

City of Muscatine, Iowa



Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

CITY OF MUSCATINE, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

SUBMITTED BY:

**FINANCE DEPARTMENT
CITY OF MUSCATINE, IOWA**

**Nancy A. Lueck
Finance Director**

**LeAnna McCullough
Accounting Supervisor**

COVER:

**Muscatine City Hall, constructed in 1914,
celebrated its 100th anniversary in 2014**

CITY OF MUSCATINE, IOWA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: December 1, 2014

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, 2014.

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, 2014. 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 15th of the preceding year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function, fund, and department. The legal level of control is at the function level. The budget may be amended by resolution of City Council following a required public hearing.

The City's government-wide financial statements include 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 2013 at 4.7%. 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 higher rates since 2009 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 \$2.6 million in the most recent year.

In 2008 the City held an election for the continuation of this tax and it again received strong support by voters. The ballot question approved 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 require the City to complete separation of the combined sewers in the Hershey Avenue area by December 31, 2011, and separation for the remaining combined portions of the sewer system including the West Hill area by December 31, 2024. 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. The first phase of the West Hill Sewer Separation project was completed in the fall of 2013 and construction is underway on the next phase of this project in 2014.

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 \$535,470 in 2013/2014. In addition to street improvements funded from local option sales taxes, construction was underway in 2013/2014 on major improvements to both Cedar Street and Colorado Street. Those projects are being 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 2013/2014 construction was completed on the airport hangar access security and the T-hangar drainage projects. The petrographic analysis required for the future year runway reconstruction project was also completed.

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 sixteen (16) 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 in 2012/2013 and \$113,660 in 2013/2014. The rate 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 2014/2015 budget.

Structural changes implemented in 2010/2011 and 2011/2012 also assisted the city in increasing the General Fund balance. The changes in 2010/2011 included but are not limited to the following: (1) a reduction of one fulltime 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 fulltime custodian position with contract cleaning services partially offsetting the cost savings for a net savings of \$7,400, (3) funding economic development administrative costs and the Chamber economic development allocation with tax increment financing (TIF) funds (a total of \$137,500), (4) not filling the budgeted ¾ time Red Light Camera Technician 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 to a \$266,200 positive impact on the General Fund annually.

Other changes implemented since 2011/2012 have focused on department efficiencies and cost savings and include but are not limited to the following: (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 eighteen in 2014; (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 2014/2015 and future years. One of the City's goals for the upcoming year is to continue to develop a formal "Continuous Service Improvement" program which 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

In November of 2013 the City's minimum General Fund balance policy was updated from the previous 10% of General Fund expenditures level to two months of General Fund expenditures, which is equivalent to 16.7%. The new policy also addresses conditions for use of reserves, authority over reserves, and replenishment of reserves. The City Council has made efforts in recent years to incrementally increase the General Fund balance and the updated policy reflects the City Council's formal commitment to this goal.

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 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 was 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 and 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). The unassigned General Fund balance on June 30, 2014 increased by \$315,465 to \$3,388,877 which was 19.9% of General Fund expenditures, which exceeds the 16.7% minimum fund balance requirement in the new policy.

In 2013 the State Legislature adopted Senate File 295 for Property Tax Reform. This legislation implemented a 10% rollback at 5% per year over two years beginning in 2014/2015 on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation also included some backfill funding for local governments.

For the 2014/2015 budget, the Property Tax Reform legislation resulted in an overall .1% decrease in taxable property valuation. The reduced valuation will result in a \$7,976 reduction 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 2.47% for 2014/2015. Commercial property valuations, however, decreased by .42% and industrial property valuations decreased by 8.63%. The changes in both commercial and industrial valuations reflect the 5% valuation rollback as well as the net impact of new growth and any revaluations of these properties by the County Assessor. The estimated General Fund tax levy portion of the State backfill funding from the commercial and industrial rollback is \$144,720 for 2014/2015. The total estimated backfill for all tax levy categories is \$284,514.

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 and 2014/2015. 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 \$105,000 in the upcoming 2014/2015 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 2013/2014 and this amount is estimated at \$450,000 for 2014/2015. 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 2013/2014 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 2014/2015 include (1) completion of the major improvements to Cedar Street and Colorado Street; (2) completion of the second phase of the multi-year, multi-phase West Hill sewer separation project; (3) start of construction for the third phase of the West Hill sewer separation project; (4) completion of the Community Development Block Grant downtown revitalization project; (5) construction of the Water Pollution Control Plant hauled waste dump site; (6) engineering design for the airport runway reconstruction project; (7) start of construction of the Musser Park to Weggins Road Trail Extension; and (8) planning and design for the Mississippi Drive Corridor street improvement project.

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, 2013. This was the 20th 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 2014/2015. 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 2014/2015 budget was the 30th 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 2015/2016 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**

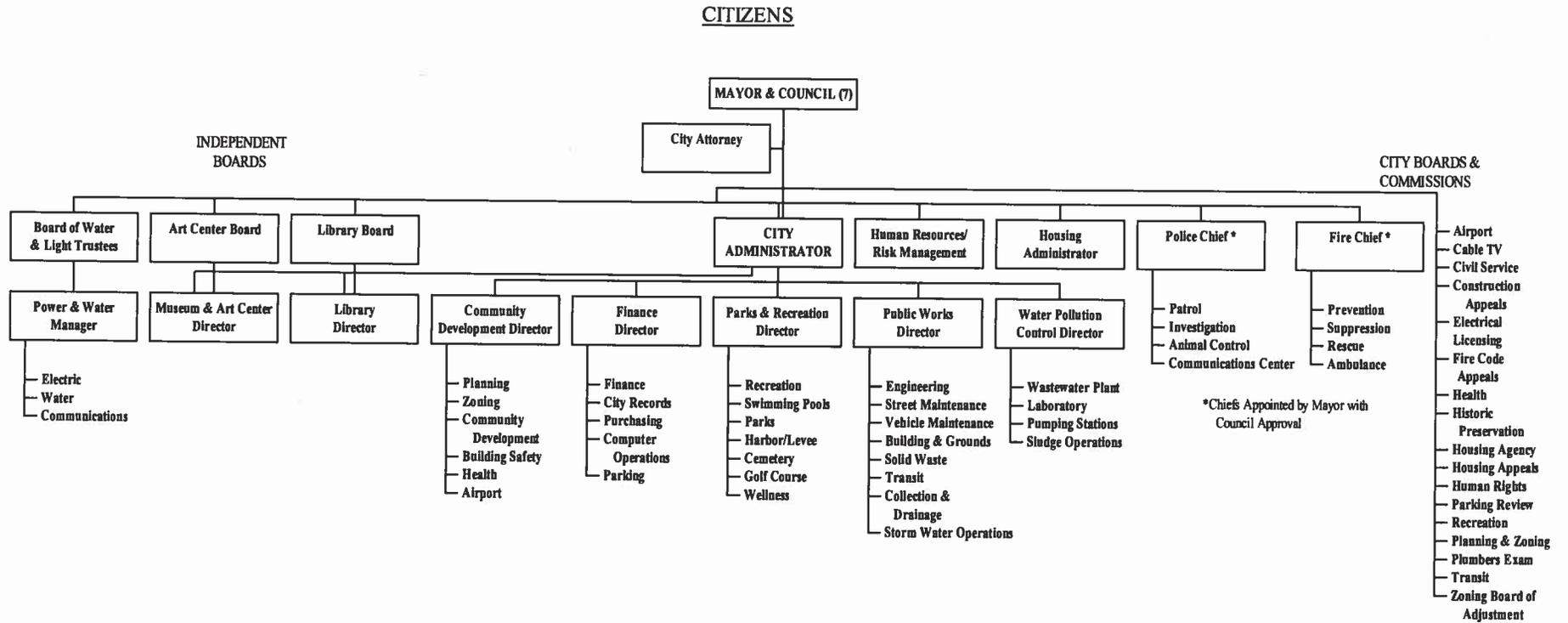
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF MUSCATINE, IOWA

ORGANIZATIONAL STRUCTURE



CITY OF MUSCATINE, IOWA

**List of Principal Officials
June 30, 2014**

DeWayne Hopkins, Mayor

CITY COUNCIL

Scott Natvig
At Large

Osama Shihadeh
At Large

Philip Fitzgerald
First Ward

Michael Rehwaldt
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
David Gobin
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, 2014, 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, 2014, 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.

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 70 through 74 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 1, 2014 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 1, 2014

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, 2014. 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 \$137,463,315 (net position). Of this amount, \$7,192,512 (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 \$1,998,087 during the year. This increase includes a \$38,871 increase in the governmental activities and a \$1,959,216 increase in the business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,266,010, a decrease of \$53,331 in comparison with the prior year. This overall decrease is due to the decrease in the local option sales tax fund. The local option sales tax fund balance decreased by \$1,171,245 with those funds used for the West Hill Sewer Separation project. The most significant increase was in the Other Street Improvements capital project fund with the fund balance increasing by \$1,050,465 due to bond proceeds received during the year. Of the ending balance, approximately 10% (\$1,028,843) was nonspendable, 55% (\$5,608,054) was restricted, 4% (\$430,858) was assigned, and 31% (\$3,198,255) 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 \$3,388,877, which was 19.9% of total general fund expenditures.
- The City's total debt decreased by \$459,713 (1.4%) during the current fiscal year. During the year \$2,575,000 in general obligation debt was issued and \$2,385,000 in general obligation debt was retired. No new tax increment revenue bonds were issued and \$110,000 was retired. Sewer revenue loans outstanding decreased by \$578,000 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 five major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, the Debt Service Fund, and the Other Street Improvements Fund. Information is

presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds are combined into a single aggregated presentation and are referenced under a single column as Other Governmental Funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 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 43-69.

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 \$137,463,315 at the close of the fiscal year ended June 30, 2014.

By far the largest portion of the City's net position (90.0%) 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 27,681,168	\$ 26,280,394	\$ 7,523,831	\$ 8,831,464	\$ 35,204,999	\$ 35,111,858
Capital assets	67,862,183	66,711,244	85,502,184	83,498,523	153,364,367	150,209,767
Total assets	<u>95,543,351</u>	<u>92,991,638</u>	<u>93,026,015</u>	<u>92,329,987</u>	<u>188,569,366</u>	<u>185,321,625</u>
Deferred outflows of resources	<u>4,663</u>	<u>6,218</u>	<u>-</u>	<u>43,404</u>	<u>4,663</u>	<u>49,622</u>
Long-term liabilities outstanding	19,410,290	18,284,870	14,861,450	16,183,542	34,271,740	34,468,412
Other liabilities	<u>1,952,935</u>	<u>726,968</u>	<u>1,269,229</u>	<u>1,253,729</u>	<u>3,222,164</u>	<u>1,980,697</u>
Total liabilities	<u>21,363,225</u>	<u>19,011,838</u>	<u>16,130,679</u>	<u>17,437,271</u>	<u>37,493,904</u>	<u>36,449,109</u>
Deferred inflows of resources	<u>13,616,810</u>	<u>13,456,910</u>	<u>-</u>	<u>-</u>	<u>13,616,810</u>	<u>13,456,910</u>
Net position:						
Net investment in capital assets	52,468,351	51,062,032	71,207,184	67,867,972	123,675,535	118,930,004
Restricted	6,449,451	6,614,924	107,422	136,888	6,556,873	6,751,812
Unrestricted	<u>1,650,177</u>	<u>2,852,152</u>	<u>5,580,730</u>	<u>6,931,260</u>	<u>7,230,907</u>	<u>9,783,412</u>
Total net position	<u>\$ 60,567,979</u>	<u>\$ 60,529,108</u>	<u>\$ 76,895,336</u>	<u>\$ 74,936,120</u>	<u>\$ 137,463,315</u>	<u>\$ 135,465,228</u>

A portion of the City's net position (4.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,230,907) 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.

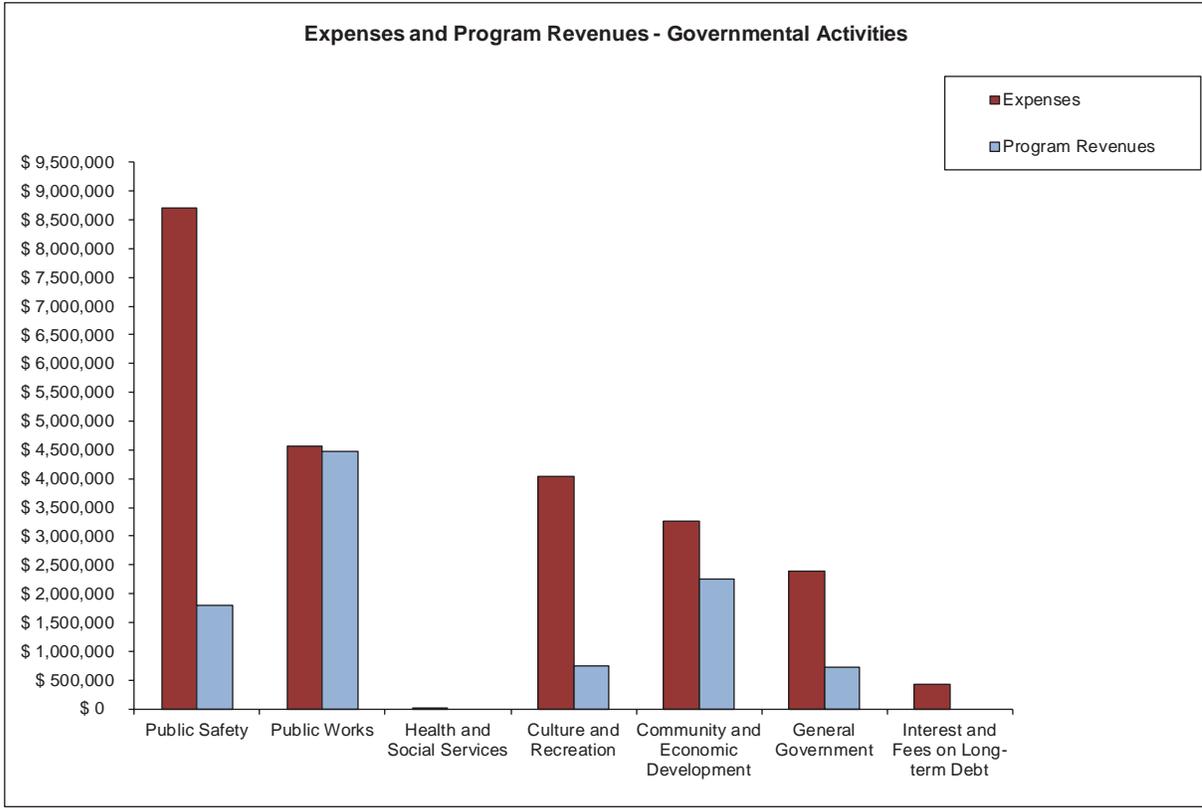
Net investment in capital assets increased by \$4,745,531 during the year. Restricted net position decreased by \$194,939. Unrestricted net position decreased by \$2,552,505 during the year with the unrestricted net position of business-type activities decreasing by \$1,350,530 and the unrestricted net position of governmental activities decreasing by \$1,201,975.

CITY OF MUSCATINE CHANGES IN NET POSITION

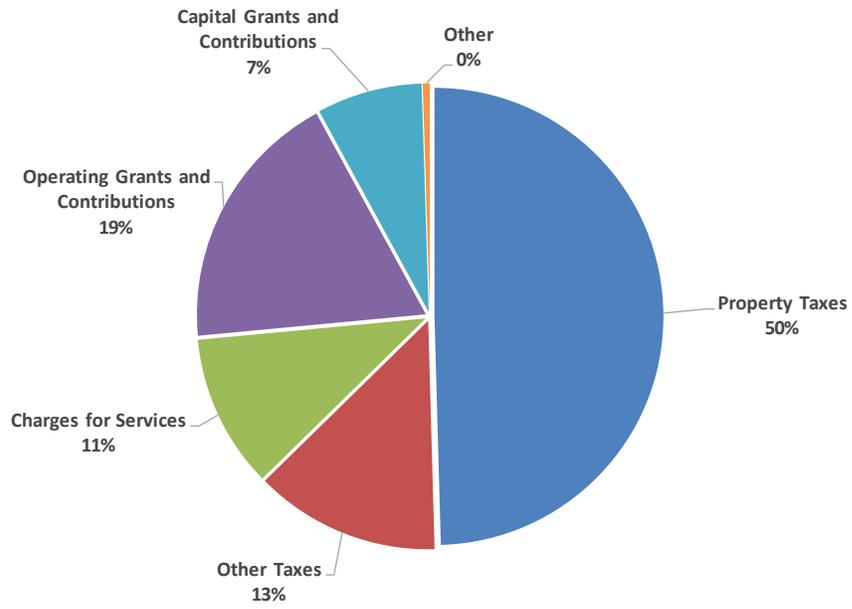
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,940,782	\$ 3,053,992	\$ 12,619,210	\$ 12,423,768	\$ 15,559,992	\$ 15,477,760
Operating grants, contributions and restricted interest	5,028,968	4,922,364	920,279	820,150	5,949,247	5,742,514
Capital grants and contributions	2,014,424	767,392	532,157	561,426	2,546,581	1,328,818
General revenues:						
Property taxes	13,427,094	13,117,510	-	-	13,427,094	13,117,510
Utility taxes	56,387	57,576	-	-	56,387	57,576
Local option sales tax	2,750,000	2,567,849	-	-	2,750,000	2,567,849
Hotel/motel tax	415,041	335,701	-	-	415,041	335,701
Cable franchise tax	212,286	222,288	-	-	212,286	222,288
Utility franchise fees	113,660	103,931	-	-	113,660	103,931
Intergovernmental, not restricted to specific programs	115,185	150,031	-	-	115,185	150,031
Unrestricted investment earnings	14,256	13,582	10,222	9,379	24,478	22,961
Other	5,726	6,958	3,564	19,874	9,290	26,832
Total revenues	27,093,809	25,319,174	14,085,432	13,834,597	41,179,241	39,153,771
Expenses:						
Public safety	8,701,457	8,106,891	-	-	8,701,457	8,106,891
Public works	4,576,539	4,111,389	-	-	4,576,539	4,111,389
Health and social service	20,000	20,000	-	-	20,000	20,000
Culture and recreation	4,030,522	4,018,788	-	-	4,030,522	4,018,788
Community and economic development	3,269,232	3,099,380	-	-	3,269,232	3,099,380
General government	2,385,047	2,352,743	-	-	2,385,047	2,352,743
Interest and fees on long-term debt	423,211	496,578	-	-	423,211	496,578
Water pollution control	-	-	6,898,082	6,088,562	6,898,082	6,088,562
Transfer station	-	-	2,292,207	2,140,480	2,292,207	2,140,480
Refuse collection	-	-	2,156,260	2,068,419	2,156,260	2,068,419
Airport	-	-	501,897	551,499	501,897	551,499
Parking	-	-	236,762	237,933	236,762	237,933
Transit	-	-	1,091,925	1,121,524	1,091,925	1,121,524
Golf course	-	-	827,963	864,167	827,963	864,167
Boat harbor	-	-	29,463	27,878	29,463	27,878
Marina	-	-	8,589	13,873	8,589	13,873
Ambulance	-	-	558,157	500,046	558,157	500,046
Public housing	-	-	1,173,841	1,089,036	1,173,841	1,089,036
Total expenses	23,406,008	22,205,769	15,775,146	14,703,417	39,181,154	36,909,186
Increase (decrease) in net position before transfers	3,687,801	3,113,405	(1,689,714)	(868,820)	1,998,087	2,244,585
Transfers in (out)	(3,648,930)	(3,392,510)	3,648,930	3,392,510	-	-
Increase (decrease) in net position	38,871	(279,105)	1,959,216	2,523,690	1,998,087	2,244,585
Net position, beginning of year	60,529,108	60,808,213	74,936,120	72,412,430	135,465,228	133,220,643
Net position, end of year	\$ 60,567,979	\$ 60,529,108	\$ 76,895,336	\$ 74,936,120	\$ 137,463,315	\$ 135,465,228

Governmental activities. Governmental activities increased the City’s net position by \$38,871. The overall increase reflects revenues exceeding expenses for the year by \$3,687,801. This amount was partially offset by \$3,648,930 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 increased in total by \$1,774,635 or 7.0% from the previous year primarily due to increases of \$1,247,032 in capital grants and contributions, \$106,604 in operating grants, contributions, and restricted interest, \$182,151 in local option sales taxes, \$79,340 in hotel/motel taxes, and \$309,584 in property taxes. These increases were partially offset by decreases of \$113,210 in charges for services and \$34,846 in intergovernmental revenue not restricted to specific programs.
- Charges for services for governmental activities decreased by \$113,210. Charges for services in the public safety function decreased by \$112,999 primarily due to a decrease of \$80,483 in automatic traffic enforcement (ATE) fines with the remaining portion of the decrease in other police fines and charges. 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 and further decreased in 2013/2014 due to increased compliance with traffic laws in these areas. Charges for services in the public works function increased by \$65,895 due to a reimbursement in a capital projects fund. Community and economic development and general government charges for services decreased by \$38,256 and \$25,232, respectively. The community and economic development decrease includes a decrease of \$28,134 in building permit fees with the remaining portion of the overall decrease due to the net of various increases and decrease in other revenues. The decrease in the general government function was due to a one-time charge in 2012/2013 related to a building capital project.
- Capital grants and contributions increased by \$1,247,032 from the previous year primarily due to grant funding for two major street improvement projects.
- Expenses for governmental activities increased by \$1,200,239 or 5.4% from the previous year.
- Governmental expenses increased in the public safety (\$594,566), public works (\$465,150), culture and recreation (\$11,734), community and economic development (\$169,852), and general government (\$32,304) functions. Interest and fee expenses decreased by \$73,367. The increase in public safety includes a \$217,645 increase in police and fire pension system contributions. The increase in public works includes \$252,353 in increased snow and ice control expenses due to the winter weather conditions in 2013-2014.



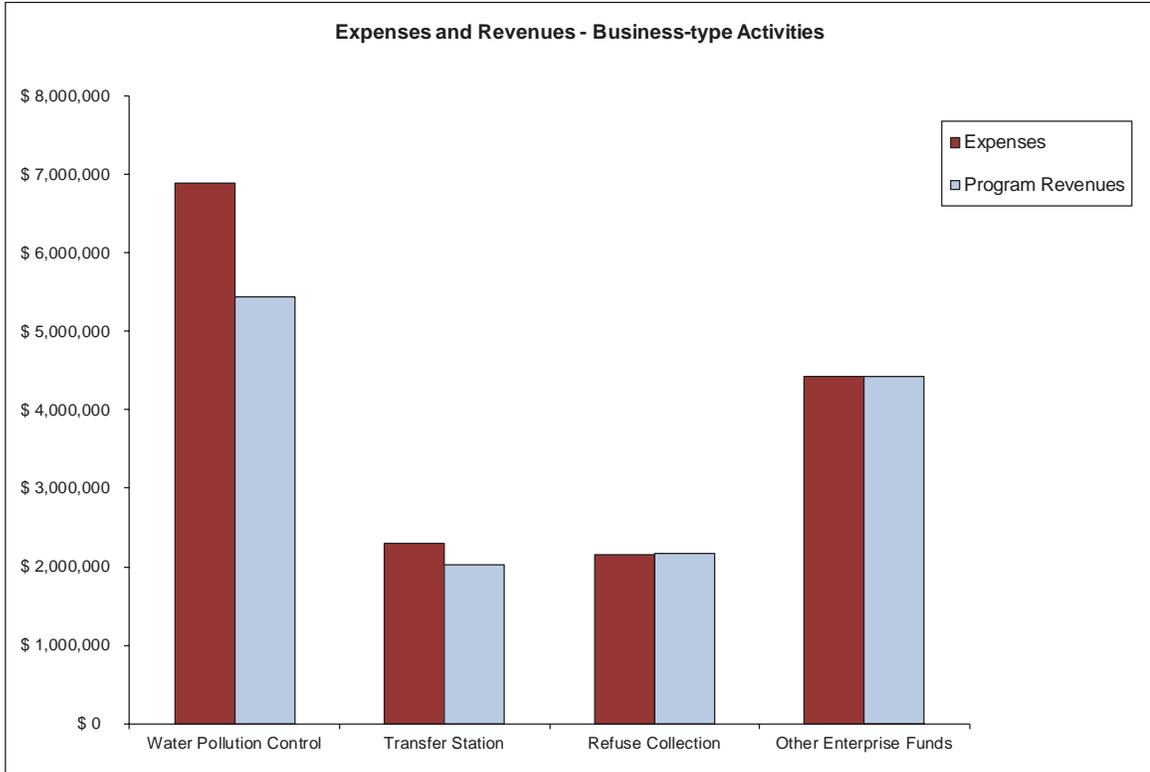
Revenues By Source - Governmental Activities



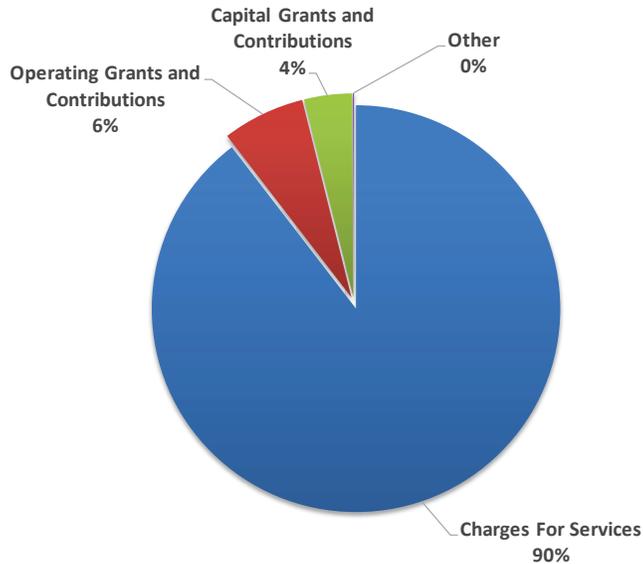
Business-type activities. Business-type activities increased the City's total net position by \$1,959,216, accounting for 98.0% of the total increase in the City of Muscatine's net position during the year. Increases in net position were reported in the Water Pollution Control, Transfer Station, Refuse Collection, and Transit funds. Decreases in net position were reported in the Airport, Parking, Golf Course, Boat Harbor, Marina, Ambulance, and Public Housing funds. Key elements of these changes are as follows:

- Net position of the Water Pollution Control fund increased by \$1,917,497 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$3,352,849 of sewer-related capital project costs during the year.
- Net position of the Transfer Station fund increased by \$473,988 during the year. During the year there was a \$726,054 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 \$14,362 during the year.
- Net position of the non-major enterprise funds decreased by \$416,554 during the year with the most significant decreases in the Public Housing (\$370,856), Airport (\$136,494), Golf Course (\$65,400), and Ambulance (\$137,200) funds.
- Revenues for the business-type activities increased in total by \$250,835 (1.8%).
- Charges for services increased in total by \$195,442. Water pollution control charges for services increased by \$45,965, transfer station charges increased by \$142,209, and refuse collection charges increased by \$27,093. The increase in water pollution control charges was due to a rate increase. Transfer station charges for services increased due to increased waste volume and refuse collection charges increased since this was the first full fiscal year with the customers in the recently annexed area. There were increases in the charges for services in the parking fund of \$13,429, the golf course of \$20,562, and the transit fund of \$5,133. There were decreases in charges for services for the boat harbor of \$6,032 and marina of \$4,999, both due to spring flooding in 2014. Ambulance fees and charges decreased by \$46,367 during the year due to a decrease in ambulance runs and public housing charges decreased by \$1,910.
- Operating grants and contributions increased by \$100,129. Public housing operating grants increased by \$62,761 and transit operating grants increased by \$43,376. The increase in public housing is due to the prior year amount being lower than most years due to a change in the federal housing program operating subsidy calculation. The transit increase is due to an increase in the federal operating subsidy.
- Capital grants and contributions decreased by \$29,269. Water pollution control capital grants decreased by \$439,360 since the prior year amount reflected a one-time capital contribution for a sewer extension project. Airport capital grants increased by \$94,604. Transit capital grants increased by \$315,487, primarily due to funding for bus purchases. Unrestricted investment income increased by \$843 with the interest earnings reflecting the continued low interest rates.
- Expenses for the business-type activities increased \$1,071,729 (7.3%). Expenses increased by \$809,520 in the Water Pollution Control fund, by \$151,727 in the Transfer Station fund, and by \$87,841 in the Refuse Collection fund. Of the Water Pollution Control fund increase, \$587,215 was increased depreciation due to recently completed capital asset additions. Expenses also

increased by \$58,111 in the ambulance fund and \$84,805 in the public housing fund. Expenses decreased by \$49,602 in the Airport fund, by \$29,599 in the Transit fund, by \$36,204 in the Ambulance fund, and by \$5,284 in the marina 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 \$10,266,010, a decrease of \$53,331 in comparison with the prior year. This overall decrease was due to the \$1,171,245 decrease in the local option sales tax fund. There were also decreases of \$13,038 in the debt service fund and \$194,531 in other governmental funds. The local option sales tax fund decrease was due to use of accumulated balance in this fund for a major sewer project. These decreases were partially offset by increases of \$1,050,465 in the other street improvements capital projects fund, \$192,431 in the general fund, and \$82,587 in the employee benefits fund. The increase in the other street improvements capital projects fund was due to general obligation bond proceeds from the June 2014 issue.

Of the combined \$10,266,010 governmental fund balances at year end 10.0% (\$1,028,843) is classified as nonspendable and includes prepaid items, advances to other funds, and permanent fund principal. A total of \$5,608,054 (54.6%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total \$430,858 (4.2%) with these funds assigned for purchases on order, future equipment purchases, risk management, and future grant commitments. The remaining \$3,198,255 is classified as unassigned (31.2%). By definition unassigned balances include all deficit balances. The community development improvements, riverfront improvements, and other public improvements capital projects funds had unassigned fund balance deficits at year-end of \$32,469, \$109,208, and \$59,730, 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 \$3,388,877, while the total fund balance was \$3,860,578. The General Fund balance includes \$40,843 classified as nonspendable for prepayments (\$37,869) and advances to other funds (\$2,974). The assigned portion of the balance totals \$430,858 which includes \$123,527 for purchases on order, \$170,124 for future equipment purchases, \$57,207 for risk management, and \$80,000 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 19.9% and 22.7%, respectively, of total general fund expenditures. These percentages increased from the prior year computation of unassigned and total fund balances of 18.8% and 22.4%, respectively. The City' of Muscatine's general fund balance increased by \$192,431 during the current fiscal year.

The Employee Benefits fund balance increased during the year by \$82,587. Taxes are levied in this fund for employee benefits for general fund employees. The increase in fund balance was due to savings in employee benefit costs in both the prior and current fiscal year from position vacancies and actual benefit costs being less than budgeted.

The Local Option Sales Tax fund balance decreased during the fiscal year by \$1,171,245. Funds accumulated in this fund in prior years were used to fund the West Hill Sewer Separation project.

The Debt Service Fund balance decreased \$13,038 due to the budgeted use of available fund balance.

The Other Street Improvements Fund balance increased by \$1,050,465 due to the general obligation bonds issued for the Cedar Street and Colorado Street improvement projects.

The fund balances in the Other Governmental Funds decreased in total by \$194,531. This was primarily due to the decreases in the non-major special revenue funds. The most significant decreases were the budgeted decreases in the Section 8 Housing and several of the Tax Increment funds.

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, 2014 was \$76,747,330, an increase of \$1,989,293 from the previous fiscal year. Of the net position of the enterprise funds, \$71,207,184 is the net investment in capital assets of the enterprise funds. Restricted net position totaled \$145,817. Unrestricted net position totaled \$5,394,329, a decrease of \$1,358,848 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 \$1,864,921 as of June 30, 2014, a decrease of \$39,948 from the previous year. This overall decrease was due to the decrease of \$26,941 in the Equipment Services and \$13,939 in the Dental Insurance funds.

General Fund Budgetary Highlights

During the year there was a \$220,300 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 \$420,070 from the original to the amended budget. Following are the main components of the overall budget increases during the year:

- The \$44,400 overall decrease in the public safety function budget was due to reductions of \$60,600 in the police department and \$27,300 in the emergency management budgets. The police department decrease was primarily due to reduced employee wage and benefit costs from staff changes after the original budget was adopted. The emergency management decrease was due to the County Emergency Management Agency funding maintenance costs for the City's emergency sirens from their budget beginning in 2013/2014. These reductions were partially offset by increases of \$15,000 in the animal control and \$28,500 in the fire department budgets. The animal control increase was due to retirement pay for the previous Animal Control Officer and training cost for the new officer. The fire department increase was primarily due an increased capital outlay allocation of \$32,700 for hazard mitigation equipment funded from a donation from a local industry. .
- The culture and recreation function increased in total by \$113,600. This overall increase includes \$24,500 in the Art Center budget for grants awarded after the original budget was adopted and a total of \$89,100 in the various Parks department budgets. The most significant park department increase was in the Park Maintenance budget which increased by \$73,000 with \$62,200 of this increase due to capital outlay items carried forward from the prior year budget including resurfacing the playground at Weed Park and riverfront electrical improvements. The other significant increase was \$26,000 in the swimming pool budget due to maintenance costs for the five slides at the aquatic center. These increases were offset in part by decreases in other park activity budgets.

- The community and economic development function appropriation was decreased by \$47,100. This decrease included a \$27,300 reduction due to the elimination of part-time employees funded 100% from a senior training program previously accounted for in this budget, net wage and benefit savings from a staff retirement and the new employee starting at a lower pay rate, and a reduction in the allocation for nuisance abatement contract costs.
- Public works department budgeted expenditures were amended upward in total by \$128,700 with this overall increase primarily due to the increase in the snow and ice control budget due to weather conditions in 2013-2014.
- The amended budget included a \$60,700 increase in the general government function expenditures. Significant increases were in the Legal Services (\$9,000), Risk Management (\$20,100), and Buildings and Grounds (\$50,800) 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, 2014, amounts to \$153,364,367 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, park facilities, streets, and bridges. The City of Muscatine’s investment in capital assets for the current fiscal year increased by \$1,150,939 for governmental activities compared to the prior year and increased by \$2,003,661 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 \$10,139,968.
- Major asset additions included \$3,368,877 in street improvements; \$4,912,750 in sewer system improvements; \$402,083 for the new park maintenance building at Weed Park, \$379,171 for the lab expansion at the Water Pollution Control Plant, and \$268,735 for airport improvements.
- Depreciation expense totaled \$7,755,924 for the year with \$3,443,553 in the governmental activities and \$4,319,246 in the business-type activities.

City of Muscatine Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land, art work and construction in progress, not being depreciated	\$ 22,681,160	\$ 19,880,556	\$ 7,655,719	\$ 8,446,710	\$ 30,336,879	\$ 28,327,266
Other capital assets net of accumulated depreciation	45,181,023	46,830,688	77,846,465	75,051,813	123,027,488	121,882,501
Total capital assets	<u>\$ 67,862,183</u>	<u>\$ 66,711,244</u>	<u>\$ 85,502,184</u>	<u>\$ 83,498,523</u>	<u>\$ 153,364,367</u>	<u>\$ 150,209,767</u>

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 \$31,907,974. Of this amount, \$16,687,974 is general obligation debt backed by the full faith and credit of the City and this debt is all 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 16,687,974	\$ 15,658,732	\$ -	\$ 800,955	\$ 16,687,974	\$ 16,459,687
Revenue bonds	925,000	1,035,000	14,295,000	14,873,000	15,220,000	15,908,000
Total	\$ 17,612,974	\$ 16,693,732	\$ 14,295,000	\$ 15,673,955	\$ 31,907,974	\$ 32,367,687

The City's total bonded debt decreased by \$459,713 during the year. The City issued \$2,575,000 in general obligation bonds during the year and there was no new revenue debt issued. Debt retired included \$2,385,000 in general obligation bonds, \$110,000 of tax increment revenue bonds, and \$578,000 in sewer revenue bonds.

State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is \$61,240,458. The amount of bonded debt applicable to the debt limit totals \$17,530,000. The City also has Tax Increment Financing rebate agreements which total to a maximum obligation of \$13,300,491 as of the end of the year. The bonded debt and rebate agreements total to \$30,830,491. 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 2014. This rating was the same rating as that assigned for the June, 2012 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 4.7% for calendar year 2013 compared to 5.5% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by 2.3% for the 2013/2014 year and decreased by .1% for the upcoming 2014/2015 fiscal year. The decrease for 2014/2015 is due to the State Legislature in 2013 adopting Senate File 295 for Property Tax Reform. This legislation implemented a 10% rollback at 5% per year over two years beginning in 2014/2015 on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation included some backfill funding for local governments.

- 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 completion in 2014/2015 - Cedar Street from Parham to Houser and Colorado Street. These projects are being financed with a combination of grant funds, general obligation bonds, road use taxes, and local option sales taxes.
- In 2014/2015 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 continue to 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 2028. 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 also be available to assist with financing this project.
- The 2014/2015 budget provides for increases in sewer and golf course fees. No fee increases are budgeted for the transfer station, refuse collection, parking, 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, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Convention & Visitors Bureau	Muscatine Power & Water
ASSETS						
Cash and pooled investments	\$ 9,842,647	\$ 4,669,863	\$ 14,512,510	\$ -	\$ 80,948	\$ 10,752,472
Investments	1,261,033	250,010	1,511,043	-	-	11,081,600
Receivables (net of allowance for uncollectibles):						
Interest	3,688	-	3,688	-	-	727,660
Taxes	13,775,260	-	13,775,260	-	-	-
Accounts	260,667	1,559,702	1,820,369	-	-	10,727,434
Intergovernmental	2,491,588	264,707	2,756,295	-	-	-
Due from fiduciary funds	30,348	-	30,348	-	-	-
Loan receivable from component unit	-	431,478	431,478	-	-	-
Internal balances	(148,006)	148,006	-	-	-	-
Inventories	126,074	49,848	175,922	-	-	12,030,958
Prepays	37,869	4,400	42,269	-	-	574,606
Restricted assets:						
Temporarily restricted:						
Cash and pooled investments	-	145,817	145,817	1,462,044	-	14,062,382
Capital assets:						
Land, art work and construction in progress, not being depreciated	22,681,160	7,655,719	30,336,879	1,080,608	-	3,696,630
Other capital assets net of accumulated depreciation	45,181,023	77,846,465	123,027,488	1,019,918	7,989	-
Utility plant in service	-	-	-	-	-	112,560,928
Joint venture rights	-	-	-	-	-	101,621
Total assets	95,543,351	93,026,015	188,569,366	3,562,570	88,937	176,316,291
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refundings	4,663	-	4,663	-	-	-
LIABILITIES						
Accounts payable and accruals	1,674,815	904,280	2,579,095	74,420	4,715	10,708,022
Retainages payable	148,655	232,275	380,930	-	-	-
Deposits	-	46,080	46,080	-	-	1,217,879
Accrued interest payable	36,967	38,716	75,683	-	-	623,522
Escrow liability	44,971	-	44,971	-	-	-
Unearned revenue	47,527	47,878	95,405	-	-	299,479
Liabilities payable from restricted assets:						
Current installment of long-term debt	-	-	-	-	-	989,000
Accrued interest payable	-	-	-	-	-	71,575
Closure/post-closure obligation	-	38,395	38,395	1,462,044	-	-
Noncurrent liabilities:						
Due within one year	3,112,361	800,857	3,913,218	1,568	928	-
Due in more than one year	16,297,929	14,022,198	30,320,127	231	-	2,637,011
Loan due to primary government	-	-	-	431,478	-	-
Closure/post-closure obligation	-	-	-	1,191,516	-	-
Total liabilities	21,363,225	16,130,679	37,493,904	3,161,257	5,643	16,546,488
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow - property taxes	13,616,810	-	13,616,810	-	-	-
Deferred inflow - extraordinary O&M account	-	-	-	-	-	13,032,866
Total deferred inflows of resources	13,616,810	-	13,616,810	-	-	13,032,866
NET POSITION						
Net investment in capital assets	52,468,351	71,207,184	123,675,535	2,100,526	7,989	112,414,620
Restricted for:						
Debt service	80,309	107,422	187,731	-	-	-
Public works	1,759,032	-	1,759,032	-	-	-
Community and economic development	211,841	-	211,841	-	-	-
Public safety	59,411	-	59,411	-	-	-
Employee benefits	132,955	-	132,955	-	-	-
Tax increment financing projects	908,311	-	908,311	-	-	-
Capital projects	1,655,411	-	1,655,411	-	-	-
Perpetual care, nonexpendable	856,000	-	856,000	-	-	-
Endowments:						
Nonexpendable	168,061	-	168,061	-	-	-
Expendable	618,120	-	618,120	-	-	-
Other purposes	-	-	-	-	-	13,991,882
Unrestricted	1,650,177	5,580,730	7,230,907	(1,699,213)	75,305	20,330,435
Total net position	\$ 60,567,979	\$ 76,895,336	\$ 137,463,315	\$ 401,313	\$ 83,294	\$ 146,736,937

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, 2014

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		Total	Component Units			
					Governmental Activities	Business-Type Activities		Muscatine County Solid Waste Agency	Muscatine Convention & Visitors Bureau	Muscatine Power & Water	
Primary Government:											
Governmental activities:											
Public safety	\$ 8,701,457	\$ 1,024,538	\$ 447,901	\$ 318,303	\$ (6,910,715)	\$ -	\$ (6,910,715)				
Public works	4,576,539	290,158	2,480,902	1,696,121	(109,358)	-	(109,358)				
Health and social services	20,000	-	-	-	(20,000)	-	(20,000)				
Culture and recreation	4,030,522	485,838	263,991	-	(3,280,693)	-	(3,280,693)				
Community and economic development	3,269,232	418,418	1,836,174	-	(1,014,640)	-	(1,014,640)				
General government	2,385,047	721,830	-	-	(1,663,217)	-	(1,663,217)				
Interest and fees on long-term debt	423,211	-	-	-	(423,211)	-	(423,211)				
Total governmental activities	<u>23,406,008</u>	<u>2,940,782</u>	<u>5,028,968</u>	<u>2,014,424</u>	<u>(13,421,834)</u>	<u>-</u>	<u>(13,421,834)</u>				
Business-type activities:											
Water pollution control	6,898,082	5,445,722	690	-	-	(1,451,670)	(1,451,670)				
Transfer station	2,292,207	1,992,637	38,793	-	-	(260,777)	(260,777)				
Refuse collection	2,156,260	2,164,865	-	-	-	8,605	8,605				
Airport	501,897	69,495	2,507	216,670	-	(213,225)	(213,225)				
Parking	236,762	190,844	-	-	-	(45,918)	(45,918)				
Transit	1,091,925	184,755	552,517	315,487	-	(39,166)	(39,166)				
Golf course	827,963	761,256	-	-	-	(66,707)	(66,707)				
Boat harbor	29,463	22,633	-	-	-	(6,830)	(6,830)				
Marina	8,589	8,080	-	-	-	(509)	(509)				
Ambulance	558,157	1,305,347	-	-	-	747,190	747,190				
Public housing	1,173,841	473,576	325,772	-	-	(374,493)	(374,493)				
Total business-type activities	<u>15,775,146</u>	<u>12,619,210</u>	<u>920,279</u>	<u>532,157</u>	<u>-</u>	<u>(1,703,500)</u>	<u>(1,703,500)</u>				
Total primary government	<u>\$ 39,181,154</u>	<u>\$ 15,559,992</u>	<u>\$ 5,949,247</u>	<u>\$ 2,546,581</u>	<u>(13,421,834)</u>	<u>(1,703,500)</u>	<u>(15,125,334)</u>				
Component Units:											
Muscatine County Solid Waste Agency	\$ 1,116,333	\$ 1,299,208	\$ 117,177	\$ -			\$ 300,052	\$ -	\$ -		
Muscatine Convention & Visitors Bureau	78,045	-	86,425	-			-	8,380	-		
Muscatine Power & Water	114,953,981	104,411,399	-	1,420,697			-	-	-	(9,121,885)	
Total component units	<u>\$ 116,148,359</u>	<u>\$ 105,710,607</u>	<u>\$ 203,602</u>	<u>\$ 1,420,697</u>			<u>300,052</u>	<u>8,380</u>		<u>(9,121,885)</u>	
General revenues:											
Property taxes					13,427,094	-	13,427,094	-	-	-	
Utility taxes					56,387	-	56,387	-	-	-	
Local option sales tax					2,750,000	-	2,750,000	-	-	-	
Hotel/motel taxes					415,041	-	415,041	-	-	-	
Cable franchise taxes					212,286	-	212,286	-	-	-	
Utility franchise fees					113,660	-	113,660	-	-	-	
Intergovernmental, unrestricted					115,185	-	115,185	-	-	-	
Unrestricted investment income					14,256	10,222	24,478	1,024	108	1,381,583	
Gain on sale of capital assets					-	3,564	3,564	-	-	-	
Contributions to endowments					5,726	-	5,726	-	-	-	
Transfers					(3,648,930)	3,648,930	-	-	-	-	
Total general revenues, contributions to endowments and transfers					<u>13,460,705</u>	<u>3,662,716</u>	<u>17,123,421</u>	<u>1,024</u>	<u>108</u>	<u>1,381,583</u>	
Change in net position					38,871	1,959,216	1,998,087	301,076	8,488	(7,740,302)	
Net position, June 30, 2013					60,529,108	74,936,120	135,465,228	100,237	74,806	154,477,239	
Net position, June 30, 2014					<u>\$ 60,567,979</u>	<u>\$ 76,895,336</u>	<u>\$ 137,463,315</u>	<u>\$ 401,313</u>	<u>\$ 83,294</u>	<u>\$ 146,736,937</u>	

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

City of Muscatine, Iowa

Balance Sheet
Governmental Funds
June 30, 2014

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Street Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and pooled investments	\$ 4,053,316	\$ 96,164	\$ 297,682	\$ 51,908	\$ 1,074,521	\$ 2,315,579	\$ 7,889,170
Investments	-	-	-	-	-	1,261,033	1,261,033
Receivables (net of allowance for uncollectibles):							
Interest	14	-	-	-	-	3,674	3,688
Taxes	7,182,838	3,095,479	549,613	2,415,538	-	1,081,405	14,324,873
Accounts	240,377	-	-	-	-	11,712	252,089
Intergovernmental	262,318	-	-	-	1,164,133	515,524	1,941,975
Prepaid insurance	37,869	-	-	-	-	-	37,869
Advances to other funds	2,974	-	-	-	146,603	-	149,577
Total assets	<u>11,779,706</u>	<u>3,191,643</u>	<u>847,295</u>	<u>2,467,446</u>	<u>2,385,257</u>	<u>5,188,927</u>	<u>25,860,274</u>
LIABILITIES							
Accounts payable and accruals	\$ 805,260	\$ -	\$ -	\$ -	\$ 518,171	\$ 152,696	\$ 1,476,127
Retainages payable	-	-	-	-	65,072	83,583	148,655
Escrow liability	-	-	-	-	-	44,971	44,971
Advances from other funds	-	-	-	-	-	149,577	149,577
Unearned revenue	17,934	-	-	-	-	16,190	34,124
Total liabilities	<u>823,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,243</u>	<u>447,017</u>	<u>1,853,454</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	7,095,934	3,058,688	-	2,387,137	-	1,075,051	13,616,810
Unavailable revenue - other taxes	-	-	124,000	-	-	-	124,000
Total deferred inflows of resources	<u>7,095,934</u>	<u>3,058,688</u>	<u>124,000</u>	<u>2,387,137</u>	<u>-</u>	<u>1,075,051</u>	<u>13,740,810</u>
FUND BALANCES							
Nonspendable							
Prepaid items	37,869	-	-	-	-	-	37,869
Advances to other funds	2,974	-	-	-	-	-	2,974
Permanent fund principal	-	-	-	-	-	988,000	988,000
Restricted for:							
Grant purposes	-	-	-	-	-	47,861	47,861
Streets	-	-	-	-	1,802,014	1,035,737	2,837,751
Tax levy purposes	-	132,955	-	-	-	908,311	1,041,266
Sewer and street projects	-	-	723,295	-	-	-	723,295
Debt service	-	-	-	80,309	-	-	80,309
Housing and community development	-	-	-	-	-	163,980	163,980
Art center	-	-	-	-	-	386,812	386,812
Library	-	-	-	-	-	239,438	239,438
Other purposes	-	-	-	-	-	87,342	87,342
Assigned to:							
Purchases on order	123,527	-	-	-	-	-	123,527
Future equipment purchases	170,124	-	-	-	-	-	170,124
Risk management	57,207	-	-	-	-	-	57,207
Future grant commitments	80,000	-	-	-	-	-	80,000
Unassigned	<u>3,388,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,622)</u>	<u>3,198,255</u>
Total fund balances	<u>3,860,578</u>	<u>132,955</u>	<u>723,295</u>	<u>80,309</u>	<u>1,802,014</u>	<u>3,666,859</u>	<u>10,266,010</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,779,706</u>	<u>\$ 3,191,643</u>	<u>\$ 847,295</u>	<u>\$ 2,467,446</u>	<u>\$ 2,385,257</u>	<u>\$ 5,188,927</u>	<u>\$ 25,860,274</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, 2014

Total governmental fund balances	\$ 10,266,010
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,844,653
Other long-term assets are not available to pay for current period expenditures and, therefore are reported as a deferred inflow of resources in the funds.	124,000
Unamortized balance of deferred amount of refunding bonds not reported in the funds	4,663
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 position.	1,864,921
Internal service fund allocations to business-type activities	(148,006)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(17,612,974)
Accrued interest payable	(36,967)
Compensated absences	(1,301,365)
Other post-employment benefits	<u>(436,956)</u>
Net position of governmental activities	<u>\$ 60,567,979</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, 2014

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Street Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 7,146,660	\$ 3,029,761	\$ -	\$ 2,376,161	\$ -	\$ 874,512	\$ 13,427,094
Utility	32,284	13,697	-	10,406	-	-	56,387
Hotel/motel	415,041	-	-	-	-	-	415,041
Cable franchise	212,286	-	-	-	-	-	212,286
Utility franchise	113,660	-	-	-	-	-	113,660
Local option sales	-	-	2,677,348	-	-	-	2,677,348
Licenses and permits	354,747	-	-	-	-	-	354,747
Fines and forfeitures	815,217	-	-	-	-	-	815,217
Intergovernmental	664,646	-	-	80,128	1,750,536	4,248,249	6,743,559
Charges for services	560,435	-	-	-	-	-	560,435
Use of money and property	150,333	-	1,547	1,448	939	25,238	179,505
Other	821,155	-	-	-	4,910	189,727	1,015,792
Total revenues	<u>11,286,464</u>	<u>3,043,458</u>	<u>2,678,895</u>	<u>2,468,143</u>	<u>1,756,385</u>	<u>5,337,726</u>	<u>26,571,071</u>
EXPENDITURES							
Current:							
Public safety	8,069,835	-	-	-	-	4,699	8,074,534
Public works	2,226,055	-	-	-	-	-	2,226,055
Health and social services	20,000	-	-	-	-	-	20,000
Culture and recreation	2,775,508	-	-	-	-	28,312	2,803,820
Community and economic development	782,506	-	-	-	-	2,303,885	3,086,391
General government	2,211,147	-	-	-	-	-	2,211,147
Debt service:							
Principal	-	-	-	1,585,000	-	110,000	1,695,000
Interest	-	-	-	374,102	-	56,320	430,422
Paying agent	-	-	-	2,250	-	-	2,250
Capital outlay:							
Public safety	233,569	-	-	-	-	56,465	290,034
Public works	255,584	-	-	-	3,065,518	512,146	3,833,248
Culture and recreation	333,387	-	-	-	-	427,509	760,896
Community and economic development	1,631	-	-	-	-	65,272	66,903
General government	89,805	-	-	-	-	54,446	144,251
Total expenditures	<u>16,999,027</u>	<u>-</u>	<u>-</u>	<u>1,961,352</u>	<u>3,065,518</u>	<u>3,619,054</u>	<u>25,644,951</u>
Revenues over (under) expenditures	<u>(5,712,563)</u>	<u>3,043,458</u>	<u>2,678,895</u>	<u>506,791</u>	<u>(1,309,133)</u>	<u>1,718,672</u>	<u>926,120</u>
OTHER FINANCING SOURCES (USES)							
General obligation bonds issued	-	-	-	-	2,282,300	292,700	2,575,000
General obligation bond premium	-	-	-	-	43,071	5,524	48,595
Transfers in	6,386,966	-	-	206,225	34,227	658,386	7,285,804
Transfers out	(481,972)	(2,960,871)	(3,850,140)	(726,054)	-	(2,869,813)	(10,888,850)
Total other financing sources (uses)	<u>5,904,994</u>	<u>(2,960,871)</u>	<u>(3,850,140)</u>	<u>(519,829)</u>	<u>2,359,598</u>	<u>(1,913,203)</u>	<u>(979,451)</u>
Net change in fund balances	192,431	82,587	(1,171,245)	(13,038)	1,050,465	(194,531)	(53,331)
Fund balances, June 30, 2013	3,668,147	50,368	1,894,540	93,347	751,549	3,861,390	10,319,341
Fund balances, June 30, 2014	<u>\$ 3,860,578</u>	<u>\$ 132,955</u>	<u>\$ 723,295</u>	<u>\$ 80,309</u>	<u>\$ 1,802,014</u>	<u>\$ 3,666,859</u>	<u>\$ 10,266,010</u>

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

City of Muscatine, Iowa

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

Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (53,331)

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	4,330,142
Depreciation expense	(3,437,552)

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	2,958
Capital contributions - vehicle	275,000
Loss on disposal of capital assets	(13,610)
Transfer of capital asset to internal service fund	(3,223)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	124,000
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Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	(52,248)
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The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 bond proceeds	(2,575,000)
General obligation bond principal payments	1,585,000
Tax increment bond principal payments	110,000
Net effects of bond premiums, discounts, and deferred amounts on refunding	(40,795)

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	(55,175)
Other post-employment benefits	(147,530)
Change in accrued interest payable	106

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	(39,948)
Allocation of net revenue (expense) to business-type activities	<u>30,077</u>

Change in net position of governmental activities	<u><u>\$ 38,871</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Net Position

Proprietary Funds

June 30, 2014

Business-type Activities - Enterprise Funds

	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and pooled investments	\$ 4,370,038	\$ -	\$ 48,251	\$ 251,574	\$ 4,669,863	\$ 1,953,477
Investments	-	-	-	250,010	250,010	-
Receivables (net of allowance for uncollectibles):						
Accounts	686,890	337,443	306,575	228,794	1,559,702	8,578
Intergovernmental:						
Federal	-	-	-	118,046	118,046	-
State	-	-	-	146,661	146,661	-
Due from fiduciary funds	-	-	-	-	-	30,348
Due from other funds	-	-	-	4,485	4,485	1,502
Inventories	-	-	-	49,848	49,848	126,074
Prepaid items	-	-	-	4,400	4,400	-
Total current assets	5,056,928	337,443	354,826	1,053,818	6,803,015	2,119,979
Noncurrent assets:						
Restricted cash and pooled investments	107,422	38,395	-	-	145,817	-
Advances to component unit	431,478	-	-	-	431,478	-
Advances to other funds	664,919	-	-	-	664,919	-
Capital assets:						
Land	538,716	175,000	-	2,173,659	2,887,375	-
Land improvements	173,126	1,019,897	-	12,263,371	13,456,394	-
Buildings and building improvements	49,888,192	7,428,336	1,312,083	10,530,766	69,159,377	-
Equipment	4,434,346	363,252	131,739	1,291,618	6,220,955	117,956
Vehicles	982,546	538,701	608,901	1,599,942	3,730,090	67,216
Infrastructure	51,232,629	-	-	-	51,232,629	-
Construction in progress	4,659,720	-	-	108,624	4,768,344	-
Less accumulated depreciation	(40,914,436)	(5,020,376)	(1,178,643)	(18,839,525)	(65,952,980)	(167,642)
Total capital assets net of accumulated depreciation	70,994,839	4,504,810	874,080	9,128,455	85,502,184	17,530
Total noncurrent assets	72,198,658	4,543,205	874,080	9,128,455	86,744,398	17,530
Total assets	77,255,586	4,880,648	1,228,906	10,182,273	93,547,413	2,137,509
LIABILITIES						
Current liabilities:						
Accounts payable and accruals	451,824	39,168	67,068	346,220	904,280	198,688
Retainages payable	223,511	-	-	8,764	232,275	-
Compensated absences payable	104,858	9,817	30,453	58,729	203,857	17,846
Due to other funds	-	-	-	4,485	4,485	1,502
Deposits	-	-	-	46,080	46,080	-
Accrued interest payable	38,716	-	-	-	38,716	-
Unearned revenue	-	-	625	47,253	47,878	13,403
State revolving fund loan	597,000	-	-	-	597,000	-
Total current liabilities	1,415,909	48,985	98,146	511,531	2,074,571	231,439
Noncurrent liabilities:						
State revolving fund loan	13,698,000	-	-	-	13,698,000	-
Advances from other funds	-	387,559	-	277,360	664,919	-
Compensated absences	86,426	7,409	41,665	36,506	172,006	29,245
Other post-employment benefits	82,911	10,922	26,278	32,081	152,192	11,904
Transfer station closure obligation	-	38,395	-	-	38,395	-
Total noncurrent liabilities	13,867,337	444,285	67,943	345,947	14,725,512	41,149
Total liabilities	15,283,246	493,270	166,089	857,478	16,800,083	272,588
NET POSITION						
Net investment in capital assets	56,699,839	4,504,810	874,080	9,128,455	71,207,184	17,530
Restricted for:						
Debt service	107,422	-	-	-	107,422	-
Unrestricted	5,165,079	(117,432)	188,737	196,340	5,432,724	1,847,391
Total net position	\$ 61,972,340	\$ 4,387,378	\$ 1,062,817	\$ 9,324,795	\$ 76,747,330	\$ 1,864,921

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

City of Muscatine, Iowa

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

June 30, 2014

Total enterprise fund net position	\$ 76,747,330
Amounts reported for proprietary 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 decreased during the year. A portion of this decrease has been allocated to business-type activities in the statement of net position	<u>148,006</u>
Net position of business-type activities	<u><u>\$ 76,895,336</u></u>

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, 2014

	Business-type Activities - Enterprise Funds					
	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:						
Charges for sales and services	\$ 5,366,696	\$ 1,983,900	\$ 2,160,457	\$ 2,897,153	\$ 12,408,206	\$ 1,210,780
Employer contributions	-	-	-	-	-	2,260,164
Employee contributions	-	-	-	-	-	212,449
Other contributions	-	-	-	-	-	169,833
Other	79,026	8,737	4,408	118,833	211,004	3,725
Total operating revenues	<u>5,445,722</u>	<u>1,992,637</u>	<u>2,164,865</u>	<u>3,015,986</u>	<u>12,619,210</u>	<u>3,856,951</u>
Operating expenses:						
Cost of sales and services:						
Personal services	1,969,972	243,355	721,764	1,726,576	4,661,667	310,225
Commodities	241,911	36,919	130,694	492,300	901,824	673,559
Contractual services	977,704	1,724,850	1,148,712	1,083,341	4,934,607	2,848,575
Administration	170,400	2,600	63,600	136,500	373,100	18,800
Depreciation	3,044,629	220,208	78,846	975,563	4,319,246	6,001
Total operating expenses	<u>6,404,616</u>	<u>2,227,932</u>	<u>2,143,616</u>	<u>4,414,280</u>	<u>15,190,444</u>	<u>3,857,160</u>
Operating income (loss)	<u>(958,894)</u>	<u>(235,295)</u>	<u>21,249</u>	<u>(1,398,294)</u>	<u>(2,571,234)</u>	<u>(209)</u>
Non-operating revenues (expenses):						
Intergovernmental	-	38,793	-	880,796	919,589	-
Interest revenue	9,850	-	268	794	10,912	2,922
Interest expense	(481,793)	(59,128)	(7,155)	-	(548,076)	-
Gain (loss) on sale of capital assets	(2,286)	3,564	-	(4,263)	(2,985)	-
Non-operating revenues (expenses), net	<u>(474,229)</u>	<u>(16,771)</u>	<u>(6,887)</u>	<u>877,327</u>	<u>379,440</u>	<u>2,922</u>
Income (loss) before capital contributions and transfers	<u>(1,433,123)</u>	<u>(252,066)</u>	<u>14,362</u>	<u>(520,967)</u>	<u>(2,191,794)</u>	<u>2,713</u>
Capital contributions - grants	-	-	-	532,157	532,157	-
Capital contributions - government	-	-	-	-	-	3,223
Transfers in	3,352,849	726,054	-	457,556	4,536,459	-
Transfers out	(2,229)	-	-	(885,300)	(887,529)	(45,884)
Change in net position	<u>1,917,497</u>	<u>473,988</u>	<u>14,362</u>	<u>(416,554)</u>	<u>1,989,293</u>	<u>(39,948)</u>
Net position, June 30, 2013	<u>60,054,843</u>	<u>3,913,390</u>	<u>1,048,455</u>	<u>9,741,349</u>	<u>74,758,037</u>	<u>1,904,869</u>
Net position, June 30, 2014	<u>\$ 61,972,340</u>	<u>\$ 4,387,378</u>	<u>\$ 1,062,817</u>	<u>\$ 9,324,795</u>	<u>\$ 76,747,330</u>	<u>\$ 1,864,921</u>

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, 2014

Change in net position in enterprise funds	\$ 1,989,293
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 decreased during the year. A portion of this decrease has been allocated to business-type activities in the statement of net position	<u>(30,077)</u>
Change in net position of business-type activities	<u><u>\$ 1,959,216</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, 2014

Business-type Activities - Enterprise Funds						
	Water Pollution Control	Transfer Station	Refuse Collection	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	\$ 5,371,253	\$ 2,200,835	\$ 2,156,276	\$ 3,010,678	\$ 12,739,042	\$ -
Receipts from interfund services provided	-	-	-	-	-	3,890,752
Payments to suppliers	(1,145,012)	(1,632,700)	(1,113,878)	(1,228,931)	(5,120,521)	(3,583,991)
Payments to employees	(1,336,368)	(160,599)	(484,310)	(1,245,628)	(3,226,905)	(207,160)
Payments for employee benefits	(512,611)	(67,846)	(197,958)	(377,838)	(1,156,253)	(89,852)
Payments for interfund services used	(213,474)	(142,787)	(237,416)	(539,008)	(1,132,685)	(18,800)
Net cash provided (used) by operating activities	<u>2,163,788</u>	<u>196,903</u>	<u>122,714</u>	<u>(380,727)</u>	<u>2,102,678</u>	<u>(9,051)</u>
Cash flows from noncapital financing activities						
Transfers to other funds	(2,229)	(250)	-	(885,300)	(887,779)	(45,884)
Transfers from other funds	3,352,849	726,054	-	457,556	4,536,459	-
Advances from other funds	-	-	-	93,098	93,098	1,502
Advances to other funds	(88,613)	-	-	(4,485)	(93,098)	(1,502)
Advances to fiduciary funds	-	-	-	-	-	(30,348)
Repayment of advance to solid waste component unit	590,869	-	-	-	590,869	-
Repayment of advances from other funds	-	(61,890)	-	(11,325)	(73,215)	(1,095)
Repayment of advances to other funds	68,003	-	-	5,212	73,215	1,095
Subsidies from federal, state and local grants	-	38,793	-	852,986	891,779	-
Net cash provided (used) by noncapital financing activities	<u>3,920,879</u>	<u>702,707</u>	<u>-</u>	<u>507,742</u>	<u>5,131,328</u>	<u>(76,232)</u>
Cash flows from capital and related financing activities						
Capital contributions	5,000	-	-	375,290	380,290	-
Purchase of capital assets	(5,707,025)	(177,370)	(23,218)	(577,774)	(6,485,387)	-
Principal paid on capital debt	(578,000)	(703,200)	(96,800)	-	(1,378,000)	-
Interest paid on capital debt	(483,355)	(22,854)	(3,146)	-	(509,355)	-
Proceeds from sale of capital assets	-	3,564	-	3,600	7,164	-
Net cash provided (used) by capital and related financing activities	<u>(6,763,380)</u>	<u>(899,860)</u>	<u>(123,164)</u>	<u>(198,884)</u>	<u>(7,985,288)</u>	<u>-</u>
Cash flows from investing activities						
Proceeds from sales and maturities of investments	-	-	-	393,624	393,624	-
Purchase of investments	-	-	-	(327,050)	(327,050)	-
Interest received	9,850	-	268	794	10,912	2,922
Net cash provided (used) by investing activities	<u>9,850</u>	<u>-</u>	<u>268</u>	<u>67,368</u>	<u>77,486</u>	<u>2,922</u>
Net increase (decrease) in cash and pooled investments	(668,863)	(250)	(182)	(4,501)	(673,796)	(82,361)
Cash and pooled investments, June 30, 2013	5,146,323	38,645	48,433	256,075	5,489,476	2,035,838
Cash and pooled investments, June 30, 2014	<u>\$ 4,477,460</u>	<u>\$ 38,395</u>	<u>\$ 48,251</u>	<u>\$ 251,574</u>	<u>\$ 4,815,680</u>	<u>\$ 1,953,477</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Cash flows from operating activities:						
Operating income (loss)	\$ (958,894)	\$ (235,295)	\$ 21,249	\$ (1,398,294)	\$ (2,571,234)	\$ (209)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	3,044,629	220,208	78,846	975,563	4,319,246	6,001
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(74,469)	208,198	(8,482)	(4,605)	120,642	20,398
Inventories	-	-	-	5,352	5,352	4,945
Increase (decrease) in:						
Accounts payable and accruals	119,009	(3,066)	16,019	40,407	172,369	(57,062)
Compensated absences payable	7,196	3,133	8,188	(8,761)	9,756	(587)
Other post-employment benefits	26,317	3,725	7,001	10,314	47,357	4,060
Unearned revenue	-	-	(107)	(982)	(1,089)	13,403
Deposits	-	-	-	279	279	-
Total adjustments	<u>3,122,682</u>	<u>432,198</u>	<u>101,465</u>	<u>1,017,567</u>	<u>4,673,912</u>	<u>(8,842)</u>
Net cash provided (used) by operating activities	<u>\$ 2,163,788</u>	<u>\$ 196,903</u>	<u>\$ 122,714</u>	<u>\$ (380,727)</u>	<u>\$ 2,102,678</u>	<u>\$ (9,051)</u>
Non-cash capital and related financing activities:						
Change in accounts payable used to purchase capital assets	\$ (257,721)	\$ -	\$ -	\$ 105,390	\$ (152,331)	\$ -
Contribution of capital asset from government	-	-	-	-	-	3,223

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, 2014

	<u>Agency Funds</u>
Assets:	
Accounts receivable	\$ 62,334
Due from other funds	<u>56</u>
Total assets	<u><u>62,390</u></u>
Liabilities:	
Accounts payable and accruals	31,986
Due to primary government	30,348
Due to other funds	<u>56</u>
Total liabilities	<u><u>\$ 62,390</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, 2014

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. Pending Governmental Accounting Standards Board (GASB) Standards

CITY OF MUSCATINE, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Muscatine, Iowa, was chartered in 1851 under the laws of the state of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a Mayor/Council/City Administrator form of government and provides a broad range of services to its citizens, including general government, public safety, public works, community development, 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 2013. 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.

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 *other street improvements fund* accounts for major street reconstruction or improvement projects.

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 the General Fund 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, 2014, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2013 and March 31, 2014. Any County collections on the 2013-2014 tax levy remitted to the City within sixty days subsequent to June 30, 2014, 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, 2014, 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 asking 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 reported as a deferred inflow of resources 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 \$38,395 at June 30, 2014 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 \$107,422 at June 30, 2014 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 \$1,462,044, at June 30, 2014 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, 2013 was as follows:

Current accounts:	
Extraordinary operation and maintenance account	\$ 13,031,882
Communications loan sinking fund	<u>1,030,500</u>
 Total restricted assets	 <u>\$ 14,062,382</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 two sources: property taxes and other taxes. 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.

The Muscatine Power & Water Board may, at its discretion, set aside earnings to help maintain stability in the electric utility's long-term rate structure. These earnings may be used for extraordinary operating expenses and debt service when deemed necessary by the Board.

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. The City's fund balance policy updated November 7, 2013 provides that assigned uses of fund balances can be established by the City Council, City Administrator, or 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, 2014, there were unspent bond proceeds totaling \$1,871,025 and \$343,454 in the other street improvements fund and non-major capital projects funds, respectively. 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 \$1,759,032 for public works, \$132,955 for employee benefits, \$59,411 for public safety, and \$908,311 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, 2014, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$	58,420
Cash in bank		178,451
Savings accounts		46,080
Money market accounts		14,634,918
Iowa Public Agency Investment Trust		1,642,493
Certificates of deposit		<u>1,152,000</u>
	\$	<u>17,712,362</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 \$1,642,493 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, 2014 the carrying amount of the City's deposits with financial institutions totaled \$16,011,449 and the bank balances were \$16,090,489. 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, 2013 MP&W's deposits and investments consist primarily of cash and certificates of deposit as follows:

	<u>Fair Value</u>
Cash	\$ 24,814,854
Certificates of deposit	<u>11,081,600</u>
	<u>\$ 35,896,454</u>

As of December 31, 2013 the carrying amount of MP&W's deposits with financial institutions totaled \$18,780,699, and the bank balances were \$19,680,478. 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 in 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, 2013, 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, 2014 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>
Due to/Advance from	General	\$ 2,974	\$ -	\$ -	\$ -	\$ -	\$ 2,974
	Other street improvements	146,603	-	-	-	-	146,603
	Water pollution control	-	387,559	277,360	-	-	664,919
	Nonmajor enterprise	-	-	4,485	-	-	4,485
	Internal service	-	-	-	1,502	30,348	31,850
	Fiduciary	-	-	-	-	56	56
Total		<u>\$ 149,577</u>	<u>\$ 387,559</u>	<u>\$ 281,845</u>	<u>\$ 1,502</u>	<u>\$ 30,404</u>	<u>\$ 850,887</u>

The \$387,559 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 \$277,360 balance due from the Nonmajor Enterprise funds includes \$182,207 for a loan for the golf course irrigation project and \$95,153 for a loan for working capital in the airport fund. The golf course loan is expected to be repaid over the next four years. The airport fund loan will be repaid when the project grant funds are received. 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 non-interest bearing loan to the Muscatine County Solid Waste Agency, a discretely presented component unit of \$431,478 as of June 30, 2014. The loan is for capital costs including costs for the development of new cells at the landfill. The new cells are expected to have a remaining capacity of 125,000 tons of waste or 3.5 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	Water Pollution Control	Nonmajor Enterprise	Internal Service	Totals
Transfers to	General	\$ -	\$ 2,960,871	\$ -	\$ -	\$ 2,492,682	\$ 2,229	\$ 885,300	\$ 45,884	\$ 6,386,966
	Debt service	-	-	-	-	206,225	-	-	-	206,225
	Other street improvements	-	-	-	-	34,227	-	-	-	34,227
	Nonmajor governmental	53,964	-	497,291	-	107,131	-	-	-	658,386
	Water pollution control	-	-	3,352,849	-	-	-	-	-	3,352,849
	Transfer station	-	-	-	726,054	-	-	-	-	726,054
	Nonmajor enterprise	428,008	-	-	-	29,548	-	-	-	457,556
Total		\$ 481,972	\$ 2,960,871	\$ 3,850,140	\$ 726,054	\$ 2,869,813	\$ 2,229	\$ 885,300	\$ 45,884	\$ 11,822,263

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, 2014 is as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,157,210	\$ 19,763	\$ -	\$ 10,176,973
Art work	7,505,776	-	-	7,505,776
Construction in progress	2,217,570	3,888,950	(1,108,109)	4,998,411
Total capital assets, not being depreciated	19,880,556	3,908,713	(1,108,109)	22,681,160
Capital assets, being depreciated:				
Land improvements	17,958,927	57,750	-	18,016,677
Buildings	9,237,576	-	-	9,237,576
Building improvements	2,345,187	7,650	-	2,352,837
Equipment	5,363,384	419,460	(66,331)	5,716,513
Vehicles	4,432,683	917,997	(151,418)	5,199,262
Other Assets	22,968	-	-	22,968
Infrastructure	60,495,995	404,641	-	60,900,636
Total capital assets, being depreciated	99,856,721	1,807,498	(217,749)	101,446,470
Less accumulated depreciation for:				
Land improvements	(9,381,440)	(647,685)	-	(10,029,125)
Buildings	(5,228,068)	(199,174)	-	(5,427,242)
Building improvements	(995,540)	(122,953)	-	(1,118,493)
Equipment	(3,710,982)	(307,571)	55,945	(3,962,608)
Vehicles	(3,493,549)	(253,180)	148,194	(3,598,535)
Other Assets	(11,485)	(4,593)	-	(16,078)
Infrastructure	(30,204,969)	(1,908,397)	-	(32,113,366)
Total accumulated depreciation	(53,026,033)	(3,443,553)	204,139	(56,265,447)
Total capital assets, being depreciated, net	46,830,688	(1,636,055)	(13,610)	45,181,023
Governmental activities capital assets, net	\$ 66,711,244	\$ 2,272,658	\$ (1,121,719)	\$ 67,862,183

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,885,573	\$ 1,802	\$ -	\$ 2,887,375
Construction in progress	5,561,137	5,785,824	(6,578,617)	4,768,344
Total capital assets, not being depreciated	8,446,710	5,787,626	(6,578,617)	7,655,719
Capital assets, being depreciated:				
Land improvements	13,319,706	136,688	-	13,456,394
Buildings	64,943,271	-	-	64,943,271
Building improvements	3,910,913	317,783	(12,590)	4,216,106
Equipment	6,203,601	351,745	(334,391)	6,220,955
Vehicles	3,606,676	359,874	(236,460)	3,730,090
Sewer system	45,274,672	5,957,957	-	51,232,629
Total capital assets, being depreciated	137,258,839	7,124,047	(583,441)	143,799,445
Less accumulated depreciation for:				
Land improvements	(10,371,517)	(416,875)	-	(10,788,392)
Buildings	(30,154,285)	(2,083,665)	-	(32,237,950)
Building improvements	(2,369,601)	(204,440)	12,590	(2,561,451)
Equipment	(3,186,781)	(414,940)	332,106	(3,269,615)
Vehicles	(2,544,128)	(238,602)	228,596	(2,554,134)
Sewer system	(13,580,714)	(960,724)	-	(14,541,438)
Total accumulated depreciation	(62,207,026)	(4,319,246)	573,292	(65,952,980)
Total capital assets, being depreciated, net	75,051,813	2,804,801	(10,149)	77,846,465
Business type activities capital assets, net	<u>\$ 83,498,523</u>	<u>\$ 8,592,427</u>	<u>\$ (6,588,766)</u>	<u>\$ 85,502,184</u>

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

Governmental activities:	
Public safety	\$ 312,628
Public works	2,081,940
Culture and recreation	973,539
Community and economic development	9,151
General government	60,294
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>6,001</u>
Total depreciation expense – governmental activities	<u>\$ 3,443,553</u>

Business-type activities:	
Water pollution control	\$ 3,044,629
Refuse collection	78,846
Transfer station	220,208
Airport	382,682
Parking	44,049
Transit	64,286
Golf course	112,880
Boat harbor	4,541
Ambulance	70,043
Public housing	<u>297,082</u>
 Total depreciation expense – business-type activities	 <u>\$ 4,319,246</u>

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Total capital assets, not being depreciated	<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	(932,120)	(257,851)	-	(1,189,971)
Buildings	(17,259)	(933)	-	(18,192)
Equipment	(17,333)	(1,472)	-	(18,805)
Leachate collection system	(292,302)	(19,865)	-	(312,167)
Total accumulated depreciation	<u>(1,259,014)</u>	<u>(280,121)</u>	<u>-</u>	<u>(1,539,135)</u>
Total capital assets, being depreciated, net	<u>1,300,039</u>	<u>(280,121)</u>	<u>-</u>	<u>1,019,918</u>
Solid Waste Agency capital assets, net	<u>\$ 2,380,647</u>	<u>\$ (280,121)</u>	<u>\$ -</u>	<u>\$ 2,100,526</u>

Activity for Convention and Visitors Bureau for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment	\$ 11,412	\$ -	\$ -	\$ 11,412
Total capital assets, being depreciated	11,412	-	-	11,412
Less accumulated depreciation for:				
Equipment	(1,141)	(2,282)	-	(3,423)
CVB capital assets, net	\$ 10,271	\$ (2,282)	\$ -	\$ 7,989

Activity for Muscatine Power & Water for the year ended December 31, 2013 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	722,615	5,717,974	(296,489)	(5,374,381)	769,719
Total capital assets, not being depreciated	3,649,526	5,717,974	(296,489)	(5,374,381)	3,696,630
Capital assets, being depreciated:					
Generation plant	329,311,001	33,135	(848,499)	2,095,681	330,591,318
Transmission and distribution plant	57,982,139	599,692	(151,402)	394,889	58,825,318
General plant	22,565,277	89,907	(802,687)	1,397,304	23,249,801
Source of supply	2,144,976	-	-	211,664	2,356,640
Pumping equipment	2,043,250	-	-	73,890	2,117,140
Purification equipment	1,051,289	-	-	481,232	1,532,521
Distribution system	16,889,825	481,177	(49,307)	324,302	17,645,997
Network operations plant	29,995,502	867,163	(464,613)	395,419	30,793,471
Total capital assets being depreciated	461,983,259	2,071,074	(2,316,508)	5,374,381	467,112,206
Less accumulated depreciation for:					
Generation plant	(248,157,549)	7,468,475	(842,734)	-	(254,783,290)
Transmission and distribution plant	(45,166,468)	2,233,524	(192,615)	-	(47,207,377)
General plant	(20,364,523)	1,731,457	(752,076)	-	(21,343,904)
Source of supply	(1,229,420)	71,496	-	-	(1,300,916)
Pumping equipment	(546,845)	65,976	-	-	(612,821)
Purification system	(803,482)	28,056	-	-	(831,538)
Distribution system	(5,835,274)	372,420	(49,307)	-	(6,158,387)
Network operations plant and general plant	(20,437,480)	2,241,072	(365,507)	-	(22,313,045)
Total accumulated depreciation	(342,541,041)	14,212,476	(2,202,239)	-	(354,551,278)
Total capital assets, being depreciated, net	119,442,218	16,283,550	(4,518,747)	5,374,381	112,560,928
Muscatine Power & Water capital assets, net	\$ 123,091,744	\$ 22,001,524	\$ (4,815,236)	\$ -	\$ 116,257,558

NOTE 5. LONG-TERM DEBT

General Obligation Bonds. The general obligation bonds outstanding as of June 30, 2014 total \$16,605,000. These bonds bear interest at rates ranging from .45% to 3.50%.

On June 2, 2014, the City of Muscatine issued \$2,575,000 in General Obligation Corporate Purpose Bonds, Series 2014 with interest rates ranging from 1.50 percent to 2.10 percent to pay the costs of street improvements, airport improvements, improvements to the public library, and ambulance equipment.

General obligation bonds as of June 30, 2014 consist of the following individual issues:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance 6/30/2014</u>	<u>Governmental Activities</u>
General obligation bonds					
General corporate	6/1/2008	\$ 5,120,000	3.25-3.50	\$ 2,531,064	(1) \$ 2,531,064
General corporate	6/1/2010	7,425,000	2.00-3.125	6,663,314	(2) 6,663,314
General corporate and refunding	6/1/2012	4,715,000	.45-1.90	4,125,000	(3) 4,125,000
General corporate and refunding	3/7/2013	1,115,000	.75-.90	745,000	(4) 745,000
General corporate	6/1/2014	2,575,000	1.50-2.10	2,623,596	(5) 2,623,596
				<u>\$ 16,687,974</u>	<u>\$ 16,687,974</u>

1. Net of unamortized premium of \$1,064
2. Net of unamortized premium of \$33,314
3. No premium or discount
4. No premium or discount
5. Net of unamortized premium of \$48,596

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,340,000	\$ 394,231
2016	2,410,000	344,503
2017	2,305,000	286,578
2018	2,415,000	226,193
2019	2,205,000	161,928
2020-2024	<u>4,930,000</u>	<u>221,003</u>
	<u>\$ 16,605,000</u>	<u>\$ 1,634,436</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 \$1,142,125 payable through 2021. For the current year, principal and interest paid and total incremental tax revenues were \$166,320 and \$874,512, respectively.

Tax increment revenue bonds as of June 30, 2014 consist of the following:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2014</u>
Tax Increment Revenue Bonds:				
Urban Renewal Tax Increment	06/24/2004	\$ 1,885,000	4.90-5.80%	<u>\$ 925,000</u>

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

Year Ending	Governmental	
	Principal	Interest
June 30		
2015	\$ 115,000	\$ 50,930
2016	120,000	45,065
2017	125,000	38,705
2018	130,000	31,955
2019	140,000	24,805
2020-2021	295,000	25,665
	<u>\$ 925,000</u>	<u>\$ 217,125</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, 2014, the loan balance is \$14,295,000. 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:

Year Ending	Business-Type		
	Principal	Interest	Fees
June 30			
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	678,000	353,670	29,473
2020-2024	3,737,000	1,449,630	120,804
2025-2029	4,386,000	851,340	70,946
2030-2032	2,988,000	181,200	15,100
	<u>\$ 14,295,000</u>	<u>\$ 4,441,470</u>	<u>\$ 370,126</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

Primary government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 15,615,000	\$ 2,575,000	\$ (1,585,000)	\$ 16,605,000	\$ 2,340,000
Tax increment revenue bonds	1,035,000	-	(110,000)	925,000	115,000
Premiums/discounts	43,732	48,596	(9,354)	82,974	-
Total bonds payable	16,693,732	2,623,596	(1,704,354)	17,612,974	2,455,000
Compensated absences	1,293,868	857,715	(803,127)	1,348,456	657,361
Other post-employment benefits liability	297,270	151,590	-	448,860	-
Governmental activity long-term liabilities	<u>\$ 18,284,870</u>	<u>\$ 3,632,901</u>	<u>\$ (2,507,481)</u>	<u>\$ 19,410,290</u>	<u>\$ 3,112,361</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 800,000	\$ -	\$ (800,000)	\$ -	\$ -
State revolving fund loan	14,873,000	-	(578,000)	14,295,000	597,000
Premiums and deferred charges	955	-	(955)	-	-
Total bonds payable	15,673,955	-	(1,378,955)	14,295,000	597,000
Compensated absences	366,107	284,011	(274,255)	375,863	203,857
Other post-employment benefits liability	104,835	47,357	-	152,192	-
Closure/post-closure obligation	38,645	-	(250)	38,395	-
Business-type activity long-term liabilities	<u>\$ 16,183,542</u>	<u>\$ 331,368</u>	<u>\$ (1,653,460)</u>	<u>\$ 14,861,450</u>	<u>\$ 800,857</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 \$47,091, 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, 2014, 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	\$ 1,588	\$ 1,111	\$ (900)	\$ 1,799	\$ 1,568
Closure/post-closure obligation	2,558,574	94,986	-	2,653,560	-
Total liabilities	<u>\$ 2,560,162</u>	<u>\$ 96,097</u>	<u>\$ (900)</u>	<u>\$ 2,655,359</u>	<u>\$ 1,568</u>

Activity for the Convention and Visitors Bureau for the year ended June 30, 2014, 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	\$ -	\$ 1,147	\$ (219)	\$ 928	\$ 928

Activity for Muscatine Power & Water for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State revolving fund loan	\$ 247,000	\$ -	\$ (28,000)	\$ 219,000
Note payable to bank	3,915,000	-	(915,000)	3,000,000
Post-employment health benefit provision	208,351	198,660	-	407,011
Total long-term debt	4,370,351	<u>\$ 198,660</u>	<u>\$ (943,000)</u>	3,626,011
Less current installments	943,000			989,000
Long-term debt, net of current portion	<u>\$ 3,427,351</u>			<u>\$ 2,637,011</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 \$915,000. As of December 31, 2013, the total outstanding loan payable is \$3,000,000.

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, 2013 was \$219,000.

At December 31, 2013, 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>
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	-	-	32,000	2,520	250
2019-2020	-	-	68,000	2,070	257
Totals	<u>\$ 3,000,000</u>	<u>\$ 215,025</u>	<u>\$ 219,000</u>	<u>\$ 23,835</u>	<u>\$ 2,260</u>

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 2013 and water and communications utility net revenues are as follows:

	<u>Water</u>	<u>Communications</u>
Principal and interest paid	\$ 35,608	\$ 2,324,546
Net revenues	769,853	3,596,387

Annual future principal and interest payments are expected to require 4% and 55% 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 \$2,653,560 reported as landfill closure and post closure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 70.91% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$1,088,640 as the remaining estimated capacity is filled over the 16 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2014. 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 5.95% of their annual covered salary and the City was required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$683,854, \$649,684, and \$596,712 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, 2014 was 30.12% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2014, 2013, and 2012 were \$1,356,118, \$1,138,473, and \$1,029,441 respectively, which met the required minimum contribution for each year.

NOTE 8. DEFICIT FUND EQUITY

Three of the City's funds had fund balance deficits as of June 30, 2014. 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	\$ 32,469
Riverfront improvement projects	109,208
Other public improvements	59,730

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.

The plan does not issue separate financial statements.

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, 2014, the City contributed \$102,186, which was net of retiree premiums received of \$170,106.

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	20,105
Adjustment to annual required contribution	<u>(26,158)</u>
Annual OPEB cost (expense)	96,761
Contributions and payments made	<u>102,186</u>
Increase in net OPEB obligation	198,947
Net OPEB obligation – July 1, 2013	<u>402,105</u>
Net OPEB obligation – June 30, 2014	<u><u>\$ 601,052</u></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, 2014 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, 2012	\$ 164,574	3.23%	\$ 315,254
June 30, 2013	98,070	11.44%	402,105
June 30, 2014	96,761	105.61%	601,052

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 \$10,461,062 and the ratio of the UAAL to the covered payroll was 8.1 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 \$3,285,000 as of June 30, 2014.

NOTE 11. RISK MANAGEMENT

The City, the Muscatine County Solid Waste Agency, and the Muscatine Convention and Visitor Bureau are 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 \$2,819,000 for 2014. 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 \$148,937 reported as accounts payable and accruals 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, 2014 and 2013 are summarized as follows:

Liabilities at July 1, 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	\$ 201,160
Claims and changes in estimates during fiscal year 2014	2,360,971
Claim payments	<u>(2,413,194)</u>
Liabilities at June 30, 2014	<u>\$ 148,937</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2014, 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, 2014, is \$5,275,064.

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 2015 is set at \$99,460.

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 has a power purchase agreement for wind energy which was entered into in December 2013. It is a 20-year agreement that commences with the wind farm’s actual commercial operation date, anticipated to be in third quarter of 2015. The wind farm is located in Jackson County, Minnesota, which is in the utility’s MISO local resource zone. Its projected annual output is 46,691 MWH, approximately 5.5% of native system needs. Terms include a flat rate for delivered energy over the 20-year agreement. The utility is subject to market risk; however, the contract includes a cost floor provision to protect against this risk. The contract also includes a revenue/margin sharing provision if the net financial benefit goes above a certain level.

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 an agreement that began January 1, 2013 and expires December 31, 2016. The contract rate in the agreement is adjusted quarterly. There is no annual minimum tonnage requirement in the agreement; however, 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.

In anticipation of future emissions reduction requirements, the utility entered into contracts with a coal refining company for the company to apply additives to the utility's coal. These additives change the combustion characteristics of the coal such that the Mercury and NOx emissions are reduced. The contracts include a facilities lease, a contract for the sale of the utility's coal to the refining company and a contract for the purchase of the refined coal by the utility for burning in the utility's generation units. The refined coal will reduce the overall delivered coal costs for the utility because the coal refining company is taking advantage of a tax incentive program and the utility will share in their tax savings. This agreement is in effect until December 2019.

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 (SO₂), nitrogen oxide (NOx) and mercury emission allowance costs. If the contract is cancelled during the amendment period, the customer has agreed to reimburse the utility for any of the unrecovered environmental capital costs.

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. In 2013, the line of credit was reduced to \$5,000,000. No advances were drawn against the loan during 2013 and no amounts were outstanding at December 31, 2013.

NOTE 13. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

As of June 30, 2014, the GASB had issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 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 replaced 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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68, issued November 2013, will be effective for the City beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amount of all other deferred outflows of resources and deferred inflows of resources related to pensions.

Although the dollar amount of the net pension liability is not known, the City's management feels that the statements will have a material impact to the City's financial statements upon implementation.

**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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final Budget to Actual Variance
				Original	Final	
Revenues:						
Taxes:						
Property	\$ 12,528,822	\$ -	\$ 12,528,822	\$ 12,539,510	\$ 12,539,510	\$ (10,688)
Tax increment financing	874,512	-	874,512	917,400	871,597	2,915
Other city taxes	3,498,482	-	3,498,482	3,254,641	3,410,901	87,581
Licenses and permits	354,747	17,235	371,982	322,800	335,100	36,882
Use of money and property	179,504	710,293	889,797	1,087,170	1,132,720	(242,923)
Intergovernmental	6,663,431	1,561,530	8,224,961	9,121,700	8,040,020	184,941
Charges for services	560,435	12,922,916	13,483,351	13,228,850	13,093,650	389,701
Miscellaneous	1,879,605	2,988,894	4,868,499	4,827,900	4,830,750	37,749
Total revenues	26,539,538	18,200,868	44,740,406	45,299,971	44,254,248	486,158
Expenditures:						
Public safety	8,326,966	-	8,326,966	8,506,000	8,496,800	(169,834)
Public works	2,353,705	-	2,353,705	2,347,700	2,476,400	(122,695)
Health and social service	20,000	-	20,000	20,000	20,000	-
Culture and recreation	3,165,942	-	3,165,942	3,227,850	3,342,774	(176,832)
Community and economic development	3,088,022	-	3,088,022	3,297,580	3,099,686	(11,664)
General government	2,295,450	-	2,295,450	2,232,200	2,375,621	(80,171)
Debt service	2,953,672	-	2,953,672	2,954,924	2,954,924	(1,252)
Capital projects	4,154,476	-	4,154,476	5,509,000	4,965,700	(811,224)
Business type activities	-	21,418,970	21,418,970	20,492,853	21,773,263	(354,293)
Total expenditures	26,358,233	21,418,970	47,777,203	48,588,107	49,505,168	(1,727,965)
Revenues over (under) expenditures	181,305	(3,218,102)	(3,036,797)	(3,288,136)	(5,250,920)	2,214,123
Other financing sources (uses):						
Proceeds of long term debt	2,575,000	-	2,575,000	2,360,000	2,575,000	-
Transfers in	7,714,745	6,524,274	14,239,019	14,376,547	15,544,666	(1,305,647)
Transfers out	(10,411,663)	(3,827,356)	(14,239,019)	(14,376,547)	(15,544,666)	1,305,647
Total other financing sources (uses)	(121,918)	2,696,918	2,575,000	2,360,000	2,575,000	-
Net change in fund balances	59,387	(521,184)	(461,797)	(928,136)	(2,675,920)	2,214,123
Fund balances, June 30, 2013	10,081,937	8,818,532	18,900,469	17,343,274	18,886,141	14,328
Fund balances, June 30, 2014	\$ 10,141,324	\$ 8,297,348	\$ 18,438,672	\$ 16,415,138	\$ 16,210,221	\$ 2,228,451

See notes to Required Supplementary Information.

City of Muscatine, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2014

	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	\$ 26,539,538	\$ 31,533	\$ 26,571,071	\$ 18,200,868	\$ (806,965)	\$ 17,393,903
Expenditures/expenses	26,358,233	(713,282)	25,644,951	21,418,970	(2,371,366)	19,047,604
Net	181,305	744,815	926,120	(3,218,102)	1,564,401	(1,653,701)
Other financing sources (uses), net	(121,918)	(857,533)	(979,451)	2,696,918	906,128	3,603,046
Beginning fund balances/net assets	10,081,937	237,404	10,319,341	8,818,532	67,844,374	76,662,906
Ending fund balances/net assets	<u>\$ 10,141,324</u>	<u>\$ 124,686</u>	<u>\$ 10,266,010</u>	<u>\$ 8,297,348</u>	<u>\$ 70,314,903</u>	<u>\$ 78,612,251</u>

See notes to Required Supplementary Information.

City of Muscatine, Iowa

Other Postemployment Benefit Plan

Required Supplementary Information

Schedule of Funding Progress							
Fiscal Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2014	7-1-2012	-	850,500	850,500	0%	10,461,062	8.1%

See notes to Required Supplementary Information.

CITY OF MUSCATINE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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 \$917,061. This overall increase is primarily due to changes in capital project construction schedules and grant funds awarded after the original budget was adopted. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014 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 valuation as of 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.

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, 2014

	Special Revenue	Capital Projects	Permanent	Totals
ASSETS				
Cash and pooled investments	\$ 2,148,705	\$ 116,159	\$ 50,715	\$ 2,315,579
Investments	289,033	-	972,000	1,261,033
Receivables (net of allowance for uncollectibles):				
Interest	467	-	3,207	3,674
Taxes	1,081,405	-	-	1,081,405
Intergovernmental	477,164	38,360	-	515,524
Accounts	6,500	4,662	550	11,712
Total assets	<u>4,003,274</u>	<u>159,181</u>	<u>1,026,472</u>	<u>5,188,927</u>
LIABILITIES				
Accounts payable and accruals	33,079	119,617	-	152,696
Retainages payable	-	83,583	-	83,583
Escrow liability	44,971	-	-	44,971
Advances from other funds	-	146,603	2,974	149,577
Unearned revenue	16,190	-	-	16,190
Total liabilities	<u>94,240</u>	<u>349,803</u>	<u>2,974</u>	<u>447,017</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,075,051	-	-	1,075,051
FUND BALANCES (DEFICITS)				
Nonspendable:				
Permanent fund principal	-	-	988,000	988,000
Restricted for:				
Grant purposes	47,861	-	-	47,861
Streets	1,035,737	-	-	1,035,737
Tax levy purposes	908,311	-	-	908,311
Housing and community development	163,980	-	-	163,980
Law enforcement	59,411	-	-	59,411
Art center	379,245	-	7,567	386,812
Library	239,438	-	-	239,438
Cemetery	-	-	27,931	27,931
Unassigned	-	(190,622)	-	(190,622)
Total fund balances (deficits)	<u>2,833,983</u>	<u>(190,622)</u>	<u>1,023,498</u>	<u>3,666,859</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 4,003,274</u>	<u>\$ 159,181</u>	<u>\$ 1,026,472</u>	<u>\$ 5,188,927</u>

City of Muscatine, Iowa

Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2014

	Special Revenue	Capital Projects	Permanent	Totals
REVENUES				
Taxes:				
Property	\$ 874,512	\$ -	\$ -	\$ 874,512
Intergovernmental	4,209,889	38,360	-	4,248,249
Use of money and property	6,027	292	18,919	25,238
Other	104,036	79,965	5,726	189,727
Total revenues	<u>5,194,464</u>	<u>118,617</u>	<u>24,645</u>	<u>5,337,726</u>
EXPENDITURES				
Current:				
Public safety	4,699	-	-	4,699
Culture and recreation	25,389	-	2,923	28,312
Community and economic development	2,303,885	-	-	2,303,885
Debt service:				
Principal	110,000	-	-	110,000
Interest	56,320	-	-	56,320
Capital outlay:				
Public safety	15,860	40,605	-	56,465
Public works	-	512,146	-	512,146
Culture and recreation	11,020	416,489	-	427,509
Community and economic development	-	65,272	-	65,272
General government	-	54,446	-	54,446
Total expenditures	<u>2,527,173</u>	<u>1,088,958</u>	<u>2,923</u>	<u>3,619,054</u>
Revenues over (under) expenditures	<u>2,667,291</u>	<u>(970,341)</u>	<u>21,722</u>	<u>1,718,672</u>
OTHER FINANCING SOURCES (USES)				
General obligation bonds issued	-	292,700	-	292,700
General obligation bond premium	-	5,524	-	5,524
Transfers in	4,180	654,206	-	658,386
Transfers out	(2,823,706)	(29,548)	(16,559)	(2,869,813)
Total other financing sources (uses)	<u>(2,819,526)</u>	<u>922,882</u>	<u>(16,559)</u>	<u>(1,913,203)</u>
Net change in fund balances	(152,235)	(47,459)	5,163	(194,531)
Fund balances (deficits), June 30, 2013	<u>2,986,218</u>	<u>(143,163)</u>	<u>1,018,335</u>	<u>3,861,390</u>
Fund balances (deficits), June 30, 2014	<u>\$ 2,833,983</u>	<u>\$ (190,622)</u>	<u>\$ 1,023,498</u>	<u>\$ 3,666,859</u>

City of Muscatine, Iowa
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2014

	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
ASSETS							
Cash and pooled investments	\$ 35,564	\$ 113,784	\$ 581,936	\$ 1,532	\$ 5,637	\$ 59,411	\$ 29,454
Investments	-	-	-	109,033	-	-	-
Receivables (net of allowance for uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	210,000
Accounts	-	5,844	-	656	-	-	-
Intergovernmental	-	7,240	453,801	16,123	-	-	-
Total assets	<u>35,564</u>	<u>126,868</u>	<u>1,035,737</u>	<u>127,344</u>	<u>5,637</u>	<u>59,411</u>	<u>239,454</u>
LIABILITIES							
Accounts payable and accruals	-	2,319	-	18,322	1,770	-	-
Escrow liability	-	-	-	44,971	-	-	-
Unearned revenue	-	-	-	16,190	-	-	-
Total liabilities	<u>-</u>	<u>2,319</u>	<u>-</u>	<u>79,483</u>	<u>1,770</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	-	-	-	-	210,000
FUND BALANCES							
Restricted for:							
Grant purposes	-	-	-	47,861	-	-	-
Streets	-	-	1,035,737	-	-	-	-
Tax levy purposes	-	-	-	-	-	-	29,454
Housing and community development	35,564	124,549	-	-	3,867	-	-
Law enforcement	-	-	-	-	-	59,411	-
Art center	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Total fund balances	<u>35,564</u>	<u>124,549</u>	<u>1,035,737</u>	<u>47,861</u>	<u>3,867</u>	<u>59,411</u>	<u>29,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,564</u>	<u>\$ 126,868</u>	<u>\$ 1,035,737</u>	<u>\$ 127,344</u>	<u>\$ 5,637</u>	<u>\$ 59,411</u>	<u>\$ 239,454</u>

<u>Southend Tax Increment</u>	<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Highway 38 Northeast 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>
\$ 839,725	\$ 23,729	\$ 5,170	\$ -	\$ 3,879	\$ 198,778	\$ 249,732	\$ 374	\$ 2,148,705
-	-	-	-	-	180,000	-	-	289,033
-	-	-	-	-	467	-	-	467
430,851	210,000	50,503	180,051	-	-	-	-	1,081,405
-	-	-	-	-	-	-	-	6,500
-	-	-	-	-	-	-	-	477,164
<u>1,270,576</u>	<u>233,729</u>	<u>55,673</u>	<u>180,051</u>	<u>3,879</u>	<u>379,245</u>	<u>249,732</u>	<u>374</u>	<u>4,003,274</u>
-	-	-	-	-	-	10,294	374	33,079
-	-	-	-	-	-	-	-	44,971
-	-	-	-	-	-	-	-	16,190
-	-	-	-	-	-	10,294	374	94,240
<u>425,000</u>	<u>210,000</u>	<u>50,000</u>	<u>180,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075,051</u>
-	-	-	-	-	-	-	-	47,861
-	-	-	-	-	-	-	-	1,035,737
845,576	23,729	5,673	-	3,879	-	-	-	908,311
-	-	-	-	-	-	-	-	163,980
-	-	-	-	-	-	-	-	59,411
-	-	-	-	-	379,245	-	-	379,245
-	-	-	-	-	-	239,438	-	239,438
<u>845,576</u>	<u>23,729</u>	<u>5,673</u>	<u>-</u>	<u>3,879</u>	<u>379,245</u>	<u>239,438</u>	<u>-</u>	<u>2,833,983</u>
<u>\$ 1,270,576</u>	<u>\$ 233,729</u>	<u>\$ 55,673</u>	<u>\$ 180,051</u>	<u>\$ 3,879</u>	<u>\$ 379,245</u>	<u>\$ 249,732</u>	<u>\$ 374</u>	<u>\$ 4,003,274</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2014

	<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>	<u>Downtown Tax Increment</u>
REVENUES							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,911
Intergovernmental:							
HUD grants	-	-	-	1,750,200	-	-	-
Road use tax	-	-	2,405,457	-	-	-	-
Federal grants	-	7,240	-	-	-	-	-
State grants	-	2,775	-	-	-	-	-
Local grants	-	20,887	-	-	-	-	-
Interest	56	175	-	137	12	20	210
Other:							
Donations	-	-	-	-	16,575	-	-
Miscellaneous	-	80	-	7,070	-	38,371	-
Total revenues	<u>56</u>	<u>31,157</u>	<u>2,405,457</u>	<u>1,757,407</u>	<u>16,587</u>	<u>38,391</u>	<u>200,121</u>
EXPENDITURES							
Current:							
Public safety	-	-	-	-	-	4,699	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	55,801	-	1,837,164	22,099	-	-
Capital outlay:							
Public safety	-	-	-	-	-	15,860	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>55,801</u>	<u>-</u>	<u>1,837,164</u>	<u>22,099</u>	<u>20,559</u>	<u>-</u>
Revenues over (under) expenditures	<u>56</u>	<u>(24,644)</u>	<u>2,405,457</u>	<u>(79,757)</u>	<u>(5,512)</u>	<u>17,832</u>	<u>200,121</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	4,180	-	-	-	-	-
Transfers out	(4,180)	-	(2,261,775)	-	-	-	(246,640)
Total other financing sources (uses)	<u>(4,180)</u>	<u>4,180</u>	<u>(2,261,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,640)</u>
Net change in fund balances	(4,124)	(20,464)	143,682	(79,757)	(5,512)	17,832	(46,519)
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>75,973</u>
Fund balances, June 30, 2014	<u>\$ 35,564</u>	<u>\$ 124,549</u>	<u>\$ 1,035,737</u>	<u>\$ 47,861</u>	<u>\$ 3,867</u>	<u>\$ 59,411</u>	<u>\$ 29,454</u>

<u>Southend Tax Increment</u>	<u>Cedar Development Tax Increment</u>	<u>Muscatine Mall Tax Increment</u>	<u>Highway 38 Northeast 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>
\$ 405,769	\$ 194,107	\$ 18,087	\$ 56,638	\$ -	\$ -	\$ -	\$ -	\$ 874,512
-	-	-	-	-	-	-	-	1,750,200
-	-	-	-	-	-	-	-	2,405,457
-	-	-	-	-	-	-	-	7,240
-	-	-	-	-	-	23,330	-	26,105
-	-	-	-	-	-	-	-	20,887
1,542	59	9	15	5	3,401	346	40	6,027
-	-	-	-	-	9,463	26,233	800	53,071
-	-	-	-	-	20	5,424	-	50,965
<u>407,311</u>	<u>194,166</u>	<u>18,096</u>	<u>56,653</u>	<u>5</u>	<u>12,884</u>	<u>55,333</u>	<u>840</u>	<u>5,194,464</u>
-	-	-	-	-	-	-	-	4,699
-	-	-	-	-	-	22,884	2,505	25,389
156,250	192,586	17,559	22,426	-	-	-	-	2,303,885
-	-	-	-	-	-	-	-	15,860
-	-	-	-	-	-	11,020	-	11,020
110,000	-	-	-	-	-	-	-	110,000
<u>56,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,320</u>
<u>322,570</u>	<u>192,586</u>	<u>17,559</u>	<u>22,426</u>	<u>-</u>	<u>-</u>	<u>33,904</u>	<u>2,505</u>	<u>2,527,173</u>
<u>84,741</u>	<u>1,580</u>	<u>537</u>	<u>34,227</u>	<u>5</u>	<u>12,884</u>	<u>21,429</u>	<u>(1,665)</u>	<u>2,667,291</u>
-	-	-	-	-	-	-	-	4,180
<u>(223,125)</u>	<u>-</u>	<u>-</u>	<u>(34,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,759)</u>	<u>(2,823,706)</u>
<u>(223,125)</u>	<u>-</u>	<u>-</u>	<u>(34,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,759)</u>	<u>(2,819,526)</u>
(138,384)	1,580	537	-	5	12,884	21,429	(55,424)	(152,235)
<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>\$ 845,576</u>	<u>\$ 23,729</u>	<u>\$ 5,673</u>	<u>\$ -</u>	<u>\$ 3,879</u>	<u>\$ 379,245</u>	<u>\$ 239,438</u>	<u>\$ -</u>	<u>\$ 2,833,983</u>

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2014**

	<u>Community Development Improvements</u>	<u>Street and Sidewalk Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Other Public Improvements</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ -	\$ 44,651	\$ -	\$ 71,508	\$ 116,159
Receivables:					
Intergovernmental	38,360	-	-	-	38,360
Accounts	<u>4,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,662</u>
Total assets	<u>43,022</u>	<u>44,651</u>	<u>-</u>	<u>71,508</u>	<u>159,181</u>
LIABILITIES					
Accounts payable	37,166	33,866	930	47,655	119,617
Retainages payable	-	-	-	83,583	83,583
Advances from other funds	<u>38,325</u>	<u>-</u>	<u>108,278</u>	<u>-</u>	<u>146,603</u>
Total liabilities	<u>75,491</u>	<u>33,866</u>	<u>109,208</u>	<u>131,238</u>	<u>349,803</u>
FUND BALANCES (DEFICITS)					
Unassigned	<u>(32,469)</u>	<u>10,785</u>	<u>(109,208)</u>	<u>(59,730)</u>	<u>(190,622)</u>
Total liabilities and fund balances (deficits)	<u>\$ 43,022</u>	<u>\$ 44,651</u>	<u>\$ -</u>	<u>\$ 71,508</u>	<u>\$ 159,181</u>

City of Muscatine, Iowa

Non-Major Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2014

	<u>Community Development Improvements</u>	<u>Street and Sidewalk Improvements</u>	<u>Riverfront Improvement Projects</u>	<u>Other Public Improvements</u>	<u>Total</u>
REVENUES					
Intergovernmental:					
Federal grants	\$ 38,360	\$ -	\$ -	\$ -	\$ 38,360
Interest	-	17	7	268	292
Other:					
Reimbursement of costs	<u>8,662</u>	<u>-</u>	<u>66,652</u>	<u>4,651</u>	<u>79,965</u>
Total revenues	<u>47,022</u>	<u>17</u>	<u>66,659</u>	<u>4,919</u>	<u>118,617</u>
EXPENDITURES					
Capital outlay:					
Public safety	-	-	-	40,605	40,605
Public works	-	501,439	10,707	-	512,146
Culture and recreation	-	-	10,119	406,370	416,489
Community and economic development	65,272	-	-	-	65,272
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,446</u>	<u>54,446</u>
Total expenditures	<u>65,272</u>	<u>501,439</u>	<u>20,826</u>	<u>501,421</u>	<u>1,088,958</u>
Revenues over (under) expenditures	<u>(18,250)</u>	<u>(501,422)</u>	<u>45,833</u>	<u>(496,502)</u>	<u>(970,341)</u>
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	-	-	-	292,700	292,700
General obligation bond premium	-	-	-	5,524	5,524
Transfers in	-	497,291	53,964	102,951	654,206
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,548)</u>	<u>(29,548)</u>
Total other financing sources (uses)	<u>-</u>	<u>497,291</u>	<u>53,964</u>	<u>371,627</u>	<u>922,882</u>
Net change in fund balances	(18,250)	(4,131)	99,797	(124,875)	(47,459)
Fund balances (deficits), June 30, 2013	<u>(14,219)</u>	<u>14,916</u>	<u>(209,005)</u>	<u>65,145</u>	<u>(143,163)</u>
Fund balances (deficits), June 30, 2014	<u>\$ (32,469)</u>	<u>\$ 10,785</u>	<u>\$ (109,208)</u>	<u>\$ (59,730)</u>	<u>\$ (190,622)</u>

City of Muscatine, Iowa

**Non-Major Permanent Funds
Combining Balance Sheet
June 30, 2014**

	McWhirter- Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
ASSETS					
Cash and pooled investments	\$ 47,411	\$ 1,750	\$ -	\$ 1,554	\$ 50,715
Investments	60,000	853,700	-	58,300	972,000
Receivables:					
Interest	156	-	2,974	77	3,207
Accounts	-	550	-	-	550
Total assets	<u>107,567</u>	<u>856,000</u>	<u>2,974</u>	<u>59,931</u>	<u>1,026,472</u>
LIABILITIES					
Advances from other funds	-	-	2,974	-	2,974
FUND BALANCES					
Nonspendable:					
Permanent fund principal	100,000	856,000	-	32,000	988,000
Restricted for:					
Cemetery	-	-	-	27,931	27,931
Art center	7,567	-	-	-	7,567
Total fund balances	<u>107,567</u>	<u>856,000</u>	<u>-</u>	<u>59,931</u>	<u>1,023,498</u>
Total liabilities and fund balances	<u>\$ 107,567</u>	<u>\$ 856,000</u>	<u>\$ 2,974</u>	<u>\$ 59,931</u>	<u>\$ 1,026,472</u>

City of Muscatine, Iowa

Non-Major Permanent Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2014

	McWhirter- Gilmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
REVENUES					
Cemetery perpetual care	\$ -	\$ 5,726	\$ -	\$ -	\$ 5,726
Interest	1,108	-	16,559	1,252	18,919
Total revenues	1,108	5,726	16,559	1,252	24,645
EXPENDITURES					
Current:					
Culture and recreation	-	-	-	2,923	2,923
Revenues over (under) expenditures	1,108	5,726	16,559	(1,671)	21,722
OTHER FINANCING (USES)					
Transfers out	-	-	(16,559)	-	(16,559)
Net change in fund balances	1,108	5,726	-	(1,671)	5,163
Fund balances, June 30, 2013	106,459	850,274	-	61,602	1,018,335
Fund balances, June 30, 2014	\$ 107,567	\$ 856,000	\$ -	\$ 59,931	\$ 1,023,498

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 Net Position
June 30, 2014

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
ASSETS					
Current assets:					
Cash and pooled investments	\$ -	\$ 87,201	\$ 124,925	\$ -	\$ 7,755
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	1,312	660	9,537	2,762	-
Intergovernmental:					
Federal	72,517	-	45,529	-	-
State	146,661	-	-	-	-
Due from other funds	-	-	-	-	4,485
Inventories	-	-	-	45,349	-
Prepaid items	-	-	-	4,400	-
Total current assets	<u>220,490</u>	<u>87,861</u>	<u>179,991</u>	<u>52,511</u>	<u>12,240</u>
Noncurrent assets:					
Capital assets:					
Land	1,408,973	579,686	-	80,000	-
Land improvements	9,247,504	1,288,350	-	1,348,305	172,339
Buildings and building improvements	1,665,785	-	20,426	785,943	-
Equipment	576,048	42,370	6,054	411,645	-
Vehicles	117,342	-	830,096	16,534	-
Construction in progress	80,574	-	-	-	-
Less accumulated depreciation	(8,979,743)	(697,339)	(424,852)	(1,483,646)	(138,983)
Total capital assets net of accumulated depreciation	<u>4,116,483</u>	<u>1,213,067</u>	<u>431,724</u>	<u>1,158,781</u>	<u>33,356</u>
Total noncurrent assets	<u>4,116,483</u>	<u>1,213,067</u>	<u>431,724</u>	<u>1,158,781</u>	<u>33,356</u>
Total assets	<u>4,336,973</u>	<u>1,300,928</u>	<u>611,715</u>	<u>1,211,292</u>	<u>45,596</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	122,845	7,970	37,052	48,312	1,107
Retainages payable	8,764	-	-	-	-
Compensated absences payable	-	8,665	13,846	9,774	1,234
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Unearned revenue	4,229	18,243	476	18,638	-
Total current liabilities	<u>135,838</u>	<u>34,878</u>	<u>51,374</u>	<u>76,724</u>	<u>2,341</u>
Noncurrent liabilities:					
Compensated absences	-	10,698	8,638	8,399	267
Other post-employment benefits	-	4,166	3,571	8,928	-
Advance from other funds	95,153	-	-	182,207	-
Total noncurrent liabilities	<u>95,153</u>	<u>14,864</u>	<u>12,209</u>	<u>199,534</u>	<u>267</u>
Total liabilities	<u>230,991</u>	<u>49,742</u>	<u>63,583</u>	<u>276,258</u>	<u>2,608</u>
NET POSITION					
Net investment in capital assets	4,116,483	1,213,067	431,724	1,158,781	33,356
Unrestricted	(10,501)	38,119	116,408	(223,747)	9,632
Total net position	<u>\$ 4,105,982</u>	<u>\$ 1,251,186</u>	<u>\$ 548,132</u>	<u>\$ 935,034</u>	<u>\$ 42,988</u>

<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ -	\$ 24,805	\$ 6,888	\$ 251,574
-	-	250,010	250,010
-	210,715	3,808	228,794
-	-	-	118,046
-	-	-	146,661
-	-	-	4,485
4,499	-	-	49,848
-	-	-	4,400
<u>4,499</u>	<u>235,520</u>	<u>260,706</u>	<u>1,053,818</u>
-	-	105,000	2,173,659
-	-	206,873	12,263,371
-	-	8,058,612	10,530,766
-	143,654	111,847	1,291,618
-	564,964	71,006	1,599,942
-	28,050	-	108,624
-	(448,036)	(6,666,926)	(18,839,525)
-	<u>288,632</u>	<u>1,886,412</u>	<u>9,128,455</u>
-	<u>288,632</u>	<u>1,886,412</u>	<u>9,128,455</u>
<u>4,499</u>	<u>524,152</u>	<u>2,147,118</u>	<u>10,182,273</u>
14	25,312	103,608	346,220
-	-	-	8,764
-	4,764	20,446	58,729
4,485	-	-	4,485
-	-	46,080	46,080
-	<u>1,890</u>	<u>3,777</u>	<u>47,253</u>
<u>4,499</u>	<u>31,966</u>	<u>173,911</u>	<u>511,531</u>
-	5,858	2,646	36,506
-	2,976	12,440	32,081
-	-	-	277,360
-	<u>8,834</u>	<u>15,086</u>	<u>345,947</u>
<u>4,499</u>	<u>40,800</u>	<u>188,997</u>	<u>857,478</u>
-	288,632	1,886,412	9,128,455
-	<u>194,720</u>	<u>71,709</u>	<u>196,340</u>
<u>\$ -</u>	<u>\$ 483,352</u>	<u>\$ 1,958,121</u>	<u>\$ 9,324,795</u>

City of Muscatine, Iowa

Non-Major Enterprise Funds
 Combining Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2014

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Parking fees	-	190,844	-	-	-
Transit fees	-	-	184,360	-	-
Golf course fees	-	-	-	737,118	-
Boat harbor fees	-	-	-	-	22,633
Management fees	9,900	-	-	-	-
Rents	55,663	-	-	-	-
Other	3,932	-	395	24,138	-
Total operating revenues	<u>69,495</u>	<u>190,844</u>	<u>184,755</u>	<u>761,256</u>	<u>22,633</u>
Operating expenses:					
Cost of sales and services:					
Personal services	-	143,485	686,035	348,620	14,960
Commodities	3,642	2,428	128,014	186,803	1,130
Contractual services	107,273	25,238	187,842	128,334	3,432
Administration	8,300	21,100	17,100	50,100	5,400
Depreciation	382,682	44,049	64,286	112,880	4,541
Total operating expenses	<u>501,897</u>	<u>236,300</u>	<u>1,083,277</u>	<u>826,737</u>	<u>29,463</u>
Operating income (loss)	<u>(432,402)</u>	<u>(45,456)</u>	<u>(898,522)</u>	<u>(65,481)</u>	<u>(6,830)</u>
Non-operating revenues (expenses):					
Federal, state and local grants	2,507	-	552,517	-	-
Interest revenue	11	116	13	81	7
Gain (loss) on sale of capital assets	-	-	(4,263)	-	-
Non-operating revenues (expenses), net	<u>2,518</u>	<u>116</u>	<u>548,267</u>	<u>81</u>	<u>7</u>
Income (loss) before capital contributions and transfers	(429,884)	(45,340)	(350,255)	(65,400)	(6,823)
Capital contributions - grants	216,670	-	315,487	-	-
Transfers in	76,720	-	380,401	-	-
Transfers out	-	-	-	-	-
Change in net position	(136,494)	(45,340)	345,633	(65,400)	(6,823)
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>
Net position, June 30, 2014	<u>\$ 4,105,982</u>	<u>\$ 1,251,186</u>	<u>\$ 548,132</u>	<u>\$ 935,034</u>	<u>\$ 42,988</u>

Marina Operations	Ambulance Operations	Public Housing	Total
\$ -	\$ 1,267,251	\$ -	\$ 1,267,251
-	-	-	190,844
-	-	-	184,360
-	-	-	737,118
-	-	-	22,633
-	-	-	9,900
-	-	429,384	485,047
<u>8,080</u>	<u>38,096</u>	<u>44,192</u>	<u>118,833</u>
<u>8,080</u>	<u>1,305,347</u>	<u>473,576</u>	<u>3,015,986</u>
1,193	170,199	362,084	1,726,576
6,780	101,238	62,265	492,300
616	181,413	449,193	1,083,341
-	34,500	-	136,500
<u>-</u>	<u>70,043</u>	<u>297,082</u>	<u>975,563</u>
<u>8,589</u>	<u>557,393</u>	<u>1,170,624</u>	<u>4,414,280</u>
<u>(509)</u>	<u>747,954</u>	<u>(697,048)</u>	<u>(1,398,294)</u>
-	-	325,772	880,796
-	146	420	794
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,263)</u>
<u>-</u>	<u>146</u>	<u>326,192</u>	<u>877,327</u>
(509)	748,100	(370,856)	(520,967)
-	-	-	532,157
435	-	-	457,556
<u>-</u>	<u>(885,300)</u>	<u>-</u>	<u>(885,300)</u>
(74)	(137,200)	(370,856)	(416,554)
<u>74</u>	<u>620,552</u>	<u>2,328,977</u>	<u>9,741,349</u>
<u>\$ -</u>	<u>\$ 483,352</u>	<u>\$ 1,958,121</u>	<u>\$ 9,324,795</u>

City of Muscatine, Iowa
Non-Major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014

	Airport Operations	Parking Operations	Transit Operations	Golf Course	Boat Harbor
Cash flows from operating activities					
Receipts from customers and users	\$ 69,007	\$ 194,998	\$ 184,366	\$ 759,781	\$ 22,633
Payments to suppliers	(121,280)	(27,058)	(45,177)	(343,883)	(4,996)
Payments to employees	-	(105,242)	(518,571)	(248,266)	(10,070)
Payments for employee benefits	-	(34,829)	(126,882)	(81,948)	(2,937)
Payments for interfund services used	(12,036)	(21,100)	(287,830)	(53,146)	(5,400)
Net cash provided (used) by operating activities	<u>(64,309)</u>	<u>6,769</u>	<u>(794,094)</u>	<u>32,538</u>	<u>(770)</u>
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	76,720	-	380,401	-	-
Advances from other funds	88,613	-	-	-	-
Advances to other funds	-	-	-	-	(4,485)
Repayment of advances from other funds	-	-	-	(6,113)	-
Repayment of advances to other funds	-	-	-	-	5,212
Subsidies from federal, state and local grants	2,507	-	524,707	-	-
Net cash provided (used) by noncapital financing activities	<u>167,840</u>	<u>-</u>	<u>905,108</u>	<u>(6,113)</u>	<u>727</u>
Cash flows from capital and related financing activities					
Capital contributions	59,802	-	315,488	-	-
Purchase of capital assets	(163,344)	-	(359,874)	(26,506)	-
Proceeds from sale of capital assets	-	-	3,600	-	-
Net cash provided (used) by capital and related financing activities	<u>(103,542)</u>	<u>-</u>	<u>(40,786)</u>	<u>(26,506)</u>	<u>-</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	11	116	13	81	7
Net cash provided (used) by investing activities	<u>11</u>	<u>116</u>	<u>13</u>	<u>81</u>	<u>7</u>
Net increase (decrease) in cash and pooled investments	-	6,885	70,241	-	(36)
Cash and pooled investments, June 30, 2013	-	80,316	54,684	-	7,791
Cash and pooled investments, June 30, 2014	<u>\$ -</u>	<u>\$ 87,201</u>	<u>\$ 124,925</u>	<u>\$ -</u>	<u>\$ 7,755</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	\$ (432,402)	\$ (45,456)	\$ (898,522)	\$ (65,481)	\$ (6,830)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	382,682	44,049	64,286	112,880	4,541
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(1,098)	2,531	(473)	(2,441)	-
Inventories	-	-	-	4,551	-
Increase (decrease) in:					
Accounts payable and accruals	(14,101)	6,030	36,374	(17,883)	99
Compensated absences payable	-	(3,036)	2,939	(3,099)	1,420
Other post-employment benefits	-	1,028	1,218	3,045	-
Unearned revenue	610	1,623	84	966	-
Deposits	-	-	-	-	-
Total adjustments	<u>368,093</u>	<u>52,225</u>	<u>104,428</u>	<u>98,019</u>	<u>6,060</u>
Net cash provided (used) by operating activities	<u>\$ (64,309)</u>	<u>\$ 6,769</u>	<u>\$ (794,094)</u>	<u>\$ 32,538</u>	<u>\$ (770)</u>
Non-cash capital and related financing activities:					
Change in accounts payable used to purchase capital assets	\$ 105,390	\$ -	\$ -	\$ -	\$ -

<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 8,080	\$ 1,299,140	\$ 472,673	\$ 3,010,678
(6,595)	(236,079)	(443,863)	(1,228,931)
(899)	(132,147)	(230,433)	(1,245,628)
(294)	(29,734)	(101,214)	(377,838)
-	(74,753)	(84,743)	(539,008)
<u>292</u>	<u>826,427</u>	<u>(387,580)</u>	<u>(380,727)</u>
-	(885,300)	-	(885,300)
435	-	-	457,556
4,485	-	-	93,098
-	-	-	(4,485)
(5,212)	-	-	(11,325)
-	-	-	5,212
-	-	325,772	852,986
<u>(292)</u>	<u>(885,300)</u>	<u>325,772</u>	<u>507,742</u>
-	-	-	375,290
-	(28,050)	-	(577,774)
-	-	-	3,600
-	(28,050)	-	(198,884)
-	-	393,624	393,624
-	-	(327,050)	(327,050)
-	146	420	794
-	<u>146</u>	<u>66,994</u>	<u>67,368</u>
-	(86,777)	5,186	(4,501)
-	111,582	1,702	256,075
<u>\$ -</u>	<u>\$ 24,805</u>	<u>\$ 6,888</u>	<u>\$ 251,574</u>
<u>\$ (509)</u>	<u>\$ 747,954</u>	<u>\$ (697,048)</u>	<u>\$ (1,398,294)</u>
-	70,043	297,082	975,563
-	(2,111)	(1,013)	(4,605)
801	-	-	5,352
-	13,117	16,771	40,407
-	505	(7,490)	(8,761)
-	1,015	4,008	10,314
-	(4,096)	(169)	(982)
-	-	279	279
<u>801</u>	<u>78,473</u>	<u>309,468</u>	<u>1,017,567</u>
<u>\$ 292</u>	<u>\$ 826,427</u>	<u>\$ (387,580)</u>	<u>\$ (380,727)</u>
\$ -	\$ -	\$ -	\$ 105,390

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, 2014**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and pooled investments	\$ 47,802	\$ -	\$ 1,899,666	\$ 6,009	\$ 1,953,477
Receivables:					
Accounts	4,465	-	4,113	-	8,578
Due from fiduciary funds	-	-	30,348	-	30,348
Due from other funds	-	-	1,502	-	1,502
Inventories	<u>123,367</u>	<u>2,707</u>	<u>-</u>	<u>-</u>	<u>126,074</u>
Total current assets	<u>175,634</u>	<u>2,707</u>	<u>1,935,629</u>	<u>6,009</u>	<u>2,119,979</u>
Capital assets:					
Equipment	117,956	-	-	-	117,956
Vehicles	67,216	-	-	-	67,216
Less accumulated depreciation	<u>(167,642)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,642)</u>
Total capital assets net of accumulated depreciation	<u>17,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,530</u>
Total assets	<u>193,164</u>	<u>2,707</u>	<u>1,935,629</u>	<u>6,009</u>	<u>2,137,509</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	47,330	75	148,937	2,346	198,688
Compensated absences payable	17,846	-	-	-	17,846
Unearned revenue	-	-	13,292	111	13,403
Due to other funds	<u>-</u>	<u>1,502</u>	<u>-</u>	<u>-</u>	<u>1,502</u>
Total current liabilities	<u>65,176</u>	<u>1,577</u>	<u>162,229</u>	<u>2,457</u>	<u>231,439</u>
Noncurrent liabilities:					
Compensated absences payable	29,245	-	-	-	29,245
Other post employment benefits	<u>11,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,904</u>
Total noncurrent liabilities	<u>41,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,149</u>
Total liabilities	<u>106,325</u>	<u>1,577</u>	<u>162,229</u>	<u>2,457</u>	<u>272,588</u>
NET POSITION					
Investment in capital assets	17,530	-	-	-	17,530
Unrestricted	<u>69,309</u>	<u>1,130</u>	<u>1,773,400</u>	<u>3,552</u>	<u>1,847,391</u>
Total net position	<u>\$ 86,839</u>	<u>\$ 1,130</u>	<u>\$ 1,773,400</u>	<u>\$ 3,552</u>	<u>\$ 1,864,921</u>

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014**

	<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	\$ 708,483	\$ -	\$ -	\$ -	\$ 708,483
Fuel	499,842	-	-	-	499,842
Supply charges	-	2,455	-	-	2,455
Employer contributions	-	-	2,198,756	61,408	2,260,164
Employee contributions	-	-	149,632	62,817	212,449
Other contributions	-	-	164,668	5,165	169,833
Other operating revenue	<u>3,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,725</u>
Total operating revenues	<u>1,212,050</u>	<u>2,455</u>	<u>2,513,056</u>	<u>129,390</u>	<u>3,856,951</u>
Operating expenses:					
Cost of sales and services:					
Personal services	310,225	-	-	-	310,225
Commodities	671,263	2,296	-	-	673,559
Contractual services	238,925	-	2,466,296	143,354	2,848,575
Administration	15,800	-	3,000	-	18,800
Depreciation	<u>6,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,001</u>
Total operating expenses	<u>1,242,214</u>	<u>2,296</u>	<u>2,469,296</u>	<u>143,354</u>	<u>3,857,160</u>
Operating income (loss)	(30,164)	159	43,760	(13,964)	(209)
Non-operating revenues:					
Interest revenue	<u>-</u>	<u>-</u>	<u>2,897</u>	<u>25</u>	<u>2,922</u>
Income (loss) before transfers	(30,164)	159	46,657	(13,939)	2,713
Capital contributions - government	3,223	-	-	-	3,223
Transfers out	<u>-</u>	<u>-</u>	<u>(45,884)</u>	<u>-</u>	<u>(45,884)</u>
Change in net position	(26,941)	159	773	(13,939)	(39,948)
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>
Net position, June 30, 2014	<u>\$ 86,839</u>	<u>\$ 1,130</u>	<u>\$ 1,773,400</u>	<u>\$ 3,552</u>	<u>\$ 1,864,921</u>

City of Muscatine, Iowa

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014

	Equipment Services	Central Supplies	Health Insurance	Dental Insurance	Total
Cash flows from operating activities					
Receipts from interfund services provided	\$ 1,210,790	\$ 2,455	\$ 2,548,006	\$ 129,501	\$ 3,890,752
Payments to suppliers	(918,817)	(2,862)	(2,518,519)	(143,793)	(3,583,991)
Payments to employees	(207,160)	-	-	-	(207,160)
Payments for employee benefits	(89,852)	-	-	-	(89,852)
Payments for interfund services used	(15,800)	-	(3,000)	-	(18,800)
Net cash provided (used) by operating activities	<u>(20,839)</u>	<u>(407)</u>	<u>26,487</u>	<u>(14,292)</u>	<u>(9,051)</u>
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	(45,884)	-	(45,884)
Advances from other funds	-	1,502	-	-	1,502
Advances to other funds	-	-	(1,502)	-	(1,502)
Advances to fiduciary funds	-	-	(30,348)	-	(30,348)
Repayment of advances from other funds	-	(1,095)	-	-	(1,095)
Repayment of advances to other funds	-	-	1,095	-	1,095
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>407</u>	<u>(76,639)</u>	<u>-</u>	<u>(76,232)</u>
Cash flows from investing activities					
Interest received	-	-	2,897	25	2,922
Net increase (decrease) in cash and pooled investments	(20,839)	-	(47,255)	(14,267)	(82,361)
Cash and pooled investments, June 30, 2013	68,641	-	1,946,921	20,276	2,035,838
Cash and pooled investments, June 30, 2014	<u>\$ 47,802</u>	<u>\$ -</u>	<u>\$ 1,899,666</u>	<u>\$ 6,009</u>	<u>\$ 1,953,477</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Cash flows from operating activities:					
Operating income (loss)	\$ (30,164)	\$ 159	\$ 43,760	\$ (13,964)	\$ (209)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,001	-	-	-	6,001
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(1,260)	-	21,658	-	20,398
Inventories	5,435	(490)	-	-	4,945
Increase (decrease) in:					
Accounts payable and accruals	(4,324)	(76)	(52,223)	(439)	(57,062)
Compensated absences payable	(587)	-	-	-	(587)
Other post employment benefits payable	4,060	-	-	-	4,060
Deferred revenue	-	-	13,292	111	13,403
Total adjustments	<u>9,325</u>	<u>(566)</u>	<u>(17,273)</u>	<u>(328)</u>	<u>(8,842)</u>
Net cash provided (used) by operating activities	<u>\$ (20,839)</u>	<u>\$ (407)</u>	<u>\$ 26,487</u>	<u>\$ (14,292)</u>	<u>\$ (9,051)</u>
Non-cash capital and related financing activities:					
Capital assets contributed by government	\$ 3,223	-	-	-	\$ 3,223

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 – Through November 2013 used to accounts for the collection and payment of employee payroll withholdings and City contributions for payroll taxes. Beginning in December 2013, with the implementation of the new financial software system, used to account for the collection and payment of miscellaneous payroll-related items.

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, 2014**

	<u>Payroll Clearing</u>	<u>Miscellaneous Clearing</u>	<u>Housing Revolving</u>	<u>Totals</u>
Assets:				
Accounts receivable	\$ -	\$ 820	\$ 61,514	\$ 62,334
Due from other funds	56	-	-	56
Total assets	<u>56</u>	<u>820</u>	<u>61,514</u>	<u>62,390</u>
Liabilities:				
Accounts payable and accruals	56	468	31,462	31,986
Due to primary government	-	352	29,996	30,348
Due to other funds	-	-	56	56
Total liabilities	<u>\$ 56</u>	<u>\$ 820</u>	<u>\$ 61,514</u>	<u>\$ 62,390</u>

City of Muscatine, Iowa

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2014

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<u>Pavroll Clearing Fund</u>				
Assets:				
Cash and pooled investments	\$ 672,253	\$ 6,314,841	\$ 6,987,094	\$ -
Due from other funds	50,500	-	50,444	56
Total assets	<u>\$ 722,753</u>	<u>\$ 6,314,841</u>	<u>\$ 7,037,538</u>	<u>\$ 56</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 722,753</u>	<u>\$ 1,622,481</u>	<u>\$ 2,345,178</u>	<u>\$ 56</u>
<u>Miscellaneous Clearing Fund</u>				
Assets:				
Cash and pooled investments	\$ 171	\$ -	\$ 171	\$ -
Accounts receivable	-	820	-	820
Total assets	<u>\$ 171</u>	<u>\$ 820</u>	<u>\$ 171</u>	<u>\$ 820</u>
Liabilities:				
Accounts payable and accruals	\$ 171	\$ 297	\$ -	\$ 468
Due to primary government	-	352	-	352
Total liabilities	<u>\$ 171</u>	<u>\$ 649</u>	<u>\$ -</u>	<u>\$ 820</u>
<u>Housing Revolving Fund</u>				
Assets:				
Accounts receivable	<u>\$ 50,821</u>	<u>\$ 10,693</u>	<u>\$ -</u>	<u>\$ 61,514</u>
Liabilities:				
Accounts payable and accruals	\$ 321	\$ 31,141	\$ -	\$ 31,462
Due to primary government	-	29,996	-	29,996
Due to other funds	50,500	-	50,444	56
Total liabilities	<u>\$ 50,821</u>	<u>\$ 61,137</u>	<u>\$ 50,444</u>	<u>\$ 61,514</u>
<u>Total</u>				
Assets:				
Cash and pooled investments	\$ 672,424	\$ 6,314,841	\$ 6,987,265	\$ -
Accounts receivable	50,821	11,513	-	62,334
Due from other funds	50,500	-	50,444	56
Total assets	<u>\$ 773,745</u>	<u>\$ 6,326,354</u>	<u>\$ 7,037,709</u>	<u>\$ 62,390</u>
Liabilities:				
Accounts payable and accruals	\$ 723,245	\$ 1,653,919	\$ 2,345,178	\$ 31,986
Due to primary government	-	30,348	-	30,348
Due to other funds	50,500	-	50,444	56
Total liabilities	<u>\$ 773,745</u>	<u>\$ 1,684,267</u>	<u>\$ 2,395,622</u>	<u>\$ 62,390</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, 2014**

ASSETS

Restricted assets:	
Cash and pooled investments	\$ 1,462,044
Capital assets:	
Land	1,080,608
Land improvements	2,490,422
Buildings	37,314
Equipment	31,317
Less accumulated depreciation	<u>(1,539,135)</u>
Total capital assets (net of accumulated depreciation)	<u>2,100,526</u>
Total assets	<u><u>3,562,570</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accruals	74,420
Compensated absences payable	<u>1,568</u>
Total current liabilities	<u>75,988</u>
Noncurrent liabilities:	
Loan due to primary government	431,478
Closure/post-closure obligation	2,653,560
Compensated absences payable	<u>231</u>
Total noncurrent liabilities	<u>3,085,269</u>
Total liabilities	<u>3,161,257</u>

NET POSITION

Investment in capital assets	2,100,526
Unrestricted	<u>(1,699,213)</u>
Total net position	<u><u>\$ 401,313</u></u>

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014**

Operating revenues:	
Charges for services	\$ 1,284,208
Other operating revenues	<u>15,000</u>
Total operating revenues	<u>1,299,208</u>
Operating expenses:	
Cost of services:	
Personal services	26,468
Commodities	14,492
Contractual services	745,552
Administration	49,700
Depreciation	<u>280,121</u>
Total operating expenses	<u>1,116,333</u>
Operating income	<u>182,875</u>
Non-operating revenue:	
Intergovernmental revenue	117,177
Interest revenue	<u>1,024</u>
Total non-operating revenues	<u>118,201</u>
Change in net position	301,076
Net position, June 30, 2013	<u>100,237</u>
Net position, June 30, 2014	<u><u>\$ 401,313</u></u>

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Cash Flows
Year Ended June 30, 2014**

Cash flows from operating activities	
Receipts from customers and users	\$ 1,299,208
Payments to suppliers	(649,986)
Payments to employees	(18,824)
Payments for employee benefits	(6,485)
Payments for interfund services used	(49,700)
Net cash provided by operating activities	<u>574,213</u>
Cash flows from noncapital financing activities	
Repayment of loan from primary government	(590,869)
Subsidies from federal, state and local governments	117,177
Net cash provided (used) by noncapital financing activities	<u>(473,692)</u>
Cash flows from investing activities	
Interest received	1,024
Net cash provided by investing activities	<u>1,024</u>
Net increase in cash and pooled investments	101,545
Cash and pooled investments, June 30, 2013	<u>1,360,499</u>
Cash and pooled investments, June 30, 2014	<u><u>\$ 1,462,044</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Cash flows from operating activities:	
Operating income	<u>\$ 182,875</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	280,121
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts payable and accruals	16,020
Compensated absences payable	211
Closure/post-closure liability	94,986
Total adjustments	<u>391,338</u>
Net cash provided by operating activities	<u><u>\$ 574,213</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 2013. 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, 2014**

ASSETS

Current assets:	
Cash and pooled investments	<u>\$ 80,948</u>
Capital assets:	
Equipment	11,412
Less accumulated depreciation	<u>(3,423)</u>
Total capital assets (net of accumulated depreciation)	<u>7,989</u>
Total assets	<u><u>88,937</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accruals	4,715
Compensated absences payable	<u>928</u>
Total current liabilities	<u>5,643</u>
Total liabilities	<u>5,643</u>

NET POSITION

Investment in capital assets	7,989
Unrestricted	<u>75,305</u>
Total net position	<u><u>\$ 83,294</u></u>

**Muscatine Convention and Visitors Bureau
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014**

Operating revenues:	
City contributions	\$ 83,925
Other contributions	<u>2,500</u>
Total operating revenues	<u>86,425</u>
Operating expenses:	
Cost of services:	
Personal services	50,120
Commodities	2,319
Contractual services	19,624
Administration	3,700
Depreciation	<u>2,282</u>
Total operating expenses	<u>78,045</u>
Operating income	<u>8,380</u>
Non-operating revenue:	
Interest revenue	<u>108</u>
Change in net position	8,488
Net position, June 30, 2013	<u>74,806</u>
Net position, June 30, 2014	<u><u>\$ 83,294</u></u>

**Muscatine Convention and Visitors Bureau
Component Unit**

**Statement of Cash Flows
Year Ended June 30, 2014**

Cash flows from operating activities	
Receipts from contributing entities	\$ 86,425
Payments to suppliers	(23,166)
Payments to employees	(36,439)
Payments for employee benefits	(10,811)
Net cash provided by operating activities	<u>16,009</u>
 Cash flows from investing activities	
Interest received	<u>108</u>
Net cash provided by investing activities	<u>108</u>
 Net increase in cash and pooled investments	 16,117
 Cash and pooled investments, June 30, 2013	 <u>64,831</u>
 Cash and pooled investments, June 30, 2014	 <u>\$ 80,948</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Cash flows from operating activities:	
Operating income	<u>\$ 8,380</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,282
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts payable and accruals	4,419
Compensated absences payable	928
Total adjustments	<u>7,629</u>
Net cash provided by operating activities	<u>\$ 16,009</u>

STATISTICAL SECTION

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

Contents	Page
<u>Financial Trends (Schedules 1 – 5)</u>	103-109
<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>	
<u>Revenue Capacity (Schedules 6 – 9)</u>	110-113
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	
<u>Debt Capacity (Schedules 10 – 13)</u>	114-117
<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>	
<u>Demographic and Economic Information (Schedules 14 – 15)</u>	118-119
<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>	
<u>Operating Information (Schedules 16 – 18)</u>	120-122
<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									
	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Governmental activities										
Net investment in capital assets	\$ 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	\$ 52,468,351
Restricted	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	6,449,451
Unrestricted	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	1,650,177
Total governmental activities net position	<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>	<u>\$ 60,567,979</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 71,207,184
Restricted	-	-	-	-	190,093	413,321	135,331	178,360	136,888	107,422
Unrestricted	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	5,580,730
Total business-type activities net position	<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>	<u>\$ 76,895,336</u>
Primary government										
Net investment in capital assets	\$ 98,771,773	\$ 101,112,298	\$ 104,062,366	\$ 104,089,004	\$ 107,589,041	\$ 109,223,807	\$ 114,494,591	\$ 114,427,564	\$ 118,930,004	\$ 123,675,535
Restricted	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	6,556,873
Unrestricted	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	7,230,907
Total primary government net position	<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>	<u>\$ 133,517,114</u>	<u>\$ 135,465,228</u>	<u>\$ 137,463,315</u>

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

	Fiscal Year									
	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Expenses										
Governmental activities:										
Public safety	\$ 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	\$ 8,701,457
Public works	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	4,576,539
Health and social services	15,700	16,660	26,700	16,660	16,660	17,100	17,800	17,800	20,000	20,000
Culture and recreation	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	4,030,522
Community and economic development	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	3,269,232
General government	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	2,385,047
Interest and fees on long-term debt	422,410	379,549	432,626	391,759	473,916	439,305	570,313	504,515	496,578	423,211
Total governmental activities expense	<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>	<u>23,406,008</u>
Business-type activities:										
Water pollution control	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	6,898,082
Transfer station	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	2,292,207
Refuse collection	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	2,156,260
Airport	551,070	579,586	545,259	561,312	605,009	709,883	566,129	462,094	551,499	501,897
Parking	205,301	220,508	210,405	244,774	201,409	228,674	247,292	244,115	237,933	236,762
Transit	678,757	763,123	781,763	872,252	907,562	1,028,876	1,016,663	1,077,339	1,121,524	1,091,925
Golf course	468,149	439,438	586,908	778,125	825,757	798,587	818,018	871,848	864,167	827,963
Boat harbor	33,273	33,630	37,325	33,015	34,648	31,605	29,041	31,036	27,878	29,463
Marina	8,004	27,176	24,203	12,461	10,961	19,451	12,802	19,507	13,873	8,589
Ambulance	914,100	908,058	912,403	428,659	483,223	390,308	426,829	473,350	500,046	558,157
Public housing	935,354	882,502	911,298	924,183	975,076	994,013	1,120,421	1,164,215	1,089,036	1,173,841
Total business-type activities expense	<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>	<u>15,775,146</u>
Total primary government expense	<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>	<u>\$ 39,181,154</u>

(Continued)

	Fical Year									
	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
(Continued)										
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 356,703	\$ 306,954	\$ 383,518	\$ 421,978	\$ 438,932	\$ 339,786	\$ 530,879	\$ 1,230,430	\$ 1,137,537	\$ 1,024,538
Public works	179,104	141,803	140,649	151,785	319,112	231,564	262,393	634,870	224,263	290,158
Culture and recreation	599,761	577,257	616,982	598,707	494,131	448,271	478,394	545,297	488,456	485,838
Community and economic development	372,703	407,977	398,479	405,832	358,812	480,137	430,574	426,917	456,674	418,418
General government	324,733	432,880	382,812	410,042	473,567	506,364	545,322	529,471	747,062	721,830
Operating grants and contributions	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	5,028,968
Capital grants and contributions	894,158	1,733,592	2,018,077	963,114	108,213	1,726,091	3,398,652	1,398,288	767,392	2,014,424
Total governmental activities program revenues	<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>	<u>9,984,174</u>
Business-type activities:										
Charges for services:										
Water pollution control	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	5,445,722
Transfer station	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	1,992,637
Refuse collection	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	2,164,865
Airport	46,086	43,564	47,351	41,023	39,523	37,647	37,833	42,124	69,136	69,495
Parking	161,344	188,146	178,128	204,733	194,821	176,103	175,691	182,220	177,415	190,844
Transit	90,457	106,144	129,429	183,586	185,653	175,505	169,004	177,055	179,622	184,755
Golf course	402,214	402,832	532,104	719,281	764,679	821,005	773,938	874,501	740,694	761,256
Boat harbor	18,745	21,782	26,022	23,899	23,359	29,104	27,338	39,814	28,665	22,633
Marina	5,200	26,616	22,494	10,721	6,599	19,623	13,473	18,757	13,079	8,080
Ambulance	850,406	735,295	817,532	968,157	1,048,722	1,038,306	1,360,650	1,167,042	1,351,714	1,305,347
Public housing	362,487	367,010	382,556	424,905	420,104	557,631	444,151	542,721	475,486	473,576
Operating grants and contributions	551,160	619,692	674,031	1,017,826	1,008,488	961,896	924,856	659,185	820,150	920,279
Capital grants and contributions	296,941	642,818	324,539	353,324	1,317,819	919,232	349,116	661,419	561,426	532,157
Total business-type activities program revenues	<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>	<u>14,071,646</u>
Total primary government program revenues	<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>	<u>\$ 24,055,820</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (13,421,834)
Business-type activities	<u>(1,797,141)</u>	<u>(1,617,968)</u>	<u>(2,131,287)</u>	<u>(620,436)</u>	<u>(201,835)</u>	<u>(562,958)</u>	<u>(529,956)</u>	<u>(1,037,266)</u>	<u>(898,073)</u>	<u>(1,703,500)</u>
Total primary government net expense	<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>	<u>\$ (15,125,334)</u>

(Continued)

	Fical Year									
	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
(Continued)										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 13,427,094
Utility taxes	63,638	59,209	63,986	67,703	64,358	63,449	52,274	58,048	57,576	56,387
Local option sales tax	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	2,750,000
Hotel/motel taxes	327,575	306,075	338,818	366,261	344,354	302,273	363,664	347,771	335,701	415,041
Cable franchise taxes	238,788	245,132	242,164	239,812	239,039	236,192	236,253	225,902	222,288	212,286
Utility franchise taxes	-	-	-	-	-	-	227,680	170,225	103,931	113,660
Intergovernmental, unrestricted	64,870	61,834	99,002	150,424	149,913	151,270	154,551	156,229	150,031	115,185
Unrestricted investment income	203,275	337,227	455,562	399,317	267,227	45,999	22,297	16,177	13,582	14,256
Gain on sale of capital assets	-	248,667	-	-	-	-	-	-	-	-
Contributions to endowments	4,500	8,820	8,735	7,980	6,620	5,550	7,850	6,373	6,958	5,726
Transfers	(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)	(3,648,930)
Total governmental activities	<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>	<u>13,460,705</u>
Business-type activities:										
Unrestricted investment income	130,688	230,168	317,561	256,849	182,286	43,652	24,232	17,875	9,379	10,222
Gain on sale of capital assets	2,253	-	4,348	-	-	-	11,216	-	19,874	3,564
Transfers	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	3,648,930
Total business-type activities	<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>	<u>3,662,716</u>
Total primary government	<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>	<u>\$ 17,123,421</u>
Changes in Net Position										
Governmental activities	\$ 92,031	\$ (522,210)	\$ 2,811,249	\$ 1,040,235	\$ (2,126,225)	\$ (1,083,582)	\$ (1,180,543)	\$ 2,596,655	\$ (279,105)	\$ 38,871
Business-type activities	521,555	3,603,591	821,170	2,547,608	3,528,672	3,820,921	4,033,862	124,912	2,523,690	1,959,216
Total primary government	<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>	<u>\$ 1,998,087</u>

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

	<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>	<u>2013/14</u>
General Fund										
Reserved	\$ 27,589	\$ 27,156	\$ 65,640	\$ 11,833	\$ 119,222	\$ 155,132	\$ -	\$ -	\$ -	\$ -
Unreserved	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	40,843
Assigned	-	-	-	-	-	-	382,877	256,263	506,407	430,858
Unassigned	-	-	-	-	-	-	2,141,534	3,319,319	3,073,412	3,388,877
Total General Fund	<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>	<u>\$ 3,860,578</u>
All other governmental funds										
Reserved	\$ 3,534,473	\$ 2,111,183	\$ 2,675,724	\$ 4,162,323	\$ 2,349,556	\$ 3,659,652	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,202,064	6,292,089	6,965,479	8,589,873	7,606,228	7,026,552	-	-	-	-
Capital projects funds	184,922	(460,420)	(688,952)	(4,856)	(1,564,725)	(565,270)	-	-	-	-
Nonspendable	-	-	-	-	-	-	2,437,508	1,314,714	1,226,852	988,000
Restricted	-	-	-	-	-	-	4,062,133	7,651,467	5,632,650	5,608,054
Unassigned	-	-	-	-	-	-	(1,538,918)	(232,181)	(208,308)	(190,622)
Total all other governmental funds	<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>	<u>\$ 6,405,432</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>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>	<u>2013/2014</u>
Revenues										
Taxes	\$ 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	\$ 16,901,816
Licenses and permits	301,322	332,378	324,913	319,931	324,492	285,956	271,372	308,385	390,491	354,747
Fines and forfeitures	149,785	126,720	144,427	203,136	177,324	183,714	393,340	1,029,833	895,789	815,217
Intergovernmental	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	6,743,559
Charges for services	478,454	416,045	418,119	437,472	480,659	449,346	444,456	556,802	527,813	560,435
Use of money and property	354,965	532,674	654,064	620,396	453,027	232,725	205,724	226,243	207,593	179,505
Special assessments	6,882	5,926	3,764	-	-	-	-	-	-	-
Other	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	1,015,792
Total revenues	<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>	<u>26,571,071</u>
Expenditures										
Public safety	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	8,074,534
Public works	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	2,226,055
Health and social services	15,700	16,660	26,700	16,660	16,660	17,100	17,800	17,800	20,000	20,000
Culture and recreation	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	2,803,820
Community and economic development	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	3,086,391
General government	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	2,211,147
Capital outlay	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	5,095,332
Debt service:										
Principal	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	1,695,000
Interest	418,977	370,960	431,653	378,304	475,087	422,906	579,145	508,615	508,706	430,422
Paying agent	2,400	2,500	2,800	2,800	1,600	1,800	2,250	2,700	2,800	2,250
Bond issuance costs	-	-	-	6,962	-	-	-	28,329	15,021	-
Total expenditures	<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>	<u>25,644,951</u>
Excess of revenues over (under) expenditures	<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>	<u>926,120</u>
Other financing sources (uses)										
General obligation bonds issued	-	2,990,000	-	5,120,000	-	7,425,000	-	4,496,400	-	2,575,000
General obligation bond premium (discount)	-	(15,548)	-	2,655	-	21,741	-	-	-	48,595
Refunding bonds issued	-	-	-	1,714,384	-	-	-	218,600	1,115,000	-
Refunding bond premium	-	-	-	2,220	-	-	-	-	-	-
Payment of refunded bonds	-	-	-	(1,680,000)	-	-	-	-	-	-
Sale of capital assets	-	275,840	-	-	-	-	-	-	-	-
Insurance recoveries	-	-	103,514	379,589	-	-	-	-	-	-
Transfers in	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	7,285,804
Transfers out	(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)	(10,888,850)
Total other financing sources (uses)	<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>	<u>(979,451)</u>
Net change in fund balances	<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>	<u>\$ (53,331)</u>
Debt service as a percentage of non-capital expenditures	10.8%	10.5%	10.6%	9.6%	9.8%	9.9%	11.6%	10.5%	15.1%	10.0%

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</u>	<u>Utility Franchise Tax (1)</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
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
2013/2014	12,528,822	874,512	56,387	23,760	415,041	212,286	113,660	2,677,348	16,901,816
Change 2004/2005 to 2013/2014	35.7%	-11.7%	-11.4%	28.4%	26.7%	-11.1%	-	38.1%	31.9%

1. 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)

Tax Collection Year	Residential Property	Commercial Property	Industrial Property	Railroads and Utilities	Less: Military Exemption	Total Taxable Value	Total Direct Tax Rate (per \$1,000 of Valuation)	Estimated Actual Value	Taxable Value as a Percentage of Estimated Actual Value
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%
2013/2014	439,988,430	233,677,171	116,856,275	6,629,974	1,946,036	795,205,814	15.67209	1,191,824,137	66.7%

Source: Muscatine County Auditor's Office

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

Fiscal Year	City Direct Rates									Overlapping Rates			Totals by School District	
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Emergency Management	Total Direct Rate	County Consolidated	School Districts		Muscatine Community	Louisa-Muscatine Community
											Muscatine Community	Louisa-Muscatine Community		
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
2013/2014	8.10000	3.80682	2.89226	0.47582	0.32969	0.06750	-	-	15.67209	9.09395	15.27597	10.58609	40.04201	35.35213

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 \$0.0675 for the Levee as shown above. A maximum rate of \$0.95 applies to the Transit tax and a maximum rate of \$0.27 applies to the Emergency tax; the City's Transit and 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, 2012 Valuation (for 2013/2014 Tax Levy)</u>			<u>January 1, 2003 Valuation (for 2004/2005 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	\$ 39,580,090	1	5.0%	\$ 38,412,755	2	6.3%
HNI Corporation (HON Industries/HON Financial)	33,968,540	2	4.3%	43,595,740	1	7.2%
Heinz, U.S.A.	10,888,030	3	1.4%	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.	8,551,510	6	1.1%	16,820,840	3	2.8%
GRIDCO, LLC	7,611,700	7	1.0%			
Sodarak Properties, LLC (Property formerly owned by Riverbend Leasing, LLC)	7,583,780	8	1.0%			
Cobblestone Apartments	6,789,960	9	0.9%			
Muscatine Downtown Investors	6,143,380	10	0.8%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	6,017,500	11	0.8%	6,785,350	6	1.1%
Hy-Vee Inc.	5,875,130	12	0.7%	5,985,620	8	1.0%
First National Bank of Muscatine	5,866,610	13	0.7%	4,552,980	11	0.8%
Central State Bank	5,744,450	14	0.7%	5,257,410	10	0.9%
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%			
SECO Investment Co. (Stanley Engineering Co.)	5,412,570	17	0.7%	5,845,690	9	1.0%
Cottonwood Apartments LLC	4,789,710	18	0.6%			
LBM Storage, LLC (Portion of this property formerly owned by Warehouse Distributing, LLC)	4,443,370	19	0.6%			
Muscatine Mall Associates LLP	4,142,360	20	0.5%	3,805,650	13	0.6%
TJD, LLC (CAM II) (Warehousing)				4,491,240	12	0.7%
Pretium Packaging				3,367,240	14	0.6%
	<u>\$ 194,476,320</u>		<u>24.7%</u>	<u>\$ 164,173,905</u>		<u>27.2%</u>

Source: Muscatine County Auditor's Office

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections (2)</u>	<u>Ratio of Total Tax Collections to Total Tax Levy (3)</u>
		<u>Amount (1)</u>	<u>Percent of Levy Collected (3)</u>			
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%
2013/2014	12,539,510	12,532,857	99.95%	(4,035) (4)	12,528,822	99.91%

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.
4. Delinquent property tax is a negative amount in 2013/2014 due to a successful appeal of a prior year taxable valuation. This resulted in the county refunding a portion of prior year property taxes paid by the commercial business

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Tax Increment Bonds	Capital Lease	General Obligation Bonds	State Revolving Fund Loan			
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	3.9%	1,446
2011/2012	17,177,089	1,140,000	-	1,490,103	15,479,565	35,286,757	3.9%	1,542
2012/2013	15,658,732	1,035,000	-	800,955	14,873,000	32,367,687	3.2%	1,359
2013/2014	16,687,974	925,000	-	-	14,295,000	31,907,974	N/A	1,340

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

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

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

Fiscal Year	General Obligation Bonds	Estimated Actual Value of Property (1)	Percentage of Actual Valuation	Population (2)	Per Capita
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
2013/2014	16,687,974	1,191,824,137	1.4%	23,819	701

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, 2014
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Muscatine County	\$ 13,060,000	45.56%	\$ 5,950,136
Eastern Iowa Community College (EICC)	21,720,000	6.39%	1,387,908
Other debt			
Eastern Iowa Community College (EICC)	35,605,000	6.39%	<u>2,275,160</u>
Subtotal, overlapping debt			\$ 9,613,204
City direct debt (2)		100.00%	<u>17,612,974</u>
Total direct and overlapping debt			<u><u>\$ 27,226,178</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>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>	<u>2013/14</u>
Debt limit (1)	\$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	\$ 61,240,458
Total debt applicable to limit	<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>	<u>17,530,000</u>
Legal debt margin	<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>	<u>\$ 43,710,458</u>
Total debt applicable to the limit as a percentage of debt limit	35.71%	35.79%	28.26%	33.02%	26.70%	35.03%	30.18%	32.77%	28.65%	28.62%

Legal Debt Margin Calculation for Fiscal Year 2013/2014

Total assessed valuation as of January 1, 2012	\$ 1,224,809,168
Debt limit - 5% of assessed valuation	<u>\$ 61,240,458</u>
Amount of debt applicable to debt limit:	
General obligation bonds	\$ 16,605,000
Tax increment revenue bonds	<u>925,000</u>
Total debt applicable to debt limit	<u>17,530,000</u>
Legal debt margin	<u>\$ 43,710,458</u>

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

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

Fiscal Year	Popula- tion (1)	Personal Income (2)	Personal Per Capita Income (2)	Median Age (1)	Percent High School Graduates or Higher (1)	School Enrollment (3)	Unemploy- ment Rate (4)
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	839,092,304	36,664	38.2	85.2%	5,293	7.6%
2011/2012	22,886	915,897,720	40,020	38.2	85.2%	5,305	6.4%
2012/2013	23,819	1,000,731,466	42,014	38.2	85.2%	5,300	5.5%
2013/2014	23,819	N/A	N/A	38.2	85.2%	5,341	4.7%

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 2013.
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)**

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>
HNI Corporation//The HON Company, Allsteel	3,600	1	15.9%	3,200	1	14.3%
Grain Processing/Kent Feeds	900	2	4.0%	1,100	3	4.9%
Muscatine Community School District	856	3	3.8%	1,200	2	5.4%
Trinity Muscatine (Formerly Unity Health Care)	488	4	2.1%	496	5	2.2%
Hy-Vee Food Store	431	5	1.9%	320	9	1.4%
Monsanto Company	400	6	1.8%	430	7	1.9%
Heinz, U.S.A.	372	7	1.6%	450	6	2.0%
Wal-Mart Superstore	325	8	1.4%	373	8	1.7%
Musco Sports Lighting	320	9	1.4%	250	12	1.1%
Muscatine Power & Water	290	10	1.3%	305	10	1.4%
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	287	11	1.3%	208	14	0.9%
SECO Investment Co. (Stanley Engineering Co.)	281	12	1.2%	256	11	1.1%
City of Muscatine	224	13	1.0%	220	13	1.0%
Muscatine County	200	14	0.9%	197	15	0.9%
Bridgestone Bandag LLC (Formerly Bandag, Inc.)	200	15	0.9%	626	4	2.8%
	9,174		40.5%	9,631		43.0%

Sources:

1. Muscatine Chamber of Commerce & Industry provided the 2014 employment figures. The 2005 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 22,699 in 2014 and 22,409 in 2005.

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

Function	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
General government	16.80	17.50	17.85	17.35	17.35	17.05	16.00	16.00	16.00	16.05
Public Safety:										
Police										
Officers (1)	37.75	38.00	38.00	38.00	39.00	40.00	39.00	41.00	42.00	42.00
Civilians	4.87	3.60	3.75	3.88	3.88	3.88	3.88	3.88	3.88	3.88
Fire										
Firefighters and officers (2)	28.50	29.00	29.50	36.00	36.00	36.00	36.00	36.00	37.00	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	15.75	15.75	15.75	15.75	15.75	15.93	15.91	15.74	15.51	14.95
Art center	4.43	4.33	4.33	4.33	4.34	4.04	4.57	4.54	4.25	4.25
Parks and recreation	13.25	12.82	13.00	12.75	12.75	12.75	11.83	11.75	11.75	11.75
Community and economic development (3)	7.00	7.00	7.00	6.50	6.50	6.17	6.67	6.72	6.92	6.92
Public works	16.75	16.75	16.74	16.84	16.50	16.51	16.51	16.51	16.51	16.66
Business-type:										
Parking	3.65	3.65	3.60	3.60	3.10	3.10	3.10	3.10	3.10	2.90
Golf course (4)	3.00	2.75	2.00	3.00	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	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Refuse collection	9.80	9.80	9.80	10.30	10.30	11.33	10.45	10.66	10.66	9.56
Landfill	0.83	0.33	0.33	0.33	0.33	0.33	0.30	0.25	0.25	0.25
Transfer station	3.17	3.67	3.67	3.67	3.67	3.67	3.58	3.42	3.42	3.42
Water pollution control	29.50	29.50	29.50	29.70	31.00	30.33	29.61	29.61	29.61	28.61
Ambulance (5)	8.75	8.25	7.75	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Housing	10.50	10.50	10.50	10.50	10.50	10.75	12.50	12.13	12.25	11.50
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals	221.88	220.78	220.65	221.53	223.00	223.87	221.94	223.34	225.14	221.73

1. Police officer positions fluctuated primarily due to grant funding for special police programs.
2. 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.
3. Staffing in the Community Development department was reduced due to the decline in General Fund revenues.
4. The City changed from a contractual arrangement with a Golf Professional to having a Golf Pro on staff beginning in 2007/2008.
5. 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.

Source: City of Muscatine records

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

Calendar Year Indicators

Function/Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police										
Calls for service	24,590	21,638	20,427	21,437	20,066	22,011	18,667	20,312	22,795	21,954
Traffic enforcement	4,946	4,020	5,188	4,616	3,425	4,066	3,406	3,247	3,840	3,484
Arrests	2,068	1,971	2,062	2,114	2,195	2,111	1,827	1,885	1,916	1,506
Parking tickets issued	2,122	1,852	1,764	1,710	1,721	1,438	1,280	1,329	1,607	1,595
Fire (includes ambulance)										
Calls for service	3,085	3,161	2,963	3,530	3,650	3,414	3,711	3,916	3,864	4,022
Culture and recreation:										
Parks and recreation										
Aquatic Center attendance (1)	46,576	55,948	45,891	41,076	46,649	33,462	39,813	41,620	43,810	36,664
Adult program participants (2)	1,006	272	328	376	408	499	532	634	817	1,510
Children's program participants	1,558	1,698	1,547	1,602	1,610	1,590	2,006	2,066	2,274	2,827
Cemetery burials (3)	111	99	104	N/A						
Community and economic development:										
Building-related permits	1,231	1,063	969	1,195	915	902	925	1,021	1,016	929
Business-type:										
Golf course										
Rounds played	32,768	33,195	31,825	29,748	32,687	34,767	33,374	31,491	34,036	28,557

Fiscal Year Indicators

Function/Department	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Culture and recreation:										
Library										
Registered borrowers	20,756	22,298	20,315	16,504	16,415	17,671	17,512	18,639	19,877	20,204
Circulation	331,445	324,179	319,446	332,355	336,210	357,897	311,425	355,993	381,942	399,874
Art center										
Attendance	17,945	18,088	15,640	22,582	19,704	26,054	27,522	29,552	23,070	13,868
Cemetery burials (3)	N/A	N/A	95	110	96	97	121	112	77	91
Public works:										
Miles of streets maintained	139	140	140	140	140	140	140	140	140	140
Business-type activities:										
Transit										
Total passengers	136,476	136,265	151,434	180,382	188,303	172,306	172,580	188,277	175,548	179,919
Parking (4)										
Tickets issued	14,764	15,598	15,764	13,204	9,704	8,465	8,684	11,212	11,499	12,270
Refuse collection										
Tons of refuse collected	8,888	9,449	9,482	8,731	8,129	8,391	8,180	7,765	7,957	8,215
Tons recycled (curbside) (5)	N/A	N/A	N/A	N/A	N/A	N/A	294	1,284	1,327	1,309
Transfer station										
Tons of waste processed	44,423	41,356	44,883	49,263	41,320	29,915	31,492	32,004	32,896	35,366
Tons recycled (contractor)	4,854	5,721	6,215	5,830	5,388	4,993	4,609	4,886	4,590	5,548
Water pollution control										
Cubic feet of wastewater treated (in millions)	183.18	173.38	208.26	279.03	289.79	301.01	314.76	201.15	224.80	218.50

1. Weed Park Aquatic Center attendance varies with summer temperatures and rain days.
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. 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 State.
4. 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.
5. The Curbside recycling collection program began April 1, 2011.

Source: City of Muscatine records

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

Function/Department	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	9	9	9	9	9	9	9	12	12	13
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	4	4	4	4	4	4	4	4
Water Tender	0	0	0	0	0	0	0	0	1	1
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	4	4	4	4	4	4	4	5	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	14	14	14	14	14	14	14	14	14	14
Park acreage	246	254	254	254	254	254	254	254	254	254
Swimming pools	2	2	2	2	2	2	2	2	1	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	8	8	8	8	8	10	10	10	8	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	139	140	140	140	140	140	140	140	140	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	11	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	16.9 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, Iowa (the City), as of and for the year ended June 30, 2014, 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 1, 2014. Our report includes reference to other auditors who audited the financial statements of the Muscatine Power & Water, a discretely presented component unit. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the Muscatine Power & Water 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, 2014, 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.

McGladrey LLP

Davenport, Iowa
December 1, 2014



Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

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, Iowa (the City)'s 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, 2014. 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, 2014. 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, 2014.

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 1, 2014

City of Muscatine, Iowa

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Section 8 Housing Choice Vouchers	14.871	IA049VO	\$ 1,528,314
Section 8 Housing Choice Vouchers	14.871	IA049AF	161,512
Section 8 Housing Choice Vouchers	14.871	IA049FSF004/005	60,374
Subtotal			1,750,200
Public and Indian Housing Operating Subsidy	14.850	IA04900000113D/114D	173,897
Public Housing Capital Funds Program	14.872	IA05P049501-12/13	151,875
Housing Counseling Grant	14.169	HC140821023	7,240
Passed through Iowa Economic Development Authority, Community Development Block Grant State's Program	14.228	13-DTR-001	38,360
Total U.S. Department of Housing and Urban Development			2,121,572
U.S. Department of Transportation			
Passed through Iowa Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	18-0031-533-14	326,433
Rural Transit Assistance Program, Training Fellowship	20.509	TF 2014-032	779
Rural Transit Assistance Program, Training Fellowship	20.509	TF 2014-068	177
Subtotal			327,389
Capital Investment Assistance Program	20.500	04-0113-533-13	141,100
Transit Services Program Cluster:			
Job Access/Reverse Commute Grant	20.516	37-X013-533-13	16,270
New Freedoms Program	20.521	57-X002-533-13	1,371
Subtotal			17,641
Highway Planning and Construction	20.205	STP-U-5330(616)--70-70	820,409
Highway Planning and Construction	20.205	STP-U-5330(617)--70-70	872,754
Highway Planning and Construction	20.205	STP-U-5330(614)--27-70	57,373
Subtotal			1,750,536
Passed through Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 13-02, Task 8	6,524
State and Community Highway Safety	20.600	PAP 14-402-M00P, Task 7	8,288
Subtotal			14,812
Total U.S. Department of Transportation			2,251,478

(Continued)

City of Muscatine, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
Federal Aviation Administration			
Direct:			
Airport Improvement Program, Airport Runway Repair/Petrographic Analysis	20.106	N/A	72,517
U.S. Department of Justice			
Direct:			
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	2012-DJ-BX-0179	3,063
Edward Byrne Justice Assistance Grant (Byrne/JAG)	16.738	2013-DJ-BX-0258	18,833
Subtotal			21,896
Bulletproof Vest Partnership Program	16.607	N/A	1,455
Public Safety Partnership and Community Policing Grants	16.710	2011-UM-WX-0050	144,240
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	16.738	11-JAG-59085	29,950
Total U.S. Department of Justice			197,541
Office of National Drug Control Policy			
Passed through Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	07.G12MW0002A	G12MW0002A	5,039
High Intensity Drug Trafficking Area Grant	07.G13MW0002A	G13MW0002A	30,536
High Intensity Drug Trafficking Area Grant	07.G14MW0002A	G14MW0002A	36,664
Total Office of National Drug Control Policy			72,239
Environmental Protection Agency			
Passed through Iowa Department of Natural Resources, ARRA - State Clean Diesel Grant Program			
	66.040	13S-ESDAQB0001-7260CIAM	192,459
U.S. Department of Homeland Security			
Passed through Scott County, Iowa, Homeland Security Grant Program			
	97.067	EMW-2012-SS-00028-06	67,493
Total			\$ 4,975,299

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, 2014**

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 for the year ended June 30, 2014. The accompanying schedule of expenditures of federal awards does not include any awards pertaining to the Muscatine Power & Water, a discretely presented component unit which is reported under separate cover. 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. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Subrecipients

The City provided federal awards during year ended June 30, 2014 to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Edward Byrne Justice Assistance Grant (Byrne/JAG) Program	16.738	\$ 9,417

Note 4. Total by Program

The total for the Edward Byrne Justice Assistance Grants CFDA No. 16.738 was \$51,846.

City of Muscatine, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Number	Comment	Status	Corrective Action or Other Explanation
None Reported			

City of Muscatine, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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
20.205	Highway Planning and Construction
20.509	Formula Grants for Other than Urbanized Areas

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, 2014

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

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

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

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

14-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	\$ 165

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.

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

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

14-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.

14-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, 2014**

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