621	2,784,267
Community and economic development	2,800,999	2,388,844	2,076,963	2,271,322	2,548,056	2,646,867	2,889,973	3,003,602	3,109,089	3,120,334
General government	1,564,697	1,594,378	1,754,878	1,754,039	1,803,850	1,869,708	1,846,437	1,936,768	1,981,756	2,049,017
Capital outlay	6,881,185	5,709,323	4,300,157	3,611,445	4,127,296	5,629,604	7,539,211	5,162,510	5,648,873	3,655,151
Debt service:										
Principal	1,681,018	1,377,790	1,397,975	1,343,176	1,361,385	1,520,837	1,620,615	1,977,932	1,675,000	2,735,000
Interest	395,867	418,977	370,960	431,653	378,304	475,087	422,906	579,145	508,615	508,706
Paying agent	2,582	2,400	2,500	2,800	2,800	1,600	1,800	2,250	2,700	2,800
Bond issuance costs	-	-	-	-	6,962	-	-	-	28,329	15,021
Total expenditures	<u>22,214,028</u>	<u>20,759,095</u>	<u>19,662,922</u>	<u>19,717,291</u>	<u>21,403,756</u>	<u>23,778,525</u>	<u>25,867,429</u>	<u>24,406,403</u>	<u>25,220,107</u>	<u>24,423,839</u>
Excess of revenues over (under) expenditures	<u>(1,234,731)</u>	<u>(347,773)</u>	<u>2,736,425</u>	<u>3,483,886</u>	<u>1,129,950</u>	<u>(852,991)</u>	<u>(1,906,405)</u>	<u>(18,076)</u>	<u>1,195,301</u>	<u>235,722</u>
Other financing sources (uses)										
General obligation bonds issued	-	-	2,990,000	-	5,120,000	-	7,425,000	-	4,496,400	-
General obligation bond premium (discount)	-	-	(15,548)	-	2,655	-	21,741	-	-	-
Refunding bonds issued	-	-	-	-	1,714,384	-	-	-	218,600	1,115,000
Refunding bond premium	-	-	-	-	2,220	-	-	-	-	-
Payment of refunded bonds	-	-	-	-	(1,680,000)	-	-	-	-	-
Tax increment revenue bonds issued	2,305,000	-	-	-	-	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	275,840	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	103,514	379,589	-	-	-	-	-
Transfers in	5,284,115	5,074,263	4,905,672	5,783,805	6,431,380	5,819,738	6,377,061	6,585,087	7,139,163	7,029,778
Transfers out	(6,235,052)	(7,225,499)	(9,853,176)	(8,368,958)	(9,295,371)	(9,307,960)	(10,072,466)	(11,062,941)	(8,235,432)	(10,375,962)
Total other financing sources (uses)	<u>1,354,063</u>	<u>(2,151,236)</u>	<u>(1,697,212)</u>	<u>(2,481,639)</u>	<u>2,674,857</u>	<u>(3,488,222)</u>	<u>3,751,336</u>	<u>(4,477,854)</u>	<u>3,618,731</u>	<u>(2,231,184)</u>
Net change in fund balances	<u>\$ 119,332</u>	<u>\$ (2,499,009)</u>	<u>\$ 1,039,213</u>	<u>\$ 1,002,247</u>	<u>\$ 3,804,807</u>	<u>\$ (4,341,213)</u>	<u>\$ 1,844,931</u>	<u>\$ (4,495,930)</u>	<u>\$ 4,814,032</u>	<u>\$ (1,995,462)</u>
Debt service as a percentage of non-capital expenditures	12.4%	10.8%	10.5%	10.6%	9.6%	9.8%	9.9%	11.6%	10.5%	15.1%

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

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Incremental Property Tax (TIF Districts)</u>	<u>Utility Excise Tax</u>	<u>Mobile Home Tax</u>	<u>Hotel/Motel Tax</u>	<u>Cable Franchise Tax (1)</u>	<u>Utility Franchise Tax (2)</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
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
2011/2012	12,031,835	810,293	58,049	18,878	347,771	225,902	170,225	2,655,498	16,318,451
2012/2013	12,260,308	837,307	57,576	19,895	335,701	222,288	103,931	2,524,657	16,361,663
Change 2003/2004 to 2012/2013	33.6%	6.1%	-14.5%	8.0%	8.0%	-	-	14.2%	30.1%

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 Utility Franchise Fee on the provider of natural gas services was implemented in 2010/2011 at the rate of 2%. This rate was reduced to 1% for the 2012/2013 budget.

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

<b>Tax Collection Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Railroads and Utilities</b>	<b>Less: Military Exemption</b>	<b>Total Taxable Value</b>	<b>Total Direct Tax Rate (per \$1,000 of Valuation)</b>	<b>Estimated Actual Value</b>	<b>Taxable Value as a Percentage of Estimated Actual Value</b>
2003/2004	\$314,511,010	\$179,354,859	\$114,983,487	\$ 7,163,614	\$ 2,679,844	\$613,333,126	\$ 14.84914	\$ 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	16.52992	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	15.77146	1,163,419,885	63.3%
2011/2012	397,168,357	235,275,621	118,497,883	7,339,282	2,070,643	756,210,500	15.77146	1,182,251,155	64.0%
2012/2013	418,570,988	236,549,608	117,483,923	7,085,446	2,001,533	777,688,432	15.67209	1,187,559,428	65.5%

Source: Muscatine County Auditor's Office

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

Fiscal Year	City Direct Rates									Overlapping Rates			Totals by School District	
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Emergency Management	Total Direct Rate	County Consolidated	School Districts		Muscatine Community	Louisa-Muscatine Community
											Muscatine Community	Louisa-Muscatine Community		
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	3.79446	3.14336	0.24310	0.34304	0.06750	0.08000	-	15.77146	9.60976	14.90920	14.08973	40.29042	39.47095
2011/2012	8.10000	4.06191	2.85051	0.39489	0.29665	0.06750	-	-	15.77146	9.51343	15.36192	13.78625	40.64681	39.07114
2012/2013	8.10000	3.87206	2.90388	0.40950	0.31915	0.06750	-	-	15.67209	9.12600	15.35345	11.97595	40.15154	36.77404

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

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

<u>Taxpayer</u>	<u>January 1, 2011 Valuation (for 2012/2013 Tax Levy)</u>			<u>January 1, 2002 Valuation (for 2003/2004 Tax Levy)</u>		
	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Value</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Value</u>
Grain Processing/Kent Feeds	\$ 39,472,650	1	5.1%	\$ 37,559,680	2	6.1%
HNI Corporation (HON Industries/HON Financial)	33,540,660	2	4.3%	43,673,330	1	7.1%
Heinz, U.S.A.	11,932,400	3	1.5%	10,259,450	4	1.7%
Wal-Mart Stores, Inc.	10,202,870	4	1.3%	8,956,790	5	1.5%
Menard Inc.	9,704,700	5	1.2%			
Bridgestone Bandag LLC / Bandag, Inc.	8,552,610	6	1.1%	16,820,840	3	2.7%
Sodarak Properties, LLC (Property formerly owned by Riverbend Leasing, LLC)	7,915,050	7	1.0%			
GRIDCO, LLC	7,611,700	8	1.0%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	7,003,000	9	0.9%	6,785,350	6	1.1%
Cobblestone Apartments	6,789,960	10	0.9%			
LBM Storage, LLC (Portion of this property formerly owned by Warehouse Distributing, LLC)	6,452,580	11	0.8%			
First National Bank of Muscatine	6,179,360	12	0.8%	4,261,670	13	0.7%
Central State Bank	5,945,150	13	0.8%	5,314,880	11	0.9%
Hy-Vee Inc.	5,871,930	14	0.8%	5,896,680	9	1.0%
BT Prime Mover	5,724,810	15	0.7%	6,037,150	7	1.0%
W I D, Inc.	5,435,250	16	0.7%			
Muscatine Downtown Investors	5,425,770	17	0.7%			
SECO Investment Co. (Stanley Engineering Co.)	5,264,280	18	0.7%	5,845,690	10	1.0%
Cottonwood Apartments LLC	4,902,790	19	0.6%			
Muscatine Mall Associates LLP	4,210,010	20	0.5%	5,911,740	8	1.0%
TJD, LLC (CAM II) (Warehousing)				4,491,240	12	0.7%
Pretium Packaging				3,181,540	14	0.5%
	<u>\$ 198,137,530</u>		<u>25.4%</u>	<u>\$ 164,996,030</u>		<u>27.0%</u>

Source: Muscatine County Auditor's Office

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Tax Collections (2)</b>	<b>Total Tax Collections (2)</b>	<b>Ratio of Total Tax Collections to Total Tax Levy (3)</b>
		<b>Amount (1)</b>	<b>Percent of Levy Collected (3)</b>			
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%
2011/2012	11,993,253	12,001,729	100.07%	30,106	12,031,835	100.32%
2012/2013	12,258,743	12,258,496	100.00%	1,812	12,260,308	100.01%

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 are close to 100% each year since the State of Iowa provides for "tax sales" in June of each year for properties with unpaid taxes. Substantially all of the taxes are paid by investors purchasing tax certificates from the "tax sales". Collections in excess of 100% are due to rounding differences when tax rates are applied to property valuations, differences in tax credits reimbursed by the State of Iowa, or changes in taxable valuations by the County Assessor after the City's budget is certified.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Bonds</b>	<b>Capital Lease</b>	<b>General Obligation Bonds</b>	<b>State Revolving Fund Loan</b>			
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	4.0%	1,446
2011/2012	17,177,089	1,140,000	-	1,490,103	15,479,565	35,286,757	4.0%	1,542
2012/2013	15,658,732	1,035,000	-	800,955	14,873,000	32,367,687	N/A	1,359

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Estimated Actual Value of Property (1)</u>	<u>Percentage of Actual Valuation</u>	<u>Population (2)</u>	<u>Per Capita</u>
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
2011/2012	18,667,192	1,182,251,155	1.6%	22,886	816
2012/2013	16,459,687	1,187,559,428	1.4%	23,819	691

Note - Net position restricted for debt service is restricted for future interest payments. Further 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. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013.

**City of Muscatine, Iowa**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2013**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Muscatine County	\$ 12,800,000	45.66%	\$ 5,844,480
Eastern Iowa Community College (EICC)	24,450,000	6.29%	1,537,905
<b>Other debt</b>			
Eastern Iowa Community College (EICC)	38,395,000	6.29%	<u>2,415,046</u>
Subtotal, overlapping debt			\$ 9,797,431
<b>City direct debt (2)</b>		100.00%	<u>16,693,732</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 26,491,163</u></u>

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

**Sources:**

Muscatine County Auditor's Office  
Eastern Iowa Community College

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

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

	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Debt limit (1)	\$45,727,839	\$46,779,187	\$48,497,447	\$53,178,296	\$53,820,599	\$56,812,100	\$ 57,874,116	\$ 58,170,994	\$ 60,567,395	\$ 60,902,264
Total debt applicable to limit	<u>18,997,039</u>	<u>16,704,249</u>	<u>17,356,273</u>	<u>15,028,097</u>	<u>17,770,000</u>	<u>15,170,000</u>	<u>20,275,000</u>	<u>17,555,000</u>	<u>19,845,000</u>	<u>17,450,000</u>
Legal debt margin	<u>\$26,730,800</u>	<u>\$30,074,938</u>	<u>\$31,141,174</u>	<u>\$38,150,199</u>	<u>\$36,050,599</u>	<u>\$41,642,100</u>	<u>\$ 37,599,116</u>	<u>\$ 40,615,994</u>	<u>\$ 40,722,395</u>	<u>\$ 43,452,264</u>
Total debt applicable to the limit as a percentage of debt limit	41.54%	35.71%	35.79%	28.26%	33.02%	26.70%	35.03%	30.18%	32.77%	28.65%

**Legal Debt Margin Calculation for Fiscal Year 2012/2013**

Total assessed valuation as of January 1, 2011	\$ 1,218,045,274
Debt limit - 5% of assessed valuation	<u>\$ 60,902,264</u>
Amount of debt applicable to debt limit:	
General obligation bonds	\$ 16,415,000
Tax increment revenue bonds	<u>1,035,000</u>
Total debt applicable to debt limit	<u>17,450,000</u>
Legal debt margin	<u>\$ 43,452,264</u>

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

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

<b>Fiscal Year</b>	<b>Popula- tion (1)</b>	<b>Personal Income (2)</b>	<b>Personal Per Capita Income (2)</b>	<b>Median Age (1)</b>	<b>Percent High School Graduates or Higher (1)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (4)</b>
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	826,184,600	36,100	38.2	85.2%	5,293	7.6%
2011/2012	22,886	872,048,144	38,104	38.2	85.2%	5,305	6.4%
2012/2013	23,819	N/A	N/A	38.2	85.2%	5,300	5.5%

**Sources:**

1. United States Census Bureau. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013.
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 2012.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

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

<b>Employer</b>	<b>2013</b>			<b>2004</b>		
	<b>Approximate Number of Employees (1)</b>	<b>Rank</b>	<b>Percentage of Estimated Total County Employment (2)</b>	<b>Approximate Number of Employees (1)</b>	<b>Rank</b>	<b>Percentage of Estimated Total County Employment (2)</b>
HNI Corporation//The HON Company, Allsteel	3,400	1	15.1%	3,000	1	13.4%
Grain Processing/Kent Feeds	900	2	4.0%	1,268	2	5.7%
Muscatine Community School District	844	3	3.7%	1,100	3	4.9%
Trinity Muscatine (Formerly Unity Health Care)	534	4	2.4%	496	6	2.2%
Musco Sports Lighting	400	5	1.8%	204	14	0.9%
Monsanto Company	395	6	1.8%	480	7	2.1%
Hy-Vee Food Store	358	7	1.6%	345	9	1.5%
Wal-Mart Superstore	337	8	1.5%	373	8	1.7%
Heinz, U.S.A.	295	9	1.3%	762	4	3.4%
Muscatine Power & Water	285	10	1.3%	306	10	1.4%
SECO Investment Co. (Stanley Engineering Co.)	265	11	1.2%	257	11	1.1%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	265	12	1.2%	210	13	0.9%
City of Muscatine	225	13	1.0%	231	12	1.0%
Muscatine County	203	14	0.9%	197	15	0.9%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	200	15	0.9%	550	5	2.5%
	<b>8,906</b>		<b>39.7%</b>	<b>9,779</b>		<b>43.6%</b>

**Sources:**

1. Muscatine Chamber of Commerce & Industry provided the 2013 employment figures. The 2004 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 22,569 in 2013 and 22,400 in 2004.

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

<b>Function</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
General government	17.12	16.80	17.50	17.85	17.35	17.35	17.05	16.00	16.00	16.00
Public Safety:										
Police										
Officers (1)	37.00	37.75	38.00	38.00	38.00	39.00	40.00	39.00	41.00	42.00
Civilians (2)	13.50	4.87	3.60	3.75	3.88	3.88	3.88	3.88	3.88	3.88
Fire										
Firefighters and officers (3)	29.50	28.50	29.00	29.50	36.00	36.00	36.00	36.00	36.00	37.00
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library	15.58	15.75	15.75	15.75	15.75	15.75	15.93	15.91	15.74	15.51
Art center	4.30	4.43	4.33	4.33	4.33	4.34	4.04	4.57	4.54	4.25
Parks and recreation	13.75	13.25	12.82	13.00	12.75	12.75	12.75	11.83	11.75	11.75
Community and economic development (4)	9.00	7.00	7.00	7.00	6.50	6.50	6.17	6.67	6.72	6.92
Public works	16.75	16.75	16.75	16.74	16.84	16.50	16.51	16.51	16.51	16.51
Business-type:										
Parking	3.65	3.65	3.65	3.60	3.60	3.10	3.10	3.10	3.10	3.10
Golf course (5)	3.00	3.00	2.75	2.00	3.00	3.00	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	2.83	2.83	2.83	2.83	3.03	3.03	3.03	3.03	3.03	3.03
Refuse collection	9.80	9.80	9.80	9.80	10.30	10.30	11.33	10.45	10.66	10.66
Landfill	0.83	0.83	0.33	0.33	0.33	0.33	0.33	0.30	0.25	0.25
Transfer station	3.17	3.17	3.67	3.67	3.67	3.67	3.67	3.58	3.42	3.42
Water pollution control	29.75	29.50	29.50	29.50	29.70	31.00	30.33	29.61	29.61	29.61
Ambulance (6)	7.75	8.75	8.25	7.75	1.25	1.25	1.25	1.25	1.25	1.25
Housing	10.50	10.50	10.50	10.50	10.50	10.50	10.75	12.50	12.13	12.25
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals (7)	<u>232.53</u>	<u>221.88</u>	<u>220.78</u>	<u>220.65</u>	<u>221.53</u>	<u>223.00</u>	<u>223.87</u>	<u>221.94</u>	<u>223.34</u>	<u>225.14</u>

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. Staffing in the Community Development department was reduced due to the decline in General Fund revenues.
5. The City changed from a contractual arrangement with a Golf Professional to having a Golf Pro on staff beginning in 2007/2008.
6. 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.
7. The overall decline in positions between 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 Year**  
**(Unaudited)**

**Calendar Year Indicator:**

<b>Function/Department</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Public Safety:</b>										
<b>Police</b>										
Calls for service	26,555	24,590	21,638	20,427	21,437	20,066	22,011	18,667	20,312	22,795
Traffic enforcement	5,535	4,946	4,020	5,188	4,616	3,425	4,066	3,406	3,247	3,840
Arrests	2,229	2,068	1,971	2,062	2,114	2,195	2,111	1,827	1,885	1,916
Parking tickets issued	2,037	2,122	1,852	1,764	1,710	1,721	1,438	1,280	1,329	1,607
<b>Fire (includes ambulance)</b>										
Calls for service	3,143	3,085	3,161	2,963	3,530	3,650	3,414	3,711	3,916	3,864
<b>Culture and recreation</b>										
<b>Parks and recreation</b>										
<b>Weed Park Pool/Aquatic</b>										
Center attendance (1)(4)	-	46,576	55,948	45,891	41,076	46,649	33,462	39,813	41,620	43,810
Adult program participants (2)	1,075	1,006	272	328	376	408	499	532	634	817
Children's program participant	1,333	1,558	1,698	1,547	1,602	1,610	1,590	2,006	2,066	2,274
Cemetery burials (5)	126	111	99	104	N/A	N/A	N/A	N/A	N/A	N/A
<b>Community and economic development</b>										
Building-related permit	1,150	1,231	1,063	969	1,195	915	902	925	1,021	1,016
<b>Business-type:</b>										
<b>Golf course</b>										
Rounds played	35,989	32,768	33,195	31,825	29,748	32,687	34,767	33,374	31,491	34,036

**Fiscal Year Indicator:**

<b>Function/Department</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
<b>Culture and recreation</b>										
<b>Library</b>										
Registered borrower:	19,910	20,756	22,298	20,315	16,504	16,415	17,671	17,512	18,639	19,877
Circulation	312,623	331,445	324,179	319,446	332,355	336,210	357,897	311,425	355,993	381,942
<b>Art center</b>										
Attendance	18,451	17,945	18,088	15,640	22,582	19,704	26,054	27,522	29,552	23,070
Cemetery burials (5)	N/A	N/A	N/A	95	110	96	97	121	112	77
<b>Public works:</b>										
Miles of streets maintained	138	139	140	140	140	140	140	140	140	140
<b>Business-type activities</b>										
<b>Transit</b>										
Total passengers:	131,117	136,476	136,265	151,434	180,382	188,303	172,306	172,580	188,277	175,548
<b>Parking (3)</b>										
Tickets issued	15,763	14,764	15,598	15,764	13,204	9,704	8,465	8,684	11,212	11,499
<b>Refuse collection</b>										
Tons of refuse collected	8,521	8,888	9,449	9,482	8,731	8,129	8,391	8,180	7,765	7,957
Tons recycled (curbside) (6)	N/A	294	1,284	1,327						
<b>Transfer station</b>										
Tons of waste processed	41,435	44,423	41,356	44,883	49,263	41,320	29,915	31,492	32,004	32,896
Tons recycled (contractor)	4,734	4,854	5,721	6,215	5,830	5,388	4,993	4,609	4,886	4,590
<b>Water pollution control</b>										
Cubic feet of wastewater treated (in millions)	187.47	183.18	173.38	208.26	279.03	289.79	301.01	314.76	201.15	224.80

1. 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.
2. 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.
3. 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.
4. Weed Park Aquatic Center attendance varies with summer temperatures and rain days.
5. Cemetery burials were reported on a calendar year basis through 2006. They are now being reported on a fiscal year basis consistent with how burials are reported to the City.
6. The Curbside recycling collection program began April 1, 2010.

Source: City of Muscatine record

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

<b>Function/Department</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	9	9	9	9	9	9	9	9	12	12
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	4	4	4	4	4	4	4
Water Tender	0	0	0	0	0	0	0	0	0	1
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	3	4	4	4	4	4	4	4	5	5
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	14	14	14	14	14	14	14	14	14
Park acreage	258	246	254	254	254	254	254	254	254	254
Swimming pools	2	2	2	2	2	2	2	2	2	1
Softball and baseball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	10	8	8	8	8	8	10	10	10	8
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	80	80	80	80	80	80	80	80	80	80
Public works:										
Miles of streets	138	139	140	140	140	140	140	140	140	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	10	11	11	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	16.4 million	16.4 million							

Source: City of Muscatine records



**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***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2013. The City's June 30, 2012 financial statements have been restated due to the implementation of GASB Statement No. 65 to write off bond issuance assets. Our report includes a reference to other auditors who audited the financial statements of Muscatine Power & Water as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

Comments involving statutory or other legal matters about the City's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Davenport, Iowa  
December 5, 2013



**Report on Compliance For Each Major Federal Program; and  
Report on Internal Control Over Compliance  
Required By OMB Circular A-133**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Muscatine's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include Muscatine Power & Water which are not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include this organization as it did not receive federal awards and they engaged other auditors to perform their audit.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*McGladrey LLP*

Davenport, Iowa  
December 5, 2013

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct:			
Section 8 Housing Choice Vouchers	14.871	IA049VO0090/0094	\$ 1,551,323
Section 8 Housing Choice Vouchers	14.871	IA049AF0060/0068	192,243
Section 8 Housing Choice Vouchers	14.871	IA049FSF003/004	58,516
<b>Subtotal</b>			<u>1,802,082</u>
Public and Indian Housing Operating Subsidy	14.850	IA04900000113D	92,005
Public Housing Capital Funds Program	14.872	IA05P049501-11	171,006
<b>Total</b>			<u>2,065,093</u>
<b>U.S. Department of Transportation</b>			
Passed through Iowa Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	18-0030-533-13	255,035
Training Fellowship	20.509	TF 2013-014	177
<b>Subtotal</b>			<u>255,212</u>
Job Access/Reverse Commute Grant	20.516	37-X013-533-13	59,799
New Freedoms Program	20.521	57-X002-533-13	7,656
Highway Planning and Construction	20.205	STP-U-5330(614)--27-70	56,232
Highway Planning and Construction	20.205	EDP-5330(613)--7Y-70	17,583
<b>Subtotal</b>			<u>73,815</u>
Passed through Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 12-02, Task 8	1,995
State and Community Highway Safety	20.600	PAP 13-02, Task 8	4,858
<b>Subtotal</b>			<u>6,853</u>
<b>Total</b>			<u>403,335</u>
<b>Federal Aviation Administration</b>			
Direct:			
Airport Improvement Program:			
Airport Runway Lighting Improvements	20.106	AIP-3-19-0063-15	4,576
Airfield Maintenance	20.106	AIP 3-19-0063-17-2012	63,211
Airport Obstruction Removal	20.106	AIP 3-19-0063-18-2012	50,756
<b>Subtotal</b>			<u>118,543</u>

(Continued)

**City of Muscatine, Iowa**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
<b>U.S. Department of Justice</b>			
Direct:			
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	2012-DJ-BX-0179	\$ 14,045
Public Safety Partnership and Community Policing Grants	16.710	2011-UM-WX-0050	129,465
Passed through Iowa Department of Justice, Stop Violence Against Women Grant	16.588	VW-13-58A	5,713
Passed through Iowa Governor's Alliance on Substance Abuse and Muscatine County, ARRA - Edward Byrne Memorial Justice Assistance Program/Grant to Units of Local Government	16.803	10-JAG-42612	29,707
Methamphetamine Drug Hot Spots Grant Program	16.710	09-Hotspots/Interdiction-03	1,902
<b>Total</b>			<u>180,832</u>
<b>Office of National Drug Control Policy</b>			
Passed through Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	07.G11MW0002A	G11MW0002A	339
High Intensity Drug Trafficking Area Grant	07.G12MW0002A	G12MW0002A	34,655
High Intensity Drug Trafficking Area Grant	07.G13MW0002A	G13MW0002A	36,112
<b>Total</b>			<u>71,106</u>
<b>U.S. Department of Labor</b>			
Passed through State of Iowa and Generations Area Agency on Aging, Senior Community Service Employment Program	17.235	N/A	<u>22,795</u>
<b>Environmental Protection Agency</b>			
Passed through Iowa Department of Natural Resources: ARRA - State Clean Diesel Grant Program	66.040	13-ESDAQB0001-7260CIAM	<u>1,700</u>
<b>United States Department of Energy</b>			
Passed through State of Iowa Office of Energy Independence, ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) Recovery	81.128	EECBG-11-18811	11,124
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) Recovery	81.128	EECBG-11-21185	16,889
<b>Total</b>			<u>28,013</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Scott County, Iowa, Homeland Security Grant Program	97.067	EMW-2011-SS-0071-S01-24	75,600
Passed through Iowa Department of Public Defense, Hazard Mitigation Grant Program	97.039	HMGP-Dr-1930-0028 01	18,185
<b>Total</b>			<u>93,785</u>
<b>Total</b>			<u>\$ 2,985,202</u>

See Notes to Schedule of Expenditures of Federal Awards.

**City of Muscatine, Iowa**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013**

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**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. In the governmental funds, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, revenue from federal grants is recognized when they are earned. Expenditures 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**

The City provided federal awards during year ended June 30, 2013 to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	\$ 8,555

**Note 4. Total by Program**

The total for the Public Safety partnership and Community Policing Grants CFDA No. 16.710 was \$131,367.

**City of Muscatine, Iowa**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013**

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<b>Number</b>	<b>Comment</b>	<b>Status</b>	<b>Corrective Action or Other Explanation</b>
<b>Other Findings Related to Required Statutory Reporting</b>			
12-IV-A	Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function.	Corrected	

**City of Muscatine, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

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**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

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: Unmodified

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

**Identification of major program:**

CFDA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2013

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

**A. Internal Controls**

None reported

**B. Compliance Findings**

None reported

**III. Findings and Questioned Costs for Federal Awards**

**A. Internal Controls**

None reported

**B. Compliance Findings**

None reported

**IV. Other Findings Related to Required Statutory Reporting**

**13-IV-A – Certified Budget:** No disbursements exceeded the amount budgeted.

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

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

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

<u>Transaction Description</u>	<u>Amount</u>
Temporary employment services	\$ 345

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, this transaction does not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

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

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

**13-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.

**13-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, 2013**

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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None Noted