

CITY OF CLINTON, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004

City of Clinton, Iowa

CITY OF CLINTON, IOWA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2004

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents 1
Letter of Transmittal 3
City Organizational Chart 8
List of Principal Officials 9

FINANCIAL SECTION

Independent Auditor's Report 10
Management's Discussion and Analysis 12
Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets 22
 Statement of Activities 23
 Fund Financial Statements:
 Balance Sheet - Governmental Funds 25
 Reconciliation of the Governmental Funds Balance Sheet to the Statement
 of Net Assets 27
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - Governmental Funds 28
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities 30
 Statement of Net Assets - Proprietary Funds 31
 Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Funds 33
 Statement of Cash Flows - Proprietary Funds 35
 Statement of Fiduciary Net Assets and Liabilities - Fiduciary Funds 37
 Notes to Financial Statements 38
Required Supplementary Information:
 Budgetary Comparison Schedule of Revenues, Expenditures
 and Changes in Balances - Budget and Actual -
 Budgetary Basis - Governmental Funds and Proprietary Funds 56
 Note to Required Supplementary Information - Budgetary Reporting 58
Combining Fund Statements and Schedules:
 Combining Balance Sheet - Nonmajor Governmental Funds 59
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances - Nonmajor Governmental Funds 61
 Combining Statement of Net Assets - Nonmajor Enterprise Funds 63
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Nonmajor Enterprise Funds 64
 Combining Statement of Cash Flows - Nonmajor Enterprise Funds 65
 Combining Statement of Fiduciary Assets and Liabilities - Agency Funds 66
 Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds 67
 Schedule of Revenues By Source and Expenditures By Function 68

OTHER INFORMATION SECTION

Actual Property Valuation Comparison 69
Taxable Property Valuation Comparison 70
General Obligation Bond Maturities 71
Computation of Legal Debt Margin 76
Summary of Taxes and Intergovernmental Revenues 77
Miscellaneous Statistics 78

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards 79

Independent Auditor's Report on Compliance With Requirements Applicable to
Each Major Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133..... 81

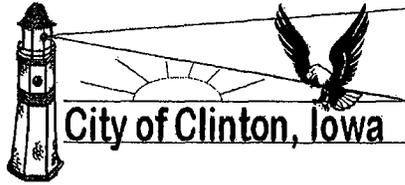
Schedule of Expenditures of Federal Awards 83

Notes to the Schedule of Expenditures of Federal Awards..... 84

Schedule of Findings and Questioned Costs 85

Schedule of Balance Sheet Accounts Required by
Revenue Bond Ordinance Enterprise Funds 89

Schedule of Revenues, Expenses and Changes in Retained Earnings
Required by Revenue Bond Ordinance Enterprise Funds..... 91



City Clerk/Finance Department

TO: Honorable Mayor, City Council and Citizens of the
City of Clinton

DATE: May 8, 2005

State law requires that cities publish 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 or by the State Auditor's Office. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Clinton, Iowa for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Clinton. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

In 1999, the Governmental Accounting Standards Board (GASB) adopted Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments". The effective date for the implementation of GASB No. 34 for the City of Clinton was June 30, 2003. Accordingly, this report includes the requirements of this reporting model, and complies with those standards.

The City's financial statements have been audited by Clifton Gunderson LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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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 audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to the single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and the auditor's reports on the internal control and compliance with applicable laws, regulations, contracts, and grants are included in the compliance section of this report. Also included in the compliance section are schedules required by the City for compliance to the covenants of a sewer revenue bond ordinance.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of Government

The City of Clinton, incorporated in 1857, is located in the eastern most part of Iowa along the Mississippi River. The City is located 45 miles northeast of Moline and Rock Island, Illinois and Davenport and Bettendorf, Iowa area (the "Quad Cities"); approximately 140 miles directly west of Chicago, Illinois and 200 miles east and north of Des Moines, Iowa. The City also is the county seat of Clinton County, covers a land area of 34.75 square miles, and serves a population of 27,772 people.

The City operates under the Mayor-Council form of government with policy-making and legislative authority vested in a mayor and seven council members. Four of the council members are elected from individual wards. The Mayor and the remaining three council members are elected at-large. Council members are elected on a non-partisan basis and serve staggered four-year terms. The city council is responsible for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring the City Administrator and the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the city council, overseeing the day-to-day operations of the government, and appointing the department managers.

The City of Clinton provides a full range of services which include police and fire protection, an ambulance service, roadway maintenance, water pollution control, solid waste management, municipal transportation, a general aviation airport, planning and zoning, recreational and cultural activities and facilities, a marina, a library, and general administration. The City employs 203 full time and 32 permanent part time employees. The Clinton Police Department consists of 45 sworn full time police officers. The Fire Department is staffed by a Fire Chief and 44 full time firefighters operating from three fire stations. The ambulance function is part of the Fire Department and provides service at a paramedic level.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Administrator in December of each year. The City Administrator uses these requests for developing a proposed budget. The proposed budget as prepared by the City Administrator is presented to the Council for review in early February. Several budget workshops involving the Council, City Administrator, department managers, and any other interested parties are held before the formal public hearing on the proposed budget are scheduled. By State law, the City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than March 15. The appropriated budget is prepared by fund, function, and department. However, the level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the total function level. Spending and administrative control of expenditures and operating transfers are monitored through detailed line item department budgets. Budget-to-actual comparisons are provided on schedules located in the Required Supplementary Information subsection of this report, which starts on page 56.

Factors Affecting Financial Condition

The information presented in the financial statements may be better understood when it is considered from the broader perspective of the specific environment within which the City operates.

In April, 2003, the state legislature passed legislation which eliminated the majority of state shared revenues distributed to cities and counties. This action was taken after cities and counties had certified their fiscal year 2003/04 budgets. For the City, the loss of revenue translated to approximately \$868,000 in the General Fund alone. The department managers were asked to review their budgets and either identify items and/or services to be reduced or propose revenue enhancements. As a result of this analysis, ambulance fees were substantially increased, capital outlay items delayed, operational adjustments implemented, and other previously designated funding sources diverted to the General Fund. The schedules included in this report reflect the results of these efforts.

In addition to the loss of state aid, another challenge to the financial stability of the City is the erosion of the tax base. Although new construction is encouraging, the residential rollback of taxable property values continues to limit the actual growth to the tax base. The City's tax base remains level while the City struggles to deliver basic services without additional financial support to sustain them. The rollback factor along with the removal of the machinery and equipment valuations for industrial and commercial valued properties continues to shift the burden of payment for these services. The City's total taxable property value base has increased by only 1% over the last ten years.

Growth, however, has continued on the western boundary of the City in recent years. A new department store was constructed which complimented the existing commercial development. Major modifications to the intersection were made to facilitate traffic flows. Also, an eight screen movie theater and restaurant has been built in the area. This development project was a joint effort between the developer and the City. Public improvement costs will be funded through tax increment financing. Nearby, a 130,000 square foot building materials store opened along a major thoroughfare into the City.

One of the goals of the City Council is the creation of 800 new jobs in the commercial, light industrial and office sectors. Jointly, the City, the Chamber of Commerce, and the Development Corporation have formed a non-profit corporation to develop an area that is attractive and conducive to this type of employment and development. The business park is located in the northwest part of the City and will, when completed, encompass 108 acres. The first phase consists of 22 acres and includes earthwork, storm sewer, paving, sanitary sewer and water lines and is expected to generate 294,000 square feet of development space. The City issued \$400,000 of bonds in October, 2003 for the purpose of providing funding for the first two installments of the property purchase for the business park. Also, extension of a gravity sewer line is part of the plan which will facilitate the future development of 13,000 acres of agriculture land. This business park is a change from the industrial park development of the past, but the City recognizes that in order to attract service industries and similar businesses and be competitive, this type of location must be available and ready for immediate occupancy.

Another development initiative is an area along Highway 30/67, a major transportation corridor in the City. This area is referred to as the Liberty Square Redevelopment Area. Major highway improvements involve the realignment of the major thoroughfare to a one-way couplet system. Storm sewers and sanitary sewers will also be separated. Targeted properties will be purchased, cleaned up, and sold for redevelopment. Other properties will be revitalized through private/public initiatives. The total project cost is estimated at approximately \$51 million with funding identified from federal and state grants, local option sales taxes, sewer improvement funds, land sales, and City bond proceeds. Early property purchases began during the 2002/03 fiscal year and have continued in 2003/04. In October, 2003, the City issued \$860,000 of bonds for the purpose of purchasing property for this highway improvement and development project.

A major improvement and enhancement to the City's riverfront and adjacent areas has been approved and is in its early stages of development. Construction costs are estimated at \$22 million. The project includes private development, state participation with Vision Iowa Funds, the City, and contributions from businesses and citizens in the community. The City anticipates issuing approximately \$3.6 million of bonds during 2005/06 for its share of construction costs which cannot be funded from other available City funds. Specific improvements for the riverfront were part of the Riverview Park master plan and consist of a new marina, converting the Showboat Theatre to a year-round facility, redeveloping the baseball stadium to current minor league standards, construction of a skate park, a new aquatic center including expansion of the current swimming pool, enhancement and expansion of the recreational vehicle park, construction of a new and larger bandshell, and other aesthetic improvements to the park area. Nearby development already completed includes rehabilitation of a vacant building in the downtown area into usable commercial space and modern apartments. Also, the City has invested over \$1,500,000 in streetscape improvements in the public right-of-way in the downtown area.

On June 27, 1989, the voters of the City of Clinton and most cities of Clinton County authorized through public referendum a 1% local option sales tax. This tax became effective October 1, 1989. The purpose of the City of Clinton's local option sales tax was to provide funding for storm sewer construction (50%) and property tax relief (50%). Proceeds are used to abate the annual property tax levy for debt service on general obligation bonds issued for storm sewer projects. Also, \$342,000 of these taxes abate a portion of the annual property tax levy for debt service of other general obligation bonds. The tort liability tax levy and employee benefits tax levy are, likewise, reduced due to an allocation of \$49,000 and \$85,000 of local option sales taxes, respectfully.

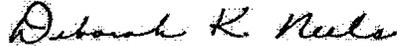
Cash management policies and practices. The City invests its idle cash during the year in money market accounts. The investment policy of the City also includes the ability to solicit competitive bids from local banking institutions and the Iowa Public Agency Investment Trust. The rates secured would be equal to or above the minimum rates prescribed by the State Treasurer's office. Investments for City operations are accounted for in an investment pool, and interest is allocated annually to the individual funds based on available fund balances. The City received \$178,294 of interest during fiscal year 2003/04.

Risk Management. The City of Clinton is exposed to various risks of loss related to liability issues; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. The City is a member of the Iowa Communities Assurance Pool for general and auto liability, as well as public official and police professional liability. Property insurance has been obtained through a private insurance company. For workers' compensation, the City also participates in the Iowa Municipalities Workers Compensation Association Pool. Employee safety meetings are held regularly. The employee committees participate in the review of employee accidents and may recommend changes in safety policies and work practices. Both pool organizations provide risk management and loss control services. For health benefits, the City supports a self-insurance fund which is treated as an internal service fund. The program is administered by a third party provider. Additional information concerning the City's risk management programs can be found in the notes to the financial statements.

Pension Benefits. The City provides pension benefits for its employees through either the Municipal Fire and Police Retirement System of Iowa (MFPRSI) or the Iowa Public Employees Retirement System (IPERS). These benefits are provided through state-wide plans managed by their respective state pension boards. The City has no other obligation in connection with the pension benefits beyond its state mandated contributions to the state plans. By special provisions within the retirement programs, the City Administrator has opted to participate in the International City Management Association Retirement Corporation plan in lieu of the state program. The City, likewise, makes the appropriate retirement contributions for the employee to this plan. Additional information on the City's pension arrangements and post employment benefits can be found in the notes to the financial statements.

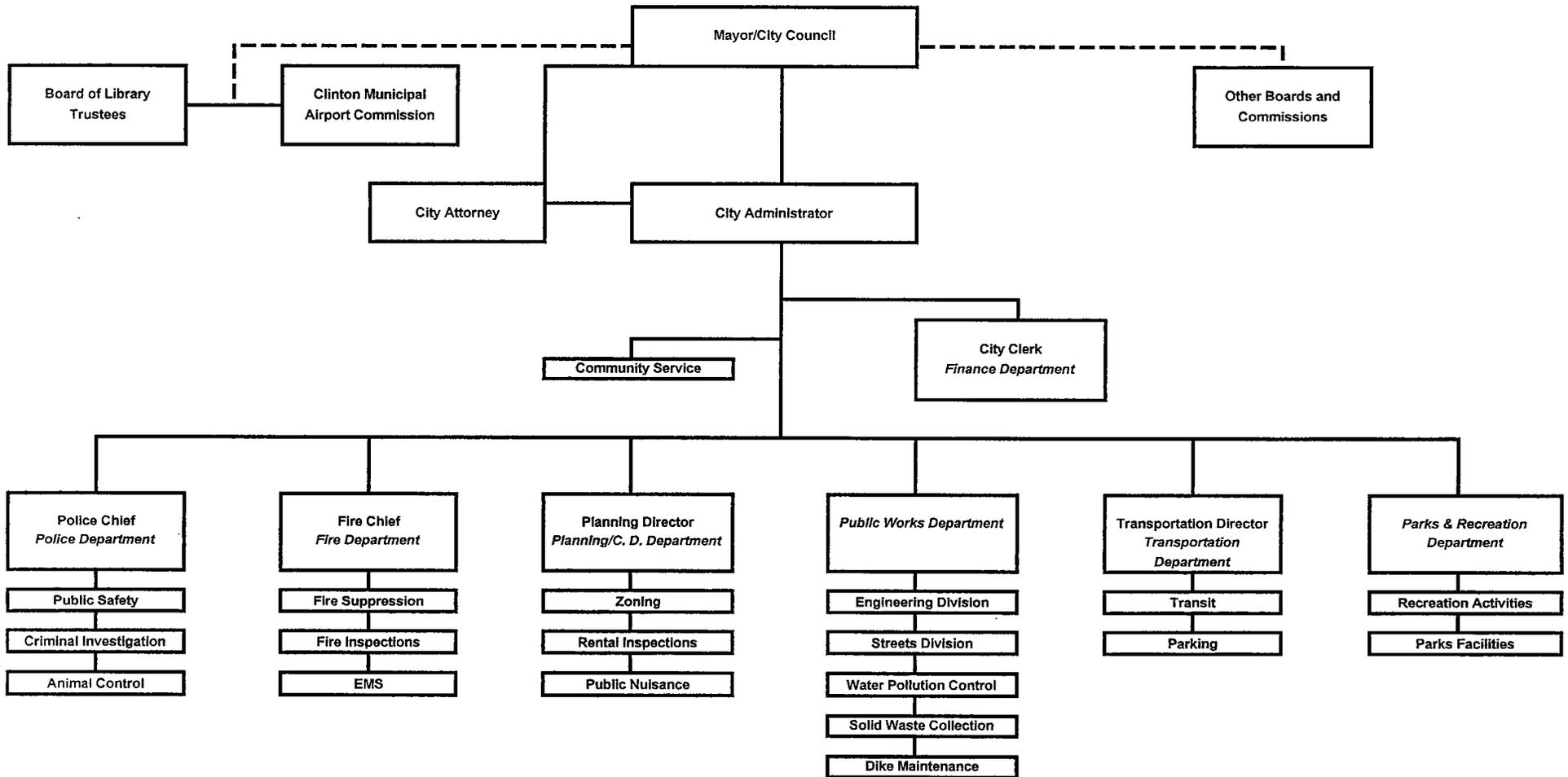
Acknowledgements. In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, I would like to express my appreciation to all members of the department for their assistance and contributions for this endeavor. I would especially like to thank Diane Thyne for her dedicated work on the fixed asset project and subsequent report reconciliations. Our auditors, Clifton Gunderson LLP were, likewise, very helpful and worked diligently in assisting us in resolving fixed asset issues and in the preparation of the annual financial report. Lastly, credit must be given to the Mayor and City Council for their continued support in planning and conducting the financial operations of the City in a responsible and prudent manner, especially in these difficult times of limited resources and on-going needs for City services.

Respectfully submitted,

A handwritten signature in cursive script that reads "Deborah K. Neels".

Deborah K. Neels
Finance Director

CITY OF CLINTON, IOWA



CITY OF CLINTON, IOWA

List of Principal Officials
June 30, 2004

ELECTED OFFICIALS

Mayor	LaMetta K. Wynn
Council Member	Beverly Hermann
Council Member	Rodger Holm
Council Member	Ronald J. Mallicoat
Council Member	Bette J. Oakley
Council Member	Edward O'Neill
Council Member	Robert J. Soesbe

APPOINTED OFFICIALS

City Administrator	Jeffrey L. Kooistra
City Attorney	Bruce D. Johansen
City Clerk/Finance Director	Deborah K. Neels
City Engineer	Steven A. Honse
Fire Chief	Mark Regenwether
Library Director	Daniel Horwath
Parks Superintendent	Thomas Krogman
Recreation Manager	Gregg Obren
Police Chief	Brian D. Guy
Street Superintendent	Charles Kelly
Water Pollution Control Superintendent	Gary Schellhorn

Independent Auditor's Report

Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Clinton, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2005, on our consideration of the City of Clinton, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information on pages 12 through 21 and 56 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The combining and individual nonmajor fund financial statements, schedules, statistical data, and the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Clinton, Iowa
May 31, 2005

Management's Discussion and Analysis

As management of the City of Clinton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements which follow this discussion and analysis. This report complies with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model. Accordingly, comparative information is included in the report.

Financial Highlights

- Assets of the City of Clinton exceeded its liability at June 30, 2004 by \$115,382,057 (net assets).
- The City's total net assets decreased by \$258,570. This amount represents only a .2% decrease.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$11,260,058, an increase of \$355,114 in comparison with the prior year. Approximately 59% of the ending fund balances was identified as undesignated and available for spending at the City's discretion.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$3,028,364, or 28% of total General Fund expenditures, including transfers out.
- The City's total debt increased by \$120,400 during the current fiscal year. The City refunded \$7,490,000 of bonds in June of 2004 by issuing refunding bonds amounting to \$7,650,000. The net present value benefit due to lower interest rates amounted to \$409,515.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Clinton's basic financial statements. The 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 of Clinton's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during fiscal year 2003/04. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Clinton 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, culture and recreation, community and economic development and general government. The business-type activities of the City of Clinton include sewer operations, solid waste collection, dock operations, marina, municipal transportation, parking, and airport.

The government-wide financial statements can be found on pages 22-24 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 of Clinton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including restrictions on the use of certain monies. All of the funds of the City of Clinton 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. Such information may be useful in evaluating a government'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. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. 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 of Clinton has six major governmental funds: the General Fund, the Road Use Tax Fund, the Local Option Sales Tax Fund, the Employee Benefits Fund, the Debt Service Fund, and the Capital Projects 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 the other non-major governmental funds are combined into a single, aggregated presentation and are referenced under a single column as Nonmajor. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Clinton adopts an annual appropriated budget for all funds as required by state statute. The budget is prepared on a modified accrual basis of accounting. A budgetary comparison schedule has been provided for the governmental and proprietary funds to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 25-30 of this report.

Proprietary funds. The City of Clinton maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds serve external customers and are primarily funded through user charges. The City uses enterprise funds to account for its Sewer Revenue (Wastewater), Solid Waste Collection, Dock Operations, Marina, Transit, Parking, and Airport activities. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City of Clinton's various functions. The City uses an internal service fund to account for its employee health insurance costs. Because this activity predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. In the basic financial statements, the proprietary fund financial statements provide separate information for the Sewer Revenue (Wastewater) Fund, Solid Waste Collection Fund, Transit System Fund, and Airport Operations Fund. Individual fund data of each of the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 31-36 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 statements because the resources of these funds are not available to support the City of Clinton's programs. The City has one pension fund and two agency funds. The most significant fiduciary fund maintained by the City is the Payroll Clearing Fund which records the accounting for payroll and associated liability payments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 37 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 38-55 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information on pages 56-58. Combining and individual fund statements and schedules can be found on pages 59-67 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City of Clinton, assets exceeded liabilities by \$115,382,057 at the close of the fiscal year ended June 30, 2004. For the fiscal year ended June 30, 2003 as restated, assets had exceeded liabilities by \$115,640,627. This represents a .2% decrease in net assets between the two fiscal periods.

City of Clinton's Net Assets June 30, 2004 and June 30, 2003 (As Restated)

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>	<u>Business-type Activities 2004</u>	<u>Business-type Activities 2003</u>	<u>Total 2004</u>	<u>Total 2003</u>
Current and other assets	\$ 24,054,260	\$ 22,235,627	\$ 6,571,015	\$ 7,746,032	\$ 30,625,275	\$ 29,981,659
Capital assets	<u>70,518,887</u>	<u>69,407,334</u>	<u>52,928,935</u>	<u>53,804,407</u>	<u>123,447,822</u>	<u>123,211,741</u>
Total assets	<u>94,573,147</u>	<u>91,642,961</u>	<u>59,499,950</u>	<u>61,550,439</u>	<u>154,073,097</u>	<u>153,193,400</u>
Current and other liabilities	15,831,117	10,372,487	541,302	1,090,408	16,372,419	11,462,895
Long-term liabilities						
outstanding	<u>20,781,621</u>	<u>24,175,381</u>	<u>1,537,000</u>	<u>1,914,497</u>	<u>22,318,621</u>	<u>26,089,878</u>
Total liabilities	<u>36,612,738</u>	<u>34,547,868</u>	<u>2,078,302</u>	<u>3,004,905</u>	<u>38,691,040</u>	<u>37,552,773</u>
Net assets						
Invested in capital assets, net of related debt	48,007,966	47,754,470	52,888,935	53,804,407	100,896,901	101,558,877
Restricted	2,024,355	2,547,745	2,167,340	1,589,300	4,191,695	4,137,045
Unrestricted	<u>7,928,088</u>	<u>6,792,878</u>	<u>2,365,373</u>	<u>3,151,827</u>	<u>10,293,461</u>	<u>9,944,705</u>
Total net assets	<u>\$ 57,960,409</u>	<u>\$ 57,095,093</u>	<u>\$ 57,421,648</u>	<u>\$ 58,545,534</u>	<u>\$ 115,382,057</u>	<u>\$ 115,640,627</u>

The largest portion of the City of Clinton's net assets (87.4%) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City of Clinton's net assets (3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,293,461) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

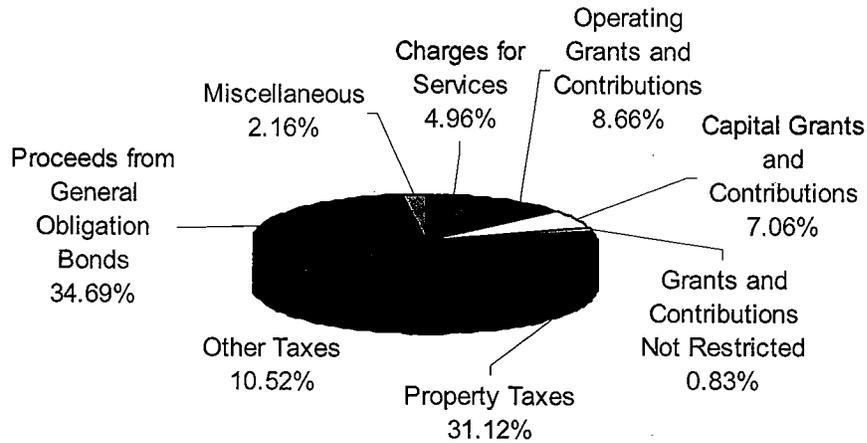
The following is a detailed review of the current year's operation and fiscal year 2003/04.

City of Clinton's Changes in Net Assets
June 30, 2004 and
June 30, 2003 (As Restated)

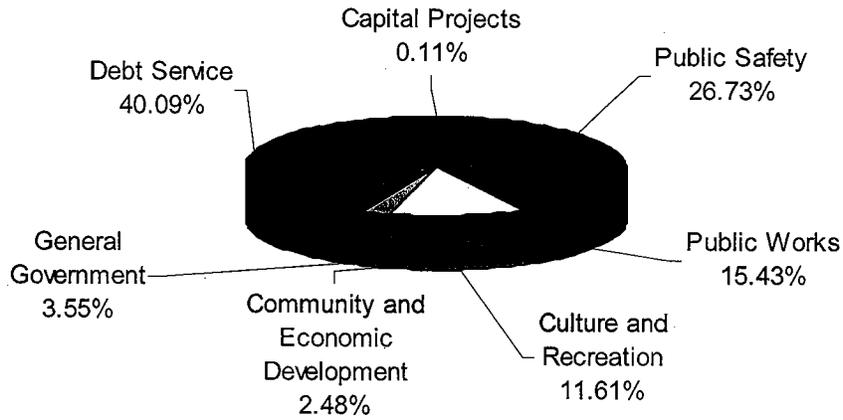
	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Revenues:						
Program Revenues:						
Charges for services	\$ 1,580,092	\$ 1,387,650	\$ 3,863,700	\$ 3,809,053	\$ 5,443,792	\$ 5,196,703
Operating grants and contributions	2,755,547	3,958,818	420,980	385,036	3,176,527	4,343,854
Capital grants and contributions	2,248,533	307,217	1,096,001	703,865	3,344,534	1,011,082
General Revenues:						
Property taxes	9,906,545	9,177,850	-	-	9,906,545	9,177,850
Other taxes	3,350,504	3,433,093	-	-	3,350,504	3,433,093
Grants and contributions not restricted to specific programs	263,484	388,698	-	-	263,484	388,698
Miscellaneous	688,419	1,360,376	353,040	157,292	1,041,459	1,517,668
Total revenues	20,793,124	20,013,702	5,733,721	5,055,246	26,526,845	25,068,948
Expenses:						
Public safety	8,241,226	7,963,968	-	-	8,241,226	7,963,968
Public works	4,759,221	6,065,618	-	-	4,759,221	6,065,618
Health and social services	-	8,400	-	-	-	8,400
Culture and recreation	3,580,500	3,537,483	-	-	3,580,500	3,537,483
Community and economic development	764,362	672,823	-	-	764,362	672,823
General government	1,094,556	1,015,276	-	-	1,094,556	1,015,276
Debt service	1,317,125	1,278,408	-	-	1,317,125	1,278,408
Capital projects	33,935	-	-	-	33,935	-
Sewer	-	-	3,780,377	3,713,332	3,780,377	3,713,332
Solid waste	-	-	948,463	884,729	948,463	884,729
Transit	-	-	1,182,413	1,222,507	1,182,413	1,222,507
Dock operations	-	-	71,224	75,572	71,224	75,572
Marina	-	-	112,275	89,375	112,275	89,375
Parking system	-	-	37,201	34,786	37,201	34,786
Airport operations	-	-	862,537	161,319	862,537	161,319
Total expenses	19,790,925	20,541,976	6,994,490	6,181,620	26,785,415	26,723,596
Increase (decrease) in net assets before transfers	1,002,199	(528,274)	(1,260,769)	(1,126,374)	(258,570)	(1,654,648)
Transfers	(136,883)	(336,474)	136,883	337,320	-	846
Increase (decrease) in net assets	865,316	(864,748)	(1,123,886)	(789,054)	(258,570)	(1,653,802)
Net assets - beginning of year	57,095,093	57,959,841	58,545,534	59,334,588	115,640,627	117,294,429
Net assets - end of year	\$ 57,960,409	\$ 57,095,093	\$ 57,421,648	\$ 58,545,534	\$ 115,382,057	\$ 115,640,627

Governmental activities. Governmental activities increased the City's net assets by \$865,316. This increase combined with the decrease in the business-type activities resulted in overall decrease of \$258,570 in net assets of the City as a whole for the fiscal year. The following graphs display the percentage of governmental revenues and expenses allocated by each revenue and expense type:

Governmental Activities 2004 Revenues

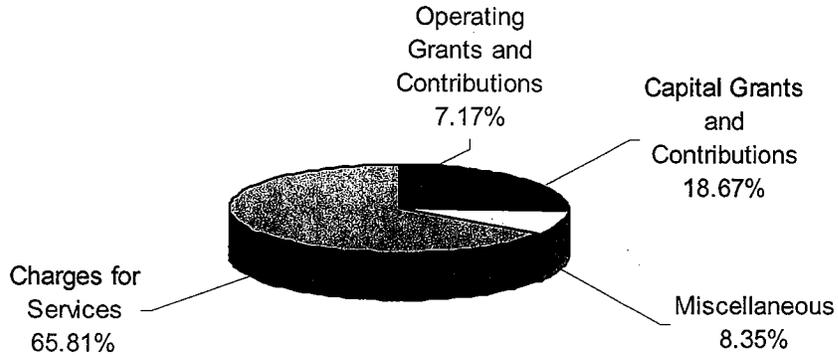


Governmental Activities 2004 Expenses

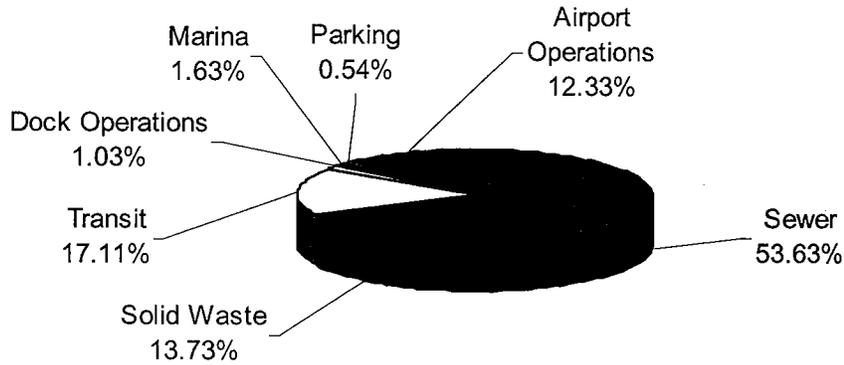


Business-type activities. As stated earlier, business-type activities decreased the City's total assets by \$1,123,886. The Sewer Revenue Fund experienced a reduction of net assets of \$1,486,257, primarily in depreciation. The Transit System Fund and Nonmajor Enterprise Funds also decreased their respective net asset totals while the Solid Waste Fund and Airport Fund increased their total net assets. The graphs which follow display the percentage of revenues and expenses allocated by each revenue and expense type for the business-type activities.

Business-type Activities 2004 Revenues



Business-type Activities 2004 Expenses



Financial Analysis of the Government's Funds

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

Governmental funds. The financial reporting focus of the City of Clinton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Clinton's government funds reported combined ending fund balances of \$11,260,058, an increase of \$355,114 in comparison with the prior year. Approximately, 81% of this total amount or \$9,139,963 constitutes unreserved fund balance, which is available to meet the future financial needs of the City. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to fund debt service payments, employee retirement and benefit programs, and a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,028,364 of which \$442,000 will be utilized to fund subsequent year's expenditures. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 28.0% of total General Fund expenditures (excluding transfers out).

The fund balance of the City's General Fund decreased by \$557,475 during the current fiscal year. This was primarily due to the State of Iowa eliminating substantial funding to the City. This action by the State was taken after the budget for the current fiscal year had been set. Accordingly, measures were taken to reduce expenditure levels and increase revenue streams as much as possible. Management continues its efforts to control and reduce budgeted expenditures.

The Road Use Tax Fund experienced a small reduction in fund balance of \$107,804. The fund balance for this fund is \$2,591,595. Monies in this fund are used for maintenance of City streets and for certain capital improvement projects. The Local Option Sales Tax Fund collects funds from a City 1 cent sales tax. Sales tax collections are used for the retirement of debt issued for major storm sewer improvements and property tax relief. Property tax relief consists of applying local option sales tax funds to debt service requirements on other City bonds, employee benefit costs, and also assistance in the payment of tort liability insurance.

Fund balance for the Capital Projects Fund increased by \$1,775,336 or approximately 250%. This was due to the issuance for bonds and resulting bond proceeds to pay for capital improvements and equipment purchases in the next fiscal year.

Proprietary funds. The City of Clinton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets for the City's enterprise funds as of June 30, 2004 was \$57,421,648, a decrease of \$1,123,886 from the previous fiscal year. This is primarily due to depreciation expense that totaled \$2,362,653 for the year. Of the net assets of the enterprise funds, \$52,888,935 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$2,365,373.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$436,217, a decrease of \$470,435. This is primarily due to the continued increase in medical costs for the City's employees.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the General Fund can be summarized as follows:

- The original operating revenue budget of \$9,490,266 was lowered to \$8,532,718, a decrease of \$957,548. This was done in order to adjust revenue estimates to reflect the anticipated level of resources available to fund expenditures in the fund. Most of the decrease was due to the State of Iowa eliminating certain local government funding after the budget had been adopted.
- The original operating expenditure budget of \$11,389,900 was lowered to \$11,107,900, a decrease of \$282,000. Expenditures were also adjusted wherever possible due to the decrease in state funding. This decrease was distributed between the departments in the General Fund.
- Transfers In and Transfers Out required adjustments through the budget amendment process. Additional funding by means of a transfer in from the employee benefit tax levy funds was provided to pay for increased medical disability costs and additional employee benefit expenses. Transfers In from the Riverboat Excursion Fund and Dock Operations Fund assisted in offsetting the state funding shortfall.

A schedule detailing budgetary information can be found on pages 56-58 of this report.

Capital Asset and Debt Administration

Capital assets. The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$123,447,822 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park and marina facilities, streets, bridges, traffic signals, storm sewers, sanitary sewers, and sidewalks. The City's investment in capital assets for the current fiscal year increased by \$236,081 compared to the prior year. Capital assets associated with governmental activities increased by \$1,111,553 while capital assets for the business-type activities decreased by \$875,472.

City of Clinton's Capital Assets (net of depreciation)

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Land	\$ 14,245,979	\$ 12,900,894	\$ 1,306,993	\$ 1,291,126	\$ 15,552,972	\$ 14,192,020
Construction in progress	3,498,369	1,791,277	2,235,103	2,570,797	5,733,472	4,362,074
Machinery and equipment	2,203,996	3,186,709	724,900	940,460	2,928,896	4,127,169
Land improvements	565,680	553,686	-	-	565,680	553,686
Buildings	8,981,625	9,232,451	15,759,344	14,520,471	24,740,969	23,752,922
Infrastructure	41,023,238	41,742,317	32,902,595	34,481,553	73,925,833	76,223,870
Total	\$ 70,518,887	\$ 69,407,334	\$ 52,928,935	\$ 53,804,407	\$ 123,447,822	\$ 123,211,741

Major capital asset events during the current fiscal year included the following:

- A multi-year street resurfacing program continued during the year.
- New fire truck and ambulance purchased.
- Design work for Riverview Park improvements began as part of the Vision Iowa Grant Project.
- Construction began for a new business park.
- Several capital improvement projects were completed at the Clinton Airport including paving of a parallel taxiway.

Additional information concerning the City of Clinton's capital assets can be found in Note 5 on pages 47-48 of this report.

Long-term debt. At the end of the current fiscal year, the City of Clinton had total debt outstanding of \$25,753,242. Of this amount, \$24,224,000 comprises debt backed by the full faith and credit of the City. Of this outstanding indebtedness, \$8,540,000 is abated from local option sales tax revenues, \$3,899,000 from tax increment financing tax revenues, and \$210,000 from airport hangar revenues. The City also has an agreement with the State of Iowa for a RISE loan; its outstanding balance is \$45,242. The remainder of the City's debt (\$1,484,000) represents notes secured solely by revenues generated from the sanitary sewer rental fees.

**City of Clinton's Outstanding Debt
General Obligation Bonds and Revenue Notes**

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
General obligation bonds	\$ 23,260,000	\$ 22,905,000	\$ 210,000	\$ 230,000	\$ 23,470,000	\$ 23,135,000
Development note	754,000	793,000	-	-	754,000	793,000
No interest note - RISE	45,242	67,864	-	-	45,242	67,864
Sewer revenue notes	-	-	1,484,000	1,615,000	1,484,000	1,615,000
Total	<u>\$ 24,059,242</u>	<u>\$ 23,765,864</u>	<u>\$ 1,694,000</u>	<u>\$ 1,845,000</u>	<u>\$ 25,753,242</u>	<u>\$ 25,610,864</u>

During the current fiscal year, the City of Clinton increased its indebtedness by \$142,378. The City issued \$3,430,000 of bonds in November of 2003. Proceeds from these bonds were used for the purchase of fire equipment, street reconstruction, business park development, downtown improvements, and computer equipment. In June, 2004, refunding bonds totaling \$7,650,000 were issued to refund \$7,490,000 of the 1996 refunding bond issue.

The City maintains its A1 rating from Moody's Investors Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Clinton is \$51,050,581, which is significantly in excess of the City's outstanding general obligation debt.

Additional information concerning the City of Clinton's long-term debt can be found in Note 6 on pages 49-51 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Clinton's taxable value was \$675,118,818 for the 2003/04 fiscal year and remains approximately the same for the upcoming 2004/05 and 2005/06 fiscal years. Any increase in valuation for 2003/04 was offset by the loss of machinery and equipment value. As of January 1, 2002 and for the fiscal year 2004, all machinery and equipment value has been eliminated. Reimbursements by the State for machinery and equipment valuations were reduced in half for 2003/04. State consolidated payments were also eliminated. As previously stated, this revenue shortfall was very problematic as it was initiated by the State of Iowa after the 2003/04 budget had been certified. Adjustments were made during the year for both revenue estimates and expenditure appropriations. Fees have been substantially increased and expenditures cut wherever possible. For 2004/05, the emergency tax levy has been implemented, the debt service tax rate dramatically increased to cover shortfalls, additional transfers will be made from the Local Option Sales Tax Fund and Riverboat Excursion Fund in order to support basic City services, and capital equipment replacements have been delayed.

Other concerns for the City include increases in employee health insurance costs, fire and police retirement contributions (rates increased from 17% in 2002/03 to 24.92% for 2004/05), and costs for providing basic services. Meanwhile, sources for funding these concerns remain limited without major increases in the property tax rate.

Requests for Information

This financial report is designed to provide a general overview of the City of Clinton'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 Deborah K. Neels, Finance Director, City of Clinton, 611 South 3rd Street, Clinton, IA 52733-2958.

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 9,147,552	\$ 1,380,104	\$ 10,527,656
Receivables			
Taxes	10,938,510	-	10,938,510
Service fees	768,848	1,114,482	1,883,330
Intergovernmental	1,240,711	350,463	1,591,174
Loan	173,427	-	173,427
Special assessments	187,254	-	187,254
Other	196,065	120,094	316,159
Prepaid insurance	46,885	54,314	101,199
Prepaid - other	22,208	120	22,328
Restricted cash and investments	1,332,800	3,551,438	4,884,238
Capital assets, net of accumulated depreciation	70,518,887	52,928,935	123,447,822
Total assets	<u>94,573,147</u>	<u>59,499,950</u>	<u>154,073,097</u>
LIABILITIES			
Accounts payable	994,952	151,834	1,146,786
Warrants payable	692,530	123,914	816,444
Deposits payable	14,169	-	14,169
Accrued interest payable	108,233	-	108,233
Contracts payable	212,260	-	212,260
Leases payable	30,317	40,000	70,317
Deferred revenue	9,907,816	1,880	9,909,696
Estimated payable for incurred but not reported claims	202,857	-	202,857
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	3,255,000	20,000	3,275,000
Notes payable	22,621	137,000	159,621
Compensated absences	390,362	66,674	457,036
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	20,005,000	190,000	20,195,000
Notes payable	776,621	1,347,000	2,123,621
Total liabilities	<u>36,612,738</u>	<u>2,078,302</u>	<u>38,691,040</u>
NET ASSETS			
Invested in capital assets, net of related debt	48,007,966	52,888,935	100,896,901
Restricted for:			
Police and fire retirement	743,626	-	743,626
Employee benefits	143,783	-	143,783
Capital equipment replacement/repairs	-	1,944,009	1,944,009
Debt service	1,109,946	223,331	1,333,277
Endowments	27,000	-	27,000
Unrestricted			
Designated for capital improvements	2,554,413	-	2,554,413
Undesignated	5,373,675	2,365,373	7,739,048
Total net assets	<u>\$ 57,960,409</u>	<u>\$ 57,421,648</u>	<u>\$ 115,382,057</u>

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 8,241,226	\$ 615,581	\$ 174,130	\$ -
Public works	4,759,221	118,981	2,356,526	-
Culture and recreation	3,580,500	711,428	100,181	11,507
Community and economic development	764,362	72,717	124,710	13,762
General government	1,094,556	61,385	-	-
Debt service	1,317,125	-	-	-
Capital projects	33,935	-	-	2,223,264
Total governmental activities	19,790,925	1,580,092	2,755,547	2,248,533
Business-type activities				
Sewer	3,780,377	2,243,255	11,716	-
Solid waste	948,463	1,030,707	-	-
Transit	1,182,413	151,764	323,235	15,104
Dock operations	71,224	345,216	-	-
Marina	112,275	92,758	-	-
Parking system	37,201	-	52	-
Airport operations	862,537	-	85,977	1,080,897
Total business-type activities	6,994,490	3,863,700	420,980	1,096,001
Total	\$ 26,785,415	\$ 5,443,792	\$ 3,176,527	\$ 3,344,534

GENERAL REVENUES

General property tax
Delinquent tax
Tax increment tax
Mobile home tax
Hotel/motel tax
Property tax replacement
Local option sales tax
Franchise tax
Excise tax
Other tax
Unrestricted investment earnings
Miscellaneous
Transfers

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR, AS RESTATED

NET ASSETS, END OF YEAR

See notes to financial statements

**Net (Expenses) Revenues
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (7,451,515)	\$ -	\$ (7,451,515)
(2,283,714)	-	(2,283,714)
(2,757,384)	-	(2,757,384)
(553,173)	-	(553,173)
(1,033,171)	-	(1,033,171)
(1,317,125)	-	(1,317,125)
2,189,329	-	2,189,329
<u>(13,206,753)</u>	<u>-</u>	<u>(13,206,753)</u>
-	(1,525,406)	(1,525,406)
-	82,244	82,244
-	(692,310)	(692,310)
-	273,992	273,992
-	(19,517)	(19,517)
-	(37,149)	(37,149)
-	304,337	304,337
-	<u>(1,613,809)</u>	<u>(1,613,809)</u>
<u>(13,206,753)</u>	<u>(1,613,809)</u>	<u>(14,820,562)</u>
8,828,580	-	8,828,580
7,711	-	7,711
1,058,899	-	1,058,899
11,355	-	11,355
248,276	-	248,276
118,221	-	118,221
2,472,374	-	2,472,374
145,263	-	145,263
618,326	-	618,326
11,528	-	11,528
108,971	69,323	178,294
579,448	283,717	863,165
<u>(136,883)</u>	<u>136,883</u>	<u>-</u>
<u>14,072,069</u>	<u>489,923</u>	<u>14,561,992</u>
865,316	(1,123,886)	(258,570)
<u>57,095,093</u>	<u>58,545,534</u>	<u>115,640,627</u>
<u>\$ 57,960,409</u>	<u>\$ 57,421,648</u>	<u>\$ 115,382,057</u>

**CITY OF CLINTON, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
ASSETS			
Cash and investments	\$ 2,440,750	\$ 2,576,347	\$ (40,684)
Receivables			
Taxes	6,121,969	184,033	323,439
Service fees	768,848	-	-
Intergovernmental	5,245	-	-
Loan	-	-	152,699
Special assessments	-	-	-
Other	117,813	3,731	-
Prepaid insurance	-	-	-
Prepaid - other	22,208	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	<u>\$ 9,476,833</u>	<u>\$ 2,764,111</u>	<u>\$ 435,454</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 300,236	\$ 132,312	\$ -
Warrants payable	197,501	22,799	-
Deposits payable	-	14,169	-
Contracts payable	-	3,236	-
Deferred revenue	5,928,524	-	-
Total liabilities	<u>6,426,261</u>	<u>172,516</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Prepaid expenditures	22,208	-	-
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Debt service	-	-	435,454
Endowments	-	-	-
Unreserved			
Designated for capital improvements	-	-	-
Undesignated			
Reported in			
General fund	3,028,364	-	-
Special revenue funds	-	2,591,595	-
Permanent funds	-	-	-
Total fund balances	<u>3,050,572</u>	<u>2,591,595</u>	<u>435,454</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,476,833</u>	<u>\$ 2,764,111</u>	<u>\$ 435,454</u>

See notes to financial statements

<u>Special Revenue</u>				
<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 802,266	\$ 864,964	\$ 517,764	\$ 1,099,200	\$ 8,260,607
2,664,933	1,229,289	-	414,847	10,938,510
-	-	-	-	768,848
-	-	1,186,080	49,386	1,240,711
-	-	-	20,728	173,427
-	-	91,655	95,599	187,254
-	-	30,911	43,610	196,065
-	-	-	46,885	46,885
-	-	-	-	22,208
-	-	1,332,800	-	1,332,800
<u>\$ 3,467,199</u>	<u>\$ 2,094,253</u>	<u>\$ 3,159,210</u>	<u>\$ 1,770,255</u>	<u>\$ 23,167,315</u>
\$ -	\$ 27,145	\$ 202,959	\$ 86,509	\$ 749,161
7,811	108,712	192,814	160,813	690,450
-	-	-	-	14,169
-	-	209,024	-	212,260
<u>2,623,351</u>	<u>1,205,885</u>	<u>89,136</u>	<u>394,321</u>	<u>10,241,217</u>
<u>2,631,162</u>	<u>1,341,742</u>	<u>693,933</u>	<u>641,643</u>	<u>11,907,257</u>
-	-	-	46,885	69,093
733,446	-	-	-	733,446
102,591	-	-	-	102,591
-	752,511	-	-	1,187,965
-	-	-	27,000	27,000
-	-	2,465,277	-	2,465,277
-	-	-	-	3,028,364
-	-	-	1,053,837	3,645,432
-	-	-	890	890
<u>836,037</u>	<u>752,511</u>	<u>2,465,277</u>	<u>1,128,612</u>	<u>11,260,058</u>
<u>\$ 3,467,199</u>	<u>\$ 2,094,253</u>	<u>\$ 3,159,210</u>	<u>\$ 1,770,255</u>	<u>\$ 23,167,315</u>

CITY OF CLINTON, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total governmental fund balances (page 26) \$ 11,260,058

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

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported in the funds. The cost of assets is \$119,497,102
and the accumulated depreciation is \$48,978,215. 70,518,887

Other long-term assets are not available to pay for current period expenditures and
therefore are deferred in the funds. 333,401

Long-term liabilities are not due and payable in the current period and therefore are
not reported in the funds.

Compensated absences	(390,362)
Bonds and notes payable	(24,059,242)
Leases payable	(30,317)
Accrued interest payable	(108,233)

The Internal Service Fund is used by management to charge the costs of employee
health benefits to individual funds. The assets and liabilities of the internal service
fund are included in governmental activities in the statement of net assets. 436,217

Net assets of governmental activities (page 22) \$ 57,960,409

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
REVENUES			
Taxes	\$ 6,425,833	\$ -	\$ 2,472,374
Licenses and permits	183,969	-	-
Use of money and property	146,563	52,211	24,493
Intergovernmental	424,160	2,355,936	-
Charges for services	812,683	9,209	-
Miscellaneous	124,737	23,994	-
Total revenues	<u>8,117,945</u>	<u>2,441,350</u>	<u>2,496,867</u>
EXPENDITURES			
Current			
Public safety	7,635,600	-	-
Public works	187,668	1,652,631	-
Culture and recreation	2,054,536	-	-
Community and economic development	220,963	-	-
General government	699,320	-	-
Capital projects	-	49,554	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>10,798,087</u>	<u>1,702,185</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,680,142)</u>	<u>739,165</u>	<u>2,496,867</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from fixed asset sales	39,939	651	-
Bond proceeds	-	-	-
Operating transfers in	3,073,417	-	-
Operating transfers out	(990,689)	(847,620)	(2,800,237)
Total other financing sources (uses)	<u>2,122,667</u>	<u>(846,969)</u>	<u>(2,800,237)</u>
NET CHANGE IN FUND BALANCES	<u>(557,475)</u>	<u>(107,804)</u>	<u>(303,370)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,608,047</u>	<u>2,699,399</u>	<u>738,824</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,050,572</u>	<u>\$ 2,591,595</u>	<u>\$ 435,454</u>

See notes to financial statements

Special Revenue				
Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
\$ 1,955,699	\$ 1,142,742	\$ -	\$ 1,212,372	\$ 13,209,020
-	-	-	-	183,969
6,435	11,867	26,305	145,339	413,213
75,902	42,319	2,198,884	227,349	5,324,550
-	-	-	282,530	1,104,422
100,000	-	60,109	40,291	349,131
<u>2,138,036</u>	<u>1,196,928</u>	<u>2,285,298</u>	<u>1,907,881</u>	<u>20,584,305</u>
-	-	20,374	117,309	7,773,283
-	-	406,771	124,581	2,371,651
-	-	-	237,131	2,291,667
-	-	26,437	489,629	737,029
11,683	3,197	85,256	240,136	1,039,592
-	-	4,689,816	168,237	4,907,607
-	10,786,621	-	-	10,786,621
-	1,219,760	-	-	1,219,760
-	28,323	34,278	-	62,601
<u>11,683</u>	<u>12,037,901</u>	<u>5,262,932</u>	<u>1,377,023</u>	<u>31,189,811</u>
<u>2,126,353</u>	<u>(10,840,973)</u>	<u>(2,977,634)</u>	<u>530,858</u>	<u>(10,605,506)</u>
-	-	12,657	-	53,247
-	7,647,156	3,397,100	-	11,044,256
85,000	3,332,057	1,344,650	528,046	8,363,170
(2,635,416)	-	(1,437)	(1,224,654)	(8,500,053)
<u>(2,550,416)</u>	<u>10,979,213</u>	<u>4,752,970</u>	<u>(696,608)</u>	<u>10,960,620</u>
(424,063)	138,240	1,775,336	(165,750)	355,114
<u>1,260,100</u>	<u>614,271</u>	<u>689,941</u>	<u>1,294,362</u>	<u>10,904,944</u>
<u>\$ 836,037</u>	<u>\$ 752,511</u>	<u>\$ 2,465,277</u>	<u>\$ 1,128,612</u>	<u>\$ 11,260,058</u>

CITY OF CLINTON, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds (page 29) \$ 355,114

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 expenses to allocate those expenditures over the estimated useful lives of the assets. Depreciation expense exceeded capital outlay in the current year as follows:

Expenditures for capital assets	4,951,011
Depreciation expense	(3,775,363)
Net activity from sale of assets	(94,412)

Because some revenues will not be collected for several months after year-end, they are not considered available revenues and are deferred in the governmental funds.

Property taxes	193,292
Other	(20,647)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net expenses of certain activities of the internal service fund is reported with governmental activities. (470,435)

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.

Compensated absences	19,155
Interest on long-term debt	979

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Issuance of debt is a revenue in the governmental funds, but increases long-term liabilities in the statement of net assets. (293,378)

Change in net assets of governmental activities (page 24)	\$ 865,316
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See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
ASSETS			
Cash and investments	\$ -	\$ 1,012,627	\$ 348,553
Receivables			
Service fees	718,264	312,948	-
Intergovernmental	-	-	26,379
Other	91,920	14,326	510
Prepaid insurance	50,712	772	2,830
Prepaid expense	-	-	-
Restricted cash and investments	3,551,438	-	-
Capital assets, net of accumulated depreciation	44,171,794	292,944	1,956,391
Total assets	<u>48,584,128</u>	<u>1,633,617</u>	<u>2,334,663</u>
LIABILITIES			
Accounts payable	72,786	26,876	17,590
Warrants payable	91,823	6,191	7,289
Compensated absences payable	38,084	13,497	15,093
Notes payable	1,484,000	-	-
Leases payable	-	-	-
General obligation bonds payable	-	-	-
Deferred revenue	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Total liabilities	<u>1,686,693</u>	<u>46,564</u>	<u>39,972</u>
NET ASSETS			
Invested in capital assets, net of related debt	44,171,794	292,944	1,956,391
Restricted for:			
Capital equipment replacement/repairs	1,328,260	598,080	17,669
Debt service	223,331	-	-
Unrestricted	1,174,050	696,029	320,631
Total net assets	<u>\$ 46,897,435</u>	<u>\$ 1,587,053</u>	<u>\$ 2,294,691</u>

See notes to financial statements

<u>Enterprise</u>			<u>Internal Service</u>
<u>Airport Operations</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>	<u>Health Insurance</u>
\$ (165,429)	\$ 184,353	\$ 1,380,104	\$ 886,945
-	83,270	1,114,482	-
324,084	-	350,463	-
10,042	3,296	120,094	-
-	-	54,314	-
120	-	120	-
-	-	3,551,438	-
3,174,865	3,332,941	52,928,935	-
<u>3,343,682</u>	<u>3,603,860</u>	<u>59,499,950</u>	<u>886,945</u>
28,800	5,782	151,834	245,791
16,103	2,508	123,914	2,080
-	-	66,674	-
-	-	1,484,000	-
40,000	-	40,000	-
210,000	-	210,000	-
1,880	-	1,880	-
-	-	-	202,857
<u>296,783</u>	<u>8,290</u>	<u>2,078,302</u>	<u>450,728</u>
3,134,865	3,332,941	52,888,935	-
-	-	1,944,009	-
-	-	223,331	-
(87,966)	262,629	2,365,373	436,217
<u>\$ 3,046,899</u>	<u>\$ 3,595,570</u>	<u>\$ 57,421,648</u>	<u>\$ 436,217</u>

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
OPERATING REVENUES			
Charges for services	\$ 2,243,255	\$ 1,030,707	\$ 145,776
Property rental	-	-	5,988
Miscellaneous	42,171	7,654	11,228
Total operating revenues	<u>2,285,426</u>	<u>1,038,361</u>	<u>162,992</u>
OPERATING EXPENSES			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,086,466	355,519	802,865
Commodities	179,890	63,012	118,254
Contractual services	861,908	486,580	128,293
Depreciation	1,577,500	43,352	133,001
Total operating expenses	<u>3,705,764</u>	<u>948,463</u>	<u>1,182,413</u>
Operating income (loss)	<u>(1,420,338)</u>	<u>89,898</u>	<u>(1,019,421)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	53,768	10,211	2,541
Intergovernmental	11,716	-	338,339
Interest expense	(74,613)	-	-
Total non-operating revenues (expenses)	<u>(9,129)</u>	<u>10,211</u>	<u>340,880</u>
INCOME (LOSS) BEFORE TRANSFERS	(1,429,467)	100,109	(678,541)
Operating transfers in	63,210	-	510,173
Operating transfers out	(120,000)	-	-
CHANGE IN NET ASSETS	(1,486,257)	100,109	(168,368)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>48,383,692</u>	<u>1,486,944</u>	<u>2,463,059</u>
NET ASSETS, END OF YEAR	<u>\$ 46,897,435</u>	<u>\$ 1,587,053</u>	<u>\$ 2,294,691</u>

See notes to financial statements

<u>Enterprise</u>			<u>Internal Service</u>	
<u>Airport Operations</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>	<u>Health Insurance</u>	
\$ -	\$ 170,806	\$ 3,590,544	\$ 1,831,494	
68,047	267,168	341,203	-	
222,339	325	283,717	-	
<u>290,386</u>	<u>438,299</u>	<u>4,215,464</u>	<u>1,831,494</u>	
-	-	-	2,309,536	
44,956	24,197	2,314,003	-	
210,586	12,025	583,767	-	
84,807	87,106	1,648,694	-	
511,428	97,372	2,362,653	-	
<u>851,777</u>	<u>220,700</u>	<u>6,909,117</u>	<u>2,309,536</u>	
<u>(561,391)</u>	<u>217,599</u>	<u>(2,693,653)</u>	<u>(478,042)</u>	
191	2,612	69,323	7,607	
1,098,827	52	1,448,934	-	
(10,760)	-	(85,373)	-	
<u>1,088,258</u>	<u>2,664</u>	<u>1,432,884</u>	<u>7,607</u>	
526,867	220,263	(1,260,769)	(470,435)	
63,500	-	636,883	-	
-	(380,000)	(500,000)	-	
590,367	(159,737)	(1,123,886)	(470,435)	
<u>2,456,532</u>	<u>3,755,307</u>	<u>58,545,534</u>	<u>906,652</u>	
<u>\$ 3,046,899</u>	<u>\$ 3,595,570</u>	<u>\$ 57,421,648</u>	<u>\$ 436,217</u>	

CITY OF CLINTON, IOWA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Sewer Revenue	Solid Waste Collection	Transit System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,149,922	\$ 997,050	\$ 216,555
Cash paid to suppliers	(1,388,030)	(539,853)	(269,432)
Cash paid to employees	(1,086,867)	(351,731)	(809,075)
Net cash provided by (used in) operating activities	<u>(324,975)</u>	<u>105,466</u>	<u>(861,952)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental	11,716	-	-
Operating transfers in	63,210	-	510,173
Operating transfers out	(120,000)	-	-
Net cash provided by (used in) non-capital financing activities	<u>(45,074)</u>	<u>-</u>	<u>510,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(195,384)	-	(25,228)
Intergovernmental	-	-	338,339
General obligation bond payment	-	-	-
Low-interest loan repayment	(131,000)	-	-
Interest expense	(74,613)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(400,997)</u>	<u>-</u>	<u>313,111</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	53,768	10,211	2,541
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(717,278)	115,677	(36,127)
CASH AND INVESTMENTS, JULY 1	4,268,716	896,950	384,680
CASH AND INVESTMENTS, JUNE 30	<u>\$ 3,551,438</u>	<u>\$ 1,012,627</u>	<u>\$ 348,553</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS			
FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,420,338)	\$ 89,898	\$ (1,019,421)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,577,500	43,352	133,001
Changes in assets and liabilities:			
(Increase) decrease in receivables	(135,504)	(41,311)	53,563
(Increase) decrease in prepaid	(3,537)	(772)	(70)
Increase (decrease) in accounts payable	(74,768)	10,912	(9,764)
Increase (decrease) in warrants payable	(217,003)	(401)	(3,051)
Increase (decrease) in deposits payable	-	-	-
Increase (decrease) in compensated absences payable	(401)	3,788	(6,210)
Increase (decrease) in contracts payable	(50,924)	-	(10,000)
Increase in deferred revenue	-	-	-
Increase in estimated payable for incurred but not reported claims	-	-	-
Net cash flows from operating activities	<u>\$ (324,975)</u>	<u>\$ 105,466</u>	<u>\$ (861,952)</u>

See notes to financial statements

Airport Operations	Nonmajor Enterprise	Total	Internal Service Health Insurance
\$ 292,266	\$ 468,114	\$ 4,123,907	\$ 1,831,494
(565,357)	(110,598)	(2,873,270)	(2,284,956)
(44,956)	(24,197)	(2,316,826)	-
<u>(318,047)</u>	<u>333,319</u>	<u>(1,066,189)</u>	<u>(453,462)</u>
-	52	11,768	-
63,500	-	636,883	-
-	(380,000)	(500,000)	-
<u>63,500</u>	<u>(379,948)</u>	<u>148,651</u>	<u>-</u>
(1,210,702)	(15,867)	(1,447,181)	-
1,098,827	-	1,437,166	-
(20,000)	-	(20,000)	-
-	-	(131,000)	-
(10,760)	-	(85,373)	-
<u>(142,635)</u>	<u>(15,867)</u>	<u>(246,388)</u>	<u>-</u>
191	2,612	69,323	7,607
(396,991)	(59,884)	(1,094,603)	(445,855)
231,562	244,237	6,026,145	1,332,800
<u>\$ (165,429)</u>	<u>\$ 184,353</u>	<u>\$ 4,931,542</u>	<u>\$ 886,945</u>
\$ (561,391)	\$ 217,599	\$ (2,693,653)	\$ (478,042)
511,428	97,372	2,362,653	-
178,350	29,815	84,913	-
(120)	-	(4,499)	-
(432,013)	(12,821)	(518,454)	(10,760)
13,539	1,727	(205,189)	447
(5,638)	-	(5,638)	-
-	-	(2,823)	-
(24,082)	(373)	(85,379)	-
1,880	-	1,880	-
-	-	-	34,893
<u>\$ (318,047)</u>	<u>\$ 333,319</u>	<u>\$ (1,066,189)</u>	<u>\$ (453,462)</u>

CITY OF CLINTON, IOWA
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 297,216
Receivables	
Other	1,499
Prepaid insurance	<u>45,517</u>
 Total assets	 <u>344,232</u>
LIABILITIES	
Accounts payable	120,923
Warrants payable	<u>223,309</u>
 Total liabilities	 <u>344,232</u>
 NET ASSETS	 <u><u>\$ -</u></u>

See notes to financial statements

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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

1. Summary of Significant Accounting Policies
2. Budgets and Budgetary Accounting
3. Deposits and Investments
4. Fund Transfer Reconciliation
5. Capital Assets
6. Changes in Long-Term Liabilities
7. Risk Management
8. Commitments and Contingent Liabilities
9. Employee Retirement Systems
10. Postemployment Benefits Other Than Pensions
11. Industrial Development Revenue Bonds
12. Restatement of Net Asset
13. Future Accounting Changes

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Clinton was incorporated in 1857 and is a political subdivision of the State of Iowa located in Clinton County. It operates under the Home Rule provisions of the Constitution of Iowa and under a Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and solid waste utilities for its citizens, operates a transit system, marina, airport and a parking system.

Responsibility for the City's operations is vested with the City's elected officials. Management of the City is appointed by and is accountable to the Council.

The City's financial statements are prepared in conformity with accounting principals generally accepted in the United States of America applicable to state and local governments as prescribed by the Governmental Accounting Standards Board. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Reporting Entity

For financial reporting purposes, the City of Clinton has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Clinton has no component units which meet the Governmental Accounting Standards Board criteria.

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 following boards and commissions:

Blackhawk Area Task Force
City Assessor Conference Board
Clinton County Area Solid Waste Agency
Clinton County Communications Commission
East Central Intergovernmental Association

ECIA Regional Planning Affiliation
Enhanced 911 Service Board
Mobile Team Training Unit IV
Resource Enhancement Protection
Agency

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - 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. Non-major funds are consolidated into a single column within the governmental and proprietary funds in the financial section of the basic financial statements and are detailed in the supplementary information.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The Road Use Tax Fund is used to account for state revenue allocated to the City for maintenance and improvements of City streets. This state revenue representing the City's share of state gasoline taxes is received on a per capita basis. State law requires these revenues be received and expensed in a special revenue fund.

The Local Option Sales Tax Fund is used to account for revenue from the 1% local option tax approved by the voters of the City. This revenue has been designated to finance major storm sewer projects and provide property tax relief on a 50/50% basis. This fund also pays principal and interest on bonds which were issued to finance storm sewer projects. Additionally, local option sales taxes provide property tax relief for certain debt requirements and liability insurance.

The Employee Benefits Fund is used to account for the funding of employee benefits related to those City employees who are paid through the General Fund. The benefits are funded by property tax levies and public safety funds designated to be used for City retirement contributions.

The Debt Service Fund is used to account for the accumulation of revenues for payment of principal and interest on general obligation debt including the tax increment portion of the bonds in addition to general obligation refunding bonds.

The Capital Projects Fund is used to account for resources used for the acquisition and construction of capital facilities and certain capital purchases, with the exception of those that are financed by the Enterprise Funds.

The City reports the following major proprietary funds:

The Sewer Revenue Fund is used to account for the operation of the municipally owned sewer treatment plant which provides services to the City. Additionally, this fund accounts for plant improvements, various sewer improvement projects, and reserve requirements according to the provisions of the sewer revenue bond ordinance. Services are primarily supported from user fees.

The Solid Waste Collection Fund is used to account for the operation of the City's refuse collection services and recycling operations including capital equipment replacement. Revenues to fund the services are received from monthly service charges to residential users and the sale of garbage stickers.

The Transit System Fund is used to account for the operation of the municipal transit operations. The service is funded from user fees, grants, and property taxes from a special transit levy. Also included in the Transit System Fund are construction funds for the new transportation facility.

The Airport Operations Fund is used to account for the activities and improvements of the Municipal Airport. Hangar fees and farm land rentals support its operation in addition to an operating subsidy provided by General Fund.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to its employees, City retirees, and two outside agencies. The City Assessor's office, Clinton Housing Authority and certain retirees have the ability to participate in the plan, but at their cost.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds consist of:

Agency funds, which are custodial in nature, report assets and liabilities and do not involve measurement of the results of operations. These funds function primarily as a clearing mechanism for resources which are collected by the City, held for a brief period, and then disbursed to an authorized recipient.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes, intergovernmental revenue, charges for services, interest and special assessments are susceptible to accrual. The City considers property taxes as available if they are collected within sixty days after year-end. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available if the revenue has been earned by year-end and is received within sixty days after year-end.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statement.

Amounts reported as program revenue 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 City's Internal Service Fund are charges to operating activities for employee health insurance benefits. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for the internal service fund and the enterprise 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 nonoperating revenues and expenses.

Assets, Liabilities, and Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash and Investments

The City maintains a cash and investment pool for all funds. Cash resources have been pooled in order to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Each fund's portion of total cash and investments is reported as such within this report.

State statute authorizes the City 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 invests in the Iowa Public Agency Investment Trust which is a 2a7 - like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa code law and is administered by an appointed investment management company.

Investments are stated at fair value or amortized cost. Amortized cost is used only for money market investments that have a remaining maturity at time of purchase of one year or less.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Receivables and Payables

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the budget is required to be certified 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 deferred both in the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property taxes are levied as of July 1 on property values assessed as of January 1, of the previous year. The tax levy is divided into two installments. The first installment becomes delinquent after September 30 and the second is delinquent after March 31 of the following year. Once the installment becomes delinquent, penalties and interest may be assessed. Property taxes attach as an enforceable lien on July 1st. Tax collections remitted to the City within sixty days subsequent to June 30 are recorded as property tax revenues for the year ended June 30th in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30 are delinquent and are recorded as deferred revenue in the governmental funds, but recognized as revenue in the government-wide financial statements.

Accounts receivable are recorded at the time the service is billed. Unbilled usage for services used between scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Prepaid Items

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. Reported prepaid items in the governmental funds are offset by fund balance reserves, which indicate that the balances are not available for appropriation.

Restricted Assets

Assets within the individual funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, or other requirements are classified as restricted assets.

Capital Assets

Capital assets which include land, construction in progress, machinery and equipment, land improvements, buildings and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All land is capitalized. All other capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$25,000 for buildings and improvements and \$50,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. 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 the 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 the assets constructed. During the year ended June 30, 2004, no interest expense was added to the cost of assets acquired in the business-type activities.

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

Machinery and equipment	5-20 years
Land improvements	20 years
Buildings and infrastructure	10-75 years

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time benefits payable to the employees. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the governmental fund financial statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance indicate management's plans for use of financial resources in a future period. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party requirements.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on or before March 15th of each year which becomes effective July 1st following the required public notice and hearing for all funds except permanent and fiduciary funds. The budget may be amended during the year utilizing statutorily prescribed procedures and time limitations. Appropriations as adopted and amended lapse at the end of the fiscal year. For the year ended June 30, 2004, the budget was amended twice for the purpose of appropriating capital improvement projects not completed by July 1, 2003, to adjust revenue and expenditure amounts for reduced state payments, to appropriate debt service payments for the 2003 bond issue which was issued after certification of the budget, to provide for transactions involving the refunding of general obligation bonds, to allow for police and fire equipment purchases from undesignated fund balances, and to appropriate funds for the early retirement incentive packages taken during fiscal year 2003/04 instead of 2004/05, for early property purchases for a capital project, and unanticipated expenses in the enterprise activities.

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions. These functions are: Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level.

The City's budget preparation process begins at the department level. Preliminary budget review of operating department requests is conducted by the City Administrator. A budget proposal is developed by the City Administrator which is a complete financial plan for the upcoming fiscal year. This proposal is submitted to the City Council the first week of February. The Council holds several budget workshops with the City Administrator, department managers, and boards and commissions during February. A public hearing is held the first part of March, and the budget is adopted by the Council and certified to the County Auditor by March 15th preceding the beginning of the fiscal year.

As allowed by GASB Statement No. 41, Budgetary Comparison Schedules - Perspective Differences, the City presents budgetary comparison schedules as required supplementary information based on the program structure of eight functional areas as required by state statute for its legally adopted budget.

The following table, which includes the legally-adopted budgets of all General, Special Revenue, Debt Service and Capital Projects Funds, demonstrates legal compliance:

Function	Budget	Actual	Variance
Public Safety	\$ 7,866,200	\$ 7,773,283	\$ 92,917
Public Works	2,212,880	2,371,651	(158,771)
Culture and Recreation	2,402,900	2,291,667	111,233
Community and Economic Development	958,300	737,029	221,271
General Government	1,078,715	1,039,592	39,123
Debt Service	16,417,100	12,068,982	4,348,118
Capital Projects	6,404,540	4,907,607	1,496,933
Business-type Activities	9,293,300	6,994,490	2,298,810
Total	\$ 46,633,935	\$ 38,184,301	\$ 8,449,634

The overrun was a result of reclassifying expenditures from the capital projects function to the public works function for items under the government-wide capitalization threshold.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits. At year end, the City's carrying amount of deposits with financial institutions was \$9,489,162 and the bank balance was \$9,482,953. These bank balances were fully covered by 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.

Investments. The City classifies its investments into categories which present an indication of the level of credit risk in relation to the nature of the investment and the custodial provisions. Category 1 records securities that are insured, registered, held by the City, or held by the City's agent in the City's name. Category 2 denotes uninsured and unregistered securities that are held by a counter party's trust department or agent in the City's name. Category 3 specifies uninsured and unregistered securities that are held by a counter party's trust department or agent in other than the City's name. As of June 30, 2004, the City did not have any assets subject to risk categorization.

The City's investments at June 30, 2004, are as follows:

	Amortized Cost
Investments not subject to categorization:	
Iowa Public Agencies Investment Trust	\$ 6,219,948

A reconciliation of cash and investments as shown on the combined balance sheet for the primary government follows:

Carrying amount of deposits	\$ 9,489,162
Carrying amount of investments	6,219,948
Total	\$ 15,709,110
Cash and investments	\$ 10,527,656
Cash and investments - Agency Funds	297,216
Restricted cash and investments	4,884,238
Total	\$ 15,709,110

NOTE 4 - FUND TRANSFER RECONCILIATION

	Transfers In	Transfers Out
General	\$ 3,073,417	\$ 990,689
Road Use Tax	-	847,620
Local Option Sales Tax	-	2,800,237
Employee Benefits	85,000	2,635,416
Debt Service	3,332,057	-
Capital Projects	1,344,650	1,437
Other Nonmajor Governmental Funds	528,046	1,224,654
Sewer Revenue	63,210	120,000
Transit System	510,173	-
Airport Operations	63,500	-
Other Nonmajor Proprietary Funds	-	380,000
	<u>\$ 9,000,053</u>	<u>\$ 9,000,053</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003, as Restated	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$12,900,894	\$ 1,360,065	\$ 14,980	\$14,245,979
Construction in progress	<u>1,791,277</u>	<u>3,053,100</u>	<u>1,346,008</u>	<u>3,498,369</u>
Total capital assets, not being depreciated	<u>14,692,171</u>	<u>4,413,165</u>	<u>1,360,988</u>	<u>17,744,348</u>
Capital assets, being depreciated				
Machinery and equipment	10,647,823	424,696	162,646	10,909,873
Land improvements	1,817,500	98,122	-	1,915,622
Buildings	12,449,476	25,360	-	12,474,836
Infrastructure	<u>75,116,747</u>	<u>1,335,676</u>	<u>-</u>	<u>76,452,423</u>
Total capital assets, being depreciated	<u>100,031,546</u>	<u>1,883,854</u>	<u>162,646</u>	<u>101,752,754</u>
Less accumulated depreciation for:				
Machinery and equipment	7,461,114	1,358,294	113,531	8,705,877
Land improvements	1,263,814	86,128	-	1,349,942
Buildings	3,217,025	276,186	-	3,493,211
Infrastructure	<u>33,374,430</u>	<u>2,054,755</u>	<u>-</u>	<u>35,429,185</u>
Total accumulated depreciation	<u>45,316,383</u>	<u>3,775,363</u>	<u>113,531</u>	<u>48,978,215</u>
Total capital assets, being depreciated, net	<u>54,715,163</u>	<u>(1,891,509)</u>	<u>49,115</u>	<u>52,774,539</u>
Governmental activities capital assets, net	<u>\$69,407,334</u>	<u>\$ 2,521,656</u>	<u>\$ 1,410,103</u>	<u>\$70,518,887</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 2,311,930
Public safety	227,509
Culture and recreation	1,212,133
General government	<u>23,791</u>
	<u>\$ 3,775,363</u>

	<u>Balance July 1, 2003, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,291,126	\$ 15,867	\$ -	\$ 1,306,993
Construction in progress	<u>2,570,797</u>	<u>1,404,019</u>	<u>1,739,713</u>	<u>2,235,103</u>
Total capital assets, not being depreciated	<u>3,861,923</u>	<u>1,419,886</u>	<u>1,739,713</u>	<u>3,542,096</u>
Capital assets, being depreciated				
Machinery and equipment	5,634,685	56,575	-	5,691,260
Land improvements	319,900	-	-	319,900
Buildings	23,952,667	1,734,633	-	25,687,300
Infrastructure	<u>70,996,127</u>	<u>15,800</u>	<u>-</u>	<u>71,011,927</u>
Total capital assets, being depreciated	<u>100,903,379</u>	<u>1,807,008</u>	<u>-</u>	<u>102,710,387</u>
Less accumulated depreciation for:				
Machinery and equipment	4,694,225	272,135	-	4,966,360
Land improvements	319,900	-	-	319,900
Buildings	9,432,196	495,760	-	9,927,956
Infrastructure	<u>36,514,574</u>	<u>1,594,758</u>	<u>-</u>	<u>38,109,332</u>
Total accumulated depreciation	<u>50,960,895</u>	<u>2,362,653</u>	<u>-</u>	<u>53,323,548</u>
Total capital assets, being depreciated, net	<u>49,942,484</u>	<u>(555,645)</u>	<u>-</u>	<u>49,386,839</u>
Business-type activities capital assets, net	<u>\$53,804,407</u>	<u>\$ 864,241</u>	<u>\$ 1,739,713</u>	<u>\$52,928,935</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,577,500
Solid waste	43,352
Transit	133,001
Airport operations	511,428
Other business-type funds	<u>97,372</u>
	<u>\$ 2,362,653</u>

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
General obligation	\$ 22,905,000	\$11,080,000	\$10,725,000	\$ 23,260,000	\$ 3,255,000
Notes payable	860,864	-	61,622	799,242	22,621
Accrued compensated absences	<u>409,517</u>	<u>692,485</u>	<u>711,640</u>	<u>390,362</u>	<u>390,362</u>
Governmental activities, long-term liabilities	<u>\$ 24,175,381</u>	<u>\$11,772,485</u>	<u>\$11,498,262</u>	<u>\$ 24,449,604</u>	<u>\$ 3,667,983</u>
Business-type activities					
General obligation	\$ 230,000	\$ -	\$ 20,000	\$ 210,000	\$ 20,000
Sewer revenue capital notes	1,615,000	-	131,000	1,484,000	137,000
Accrued compensated absences	<u>69,497</u>	<u>91,238</u>	<u>94,061</u>	<u>66,674</u>	<u>66,674</u>
Business-type activities, long-term liabilities	<u>\$ 1,914,497</u>	<u>\$ 91,238</u>	<u>\$ 245,061</u>	<u>\$ 1,760,674</u>	<u>\$ 223,674</u>

Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and procurement of capital equipment. General obligation bonds have been issued for general government. However, a portion of the 1997 issue was used to construct hangars at the airport. Rental revenue from the hangars pays the general long-term debt principal and interest. The liability for those bonds is included in that enterprise fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2004 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Corporate purpose	11/01/97	4.60-4.70	\$ 4,995,000	\$ 3,500,000
Corporate purpose	09/01/99	4.25-4.90	2,750,000	1,910,000
Corporate purpose	03/01/01	4.20-4.25	3,415,000	2,195,000
Refunding	05/01/01	3.35-4.50	5,575,000	4,785,000
Corporate purpose	11/01/03	3.00-5.00	630,000	630,000
Corporate purpose	11/01/03	1.75-3.75	2,800,000	2,800,000
Refunding	06/15/04	2.00-3.15	<u>7,650,000</u>	<u>7,650,000</u>
			<u>\$27,815,000</u>	<u>\$23,470,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$3,821,349, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,275,000	\$ 841,266	\$ 4,116,266
2006	3,545,000	754,513	4,299,513
2007	3,665,000	642,986	4,307,986
2008	3,520,000	516,358	4,036,358
2009	3,115,000	382,985	3,497,985
2010-2014	5,985,000	669,553	6,654,553
2015	365,000	13,688	378,688
Total	<u>\$ 23,470,000</u>	<u>\$ 3,821,349</u>	<u>\$ 27,291,349</u>

Notes Payable. Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2004 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Economic development	07/94	None	\$ 226,216	\$ 45,242
	07/01	6.00%	800,000	754,000
Sewer plant improvements	11/11/93	4.62%	<u>2,564,000</u>	<u>1,484,000</u>
			<u>\$ 3,590,216</u>	<u>\$ 2,283,242</u>

Debt service requirements to maturity, including interest of \$363,132 on notes payable, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 159,621	\$ 68,561	\$ 228,182
2006	165,621	62,231	227,852
2007	150,000	55,625	205,625
2008	157,000	48,695	205,695
2009	164,000	41,441	205,441
2010-2013	733,000	86,579	819,579
2018	754,000	-	754,000
Total	<u>\$ 2,283,242</u>	<u>\$ 363,132</u>	<u>\$ 2,646,374</u>

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a sewer revenue reserve account shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying note principal and interest when there are insufficient funds in the sinking fund.

- (d) Additional monthly transfers of \$25,000 shall be made to the improvement fund until specific minimum balances have been accumulated. This account is restricted for the purpose of paying any extraordinary repairs and expenses, renewals and replacements not included in the current budget, capital improvement to the system and note and interest payments which the other accounts might be unable to make.
- (e) All funds remaining in the sewer rental account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account. This account is restricted for the purpose of paying for any extraordinary repairs or replacements to the system or for note and interest payments which the other accounts might be unable to make.

Operating Leases. The City has an operating lease for occupancy of a building and parking for the police department which resulted in rent paid of \$44,552 for the year ended June 30, 2004.

The original lease agreement was signed in November, 1997 and renewed in October, 2003. The term of the lease is three years with two one year options at current monthly payments of \$3,708.

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City has elected not to obtain this coverage from the Pool.

The City's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$211,292.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000 such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given sixty days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a Health Insurance Fund for insuring benefits provided to city employees, covered dependents, retirees, and two outside agencies which is included in the Internal Service Fund Type. Health benefits were self-insured up to a specific stop loss amount of \$35,000, and an aggregate stop loss of approximately \$1.9 million for 2004. Coverage from a private insurance company is maintained for losses in excess of the 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.

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-year and current-year claims. Certain retirees and the two outside agencies make payments directly to the fund. The claims liability of \$202,857 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. The estimated claims liability does not include any allocated or unallocated claims adjustment expenses.

Changes in reported liabilities for the fiscal year ended June 30, 2004 are summarized as follows:

Liability at June 30, 2002	\$ 169,291
Claims and changes in estimates during fiscal year 2003	2,039,205
Claim payments	<u>(2,040,532)</u>
Liability at June 30, 2003	167,964
Claims and changes in estimates during fiscal year 2004	1,829,544
Claim payments	<u>(1,794,651)</u>
Liability at June 30, 2004	<u>\$ 202,857</u>

Settled claims have not exceeded commercial coverages in any of the last three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The City has received financial assistance from numerous federal and state agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position as of June 30, 2004.

Construction Contracts

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2004. The City has additional commitments for signed construction contracts of approximately \$2,731,734 as of June 30, 2004. These commitments will be funded from bond proceeds, grants, and resources already accumulated.

Letter of Credit

The City is a member of the Clinton County Area Solid Waste Agency. As a member of the Agency, the City is responsible for its proportionate share of the landfill closure and post-closure expenses. The Agency established a \$1,033,768 letter of credit as of June 30, 2004 to demonstrate financial assurance for unfunded costs. The City's estimated obligation of the letter of credit would be approximately 58.5% of the amount drawn on the letter of credit. At June 30, 2004, the letter of credit had not been exercised.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

MFPRSI

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), 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, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 20.48% of earnable compensation for the year ended June 30, 2004 and 17.00% of earnable compensation for the years ended June 30, 2003 and 2002. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2004, 2003, and 2002, were \$816,193, \$676,355, and \$652,476, respectively, which met the required contribution for each year.

IPERS

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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29% respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$233,243, \$232,190, and \$233,983, respectively, equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City pays for the health insurance premiums for 13 of its retirees to participate in the City's health insurance plan until the age of 65. Health insurance premiums paid during the year ended June 30, 2004 totaled \$53,632.

NOTE 11 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City has issued a total of \$145,305,000 of industrial development revenue bonds.

NOTE 12 - RESTATEMENT OF NET ASSETS

The government-wide financial statements have restated their prior year net assets due to the following:

	Governmental Activities	Business-type Activities
Beginning net assets, as previously reported	\$ 66,947,927	\$ 59,421,518
Reclassification of capital assets	<u>(9,852,834)</u>	<u>(875,984)</u>
Beginning net assets, as restated	<u>\$ 57,095,093</u>	<u>\$ 58,545,534</u>

The following enterprise funds have restated their prior year net assets due to the following:

	Sewer Revenue	Transit System
Beginning net assets, as previously reported	\$ 49,897,058	\$ 2,456,226
Reclassification of capital assets	<u>(1,513,366)</u>	<u>6,833</u>
Beginning net assets, as restated	<u>\$ 48,383,692</u>	<u>\$ 2,463,059</u>

	Airport Operations	Dock Operations
Beginning net assets, as previously reported	\$ 1,941,792	\$ 2,464,208
Reclassification of capital assets	<u>514,740</u>	<u>104,994</u>
Beginning net assets, as restated	<u>\$ 2,456,532</u>	<u>\$ 2,569,202</u>

	Marina
Beginning net assets, as previously reported	\$ 689,298
Reclassification of capital assets	<u>10,815</u>
Beginning net assets, as restated	<u>\$ 700,113</u>

NOTE 13 - FUTURE ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2004, will be effective for the City beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement establishes and modifies disclosure requirements for deposit risks.

The impact of adopting the statement has not yet been determined.

This information is an integral part of the accompanying financial statements.

CITY OF CLINTON, IOWA
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Taxes	\$ 13,209,020	\$ -	\$ 13,209,020
Licenses and permits	183,969	-	183,969
Use of money and property	413,213	69,323	482,536
Intergovernmental	5,324,550	1,448,934	6,773,484
Charges for services	1,104,422	3,590,544	4,694,966
Property rental	-	341,203	341,203
Miscellaneous	349,131	283,717	632,848
Total revenues	<u>20,584,305</u>	<u>5,733,721</u>	<u>26,318,026</u>
EXPENDITURES			
Current			
Public safety	7,773,283	-	7,773,283
Public works	2,371,651	-	2,371,651
Culture and recreation	2,291,667	-	2,291,667
Community and economic development	737,029	-	737,029
General government	1,039,592	-	1,039,592
Debt service	12,068,982	-	12,068,982
Capital projects	4,907,607	-	4,907,607
Business-type activities	-	6,994,490	6,994,490
Total expenditures	<u>31,189,811</u>	<u>6,994,490</u>	<u>38,184,301</u>
DEFICIENCY OF REVENUES			
UNDER EXPENDITURES	<u>(10,605,506)</u>	<u>(1,260,769)</u>	<u>(11,866,275)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from fixed asset sales	53,247	-	53,247
Proceeds of refunding bonds	11,044,256	-	11,044,256
Operating transfers in	8,363,170	636,883	9,000,053
Operating transfers out	(8,500,053)	(500,000)	(9,000,053)
Total other financing sources (uses)	<u>10,960,620</u>	<u>136,883</u>	<u>11,097,503</u>
EXCESS (DEFICIENCY) OF REVENUES			
AND OTHER FINANCING SOURCES			
OVER (UNDER) EXPENDITURES			
AND OTHER FINANCING USES			
	355,114	(1,123,886)	(768,772)
FUND BALANCE, BEGINNING OF YEAR	<u>10,904,944</u>	<u>58,545,534</u>	<u>69,450,478</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,260,058</u>	<u>\$ 57,421,648</u>	<u>\$ 68,681,706</u>

Budgeted Amounts		Variance with Final Budget
Original	Final	Positive (Negative)
\$ 13,276,988	\$ 13,460,304	\$ (251,284)
280,700	179,700	4,269
863,100	776,000	(293,464)
20,528,828	7,759,900	(986,416)
5,304,500	5,399,200	(704,234)
-	-	341,203
10,135,282	2,526,352	(1,893,504)
<u>50,389,398</u>	<u>30,101,456</u>	<u>(3,783,430)</u>
8,070,500	7,866,200	92,917
2,116,500	2,212,880	(158,771)
2,385,300	2,402,900	111,233
1,076,400	958,300	221,271
1,288,500	1,078,715	39,123
4,442,300	16,417,100	4,348,118
23,447,828	6,404,540	1,496,933
9,913,500	9,293,300	2,298,810
<u>52,740,828</u>	<u>46,633,935</u>	<u>8,449,634</u>
<u>(2,351,430)</u>	<u>(16,532,479)</u>	<u>4,666,204</u>
8,600	8,600	44,647
-	11,930,000	(885,744)
10,710,393	10,066,593	(1,066,540)
(10,710,393)	(10,066,593)	1,066,540
<u>8,600</u>	<u>11,938,600</u>	<u>(841,097)</u>
(2,342,830)	(4,593,879)	3,825,107
<u>14,935,712</u>	<u>17,929,872</u>	<u>51,520,606</u>
<u>\$ 12,592,882</u>	<u>\$ 13,335,993</u>	<u>\$ 55,345,713</u>

CITY OF CLINTON, IOWA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on or before March 15th of each year which becomes effective July 1st following the required public notice and hearing for all funds except permanent and fiduciary funds. The budget may be amended during the year utilizing statutorily prescribed procedures and time limitations. Appropriations as adopted and amended lapse at the end of the fiscal year.

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions, not by fund, or fund type. These nine functions are: Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments decreased budget disbursements by \$6,106,893. These budget amendments are reflected in the final budgeted amounts.

The City's budget preparation process begins at the department level. Preliminary budget review of operating department requests is conducted by the City Administrator. A budget proposal is developed by the City Administrator which is a complete financial plan for the upcoming fiscal year. This proposal is submitted to the City Council the first week of February. The Council holds several budget workshops with the City Administrator, department managers, and boards and commissions during February. A public hearing is held the first part of March, and the budget is adopted by the Council and certified to the County Auditor by March 15th preceding the beginning of the fiscal year.

During the year ended June 30, 2004, disbursements in the public works function exceeded the amount budgeted.

**CITY OF CLINTON, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	<u>Special Revenue</u>		
	<u>Leisure/ Cultural Programs</u>	<u>Community and Economic Development</u>	<u>Tort Liability</u>
ASSETS			
Cash and investments	\$ 541,952	\$ 254,382	\$ 120,805
Receivables			
Taxes	-	-	-
Intergovernmental	25,500	21,180	-
Loan	-	20,728	-
Special assessments	-	-	-
Other	27,650	-	-
Prepaid insurance	-	-	46,885
TOTAL ASSETS	<u>\$ 595,102</u>	<u>\$ 296,290</u>	<u>\$ 167,690</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 45,866	\$ 14,829	\$ 5,997
Warrants payable	1,604	416	51,726
Deferred revenue	-	-	-
Total liabilities	<u>47,470</u>	<u>15,245</u>	<u>57,723</u>
FUND BALANCES			
Fund balance			
Reserved for prepaid expenditures	-	-	46,885
Reserved for endowments	-	-	-
Unreserved			
Undesignated			
Reported in			
Special revenue funds	547,632	281,045	63,082
Permanent funds	-	-	-
Total fund balances	<u>547,632</u>	<u>281,045</u>	<u>109,967</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 595,102</u>	<u>\$ 296,290</u>	<u>\$ 167,690</u>

<u>Special Revenue</u>		<u>Permanent</u>			
<u>Miscellaneous</u>	<u>Emergency Tax Relief</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>		<u>Total</u>
\$ 174,171	\$ -	\$ 3,403	\$ 4,487		\$ 1,099,200
246,032	168,815	-	-		414,847
2,706	-	-	-		49,386
-	-	-	-		20,728
95,599	-	-	-		95,599
15,960	-	-	-		43,610
-	-	-	-		46,885
<u>\$ 534,468</u>	<u>\$ 168,815</u>	<u>\$ 3,403</u>	<u>\$ 4,487</u>		<u>\$ 1,770,255</u>
\$ 19,817	\$ -	\$ -	\$ -		\$ 86,509
107,067	-	-	-		160,813
225,506	168,815	-	-		394,321
<u>352,390</u>	<u>168,815</u>	<u>-</u>	<u>-</u>		<u>641,643</u>
-	-	-	-		46,885
20,000	-	3,000	4,000		27,000
162,078	-	-	-		1,053,837
-	-	403	487		890
<u>182,078</u>	<u>-</u>	<u>3,403</u>	<u>4,487</u>		<u>1,128,612</u>
<u>\$ 534,468</u>	<u>\$ 168,815</u>	<u>\$ 3,403</u>	<u>\$ 4,487</u>		<u>\$ 1,770,255</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
REVENUES			
Taxes	\$ -	\$ -	\$ -
Use of money and property	141,231	1,023	-
Intergovernmental	25,500	127,762	-
Charges for services	272,610	-	-
Miscellaneous	4,092	-	-
Total revenues	<u>443,433</u>	<u>128,785</u>	<u>-</u>
EXPENDITURES			
Current			
Public safety	87,826	-	-
Public works	-	-	-
Culture and recreation	171,437	-	-
Community and economic development	5,000	183,631	-
General government	183	-	239,953
Capital projects	154,900	-	-
Total expenditures	<u>419,346</u>	<u>183,631</u>	<u>239,953</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,087</u>	<u>(54,846)</u>	<u>(239,953)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	246,959	60,345	219,057
Operating transfers out	(408,165)	-	-
Total other financing sources (uses)	<u>(161,206)</u>	<u>60,345</u>	<u>219,057</u>
NET CHANGE IN FUND BALANCES	(137,119)	5,499	(20,896)
FUND BALANCES, BEGINNING OF YEAR	<u>684,751</u>	<u>275,546</u>	<u>130,863</u>
FUND BALANCES, END OF YEAR	<u>\$ 547,632</u>	<u>\$ 281,045</u>	<u>\$ 109,967</u>

<u>Special Revenue</u>		<u>Permanent</u>			
<u>Miscellaneous</u>	<u>Emergency Tax Relief</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>	
\$ 1,212,372	\$ -	\$ -	\$ -	\$ 1,212,372	
3,033	-	23	29	145,339	
74,087	-	-	-	227,349	
9,920	-	-	-	282,530	
36,199	-	-	-	40,291	
<u>1,335,611</u>	<u>-</u>	<u>23</u>	<u>29</u>	<u>1,907,881</u>	
29,483	-	-	-	117,309	
124,581	-	-	-	124,581	
65,694	-	-	-	237,131	
300,998	-	-	-	489,629	
-	-	-	-	240,136	
13,337	-	-	-	168,237	
<u>534,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,023</u>	
<u>801,518</u>	<u>-</u>	<u>23</u>	<u>29</u>	<u>530,858</u>	
1,685	-	-	-	528,046	
(816,489)	-	-	-	(1,224,654)	
<u>(814,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(696,608)</u>	
(13,286)	-	23	29	(165,750)	
<u>195,364</u>	<u>-</u>	<u>3,380</u>	<u>4,458</u>	<u>1,294,362</u>	
<u>\$ 182,078</u>	<u>\$ -</u>	<u>\$ 3,403</u>	<u>\$ 4,487</u>	<u>\$ 1,128,612</u>	

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2004

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ (35,433)	\$ 31,263	\$ 188,523	\$ 184,353
Receivables				
Service fees	36,240	-	47,030	83,270
Other	-	3,272	24	3,296
Capital assets, net of accumulated depreciation	<u>2,463,676</u>	<u>652,265</u>	<u>217,000</u>	<u>3,332,941</u>
Total assets	<u>2,464,483</u>	<u>686,800</u>	<u>452,577</u>	<u>3,603,860</u>
LIABILITIES				
Accounts payable	-	4,186	1,596	5,782
Warrants payable	<u>355</u>	<u>2,018</u>	<u>135</u>	<u>2,508</u>
Total liabilities	<u>355</u>	<u>6,204</u>	<u>1,731</u>	<u>8,290</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,463,676	652,265	217,000	3,332,941
Unrestricted	<u>452</u>	<u>28,331</u>	<u>233,846</u>	<u>262,629</u>
Total net assets	<u>\$ 2,464,128</u>	<u>\$ 680,596</u>	<u>\$ 450,846</u>	<u>\$ 3,595,570</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2004

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 170,806	\$ -	\$ -	\$ 170,806
Property rental	174,410	92,758	-	267,168
Miscellaneous	-	-	325	325
Total operating revenues	<u>345,216</u>	<u>92,758</u>	<u>325</u>	<u>438,299</u>
OPERATING EXPENSES				
Business-type/enterprise				
Personal services	-	-	24,197	24,197
Commodities	-	11,278	747	12,025
Contractual services	7,999	66,850	12,257	87,106
Depreciation	63,225	34,147	-	97,372
Total operating expenses	<u>71,224</u>	<u>112,275</u>	<u>37,201</u>	<u>220,700</u>
Operating income (loss)	<u>273,992</u>	<u>(19,517)</u>	<u>(36,876)</u>	<u>217,599</u>
NON-OPERATING REVENUES				
Interest revenue	934	-	1,678	2,612
Intergovernmental	-	-	52	52
Total non-operating revenues	<u>934</u>	<u>-</u>	<u>1,730</u>	<u>2,664</u>
INCOME (LOSS) BEFORE TRANSFERS	274,926	(19,517)	(35,146)	220,263
Operating transfers out	<u>(380,000)</u>	<u>-</u>	<u>-</u>	<u>(380,000)</u>
CHANGE IN NET ASSETS	(105,074)	(19,517)	(35,146)	(159,737)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>2,569,202</u>	<u>700,113</u>	<u>485,992</u>	<u>3,755,307</u>
NET ASSETS, END OF YEAR	<u>\$ 2,464,128</u>	<u>\$ 680,596</u>	<u>\$ 450,846</u>	<u>\$ 3,595,570</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2004

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total Nonmajor Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 350,912	\$ 95,034	\$ 22,168	\$ 468,114
Cash paid to suppliers	(10,073)	(82,390)	(18,135)	(110,598)
Cash paid to employees	-	-	(24,197)	(24,197)
Net cash provided by (used in) operating activities	<u>340,839</u>	<u>12,644</u>	<u>(20,164)</u>	<u>333,319</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental	-	-	52	52
Operating transfers out	(380,000)	-	-	(380,000)
Net cash provided by (used in) non-capital financing activities	<u>(380,000)</u>	<u>-</u>	<u>52</u>	<u>(379,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(15,867)	-	-	(15,867)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	934	-	1,678	2,612
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(54,094)	12,644	(18,434)	(59,884)
CASH AND INVESTMENTS, JULY 1	<u>18,661</u>	<u>18,619</u>	<u>206,957</u>	<u>244,237</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ (35,433)</u>	<u>\$ 31,263</u>	<u>\$ 188,523</u>	<u>\$ 184,353</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 273,992	\$ (19,517)	\$ (36,876)	\$ 217,599
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	63,225	34,147	-	97,372
Changes in assets and liabilities:				
Decrease in receivables	5,696	2,276	21,843	29,815
Decrease in accounts payable	(2,056)	(5,668)	(5,097)	(12,821)
Increase (decrease) in warrants payable	355	1,406	(34)	1,727
Increase (decrease) in contracts payable	(373)	-	-	(373)
Net cash flows from operating activities	<u>\$ 340,839</u>	<u>\$ 12,644</u>	<u>\$ (20,164)</u>	<u>\$ 333,319</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	Payroll Clearing Fund	Miscellaneous Clearing Fund	Total
ASSETS			
Cash and investments	\$ 296,154	\$ 1,062	\$ 297,216
Receivables			
Other	-	1,499	1,499
Prepaid Insurance	45,517	-	45,517
TOTAL ASSETS	\$ 341,671	\$ 2,561	\$ 344,232
LIABILITIES			
Accounts payable	\$ 120,923	\$ -	\$ 120,923
Warrants payable	220,748	2,561	223,309
TOTAL LIABILITIES	\$ 341,671	\$ 2,561	\$ 344,232

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2004

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Payroll Clearing Fund				
Assets:				
Cash and investments	\$ 303,306	\$ 10,374,513	\$ 10,381,665	\$ 296,154
Prepaid insurance	38,522	45,517	38,522	45,517
Total assets	\$ 341,828	\$ 10,420,030	\$ 10,420,187	\$ 341,671
Liabilities:				
Accounts payable	\$ 114,689	\$ 5,084,288	5,078,054	\$ 120,923
Warrants payable	227,139	8,534,612	8,541,003	220,748
Total liabilities	\$ 341,828	\$ 13,618,900	\$ 13,619,057	\$ 341,671
Miscellaneous Clearing Fund				
Assets:				
Cash and investments	\$ 1,263	\$ 12,659	\$ 12,860	\$ 1,062
Receivables				
Other	1,298	3,565	3,364	1,499
Total assets	\$ 2,561	\$ 16,224	\$ 16,224	\$ 2,561
Liabilities:				
Accounts payable	\$ -	\$ 2,015	\$ 2,015	\$ -
Warrants payable	2,561	2,015	2,015	2,561
Total liabilities	\$ 2,561	\$ 4,030	\$ 4,030	\$ 2,561
Total All Funds				
Assets:				
Cash and investments	\$ 304,569	\$ 10,387,172	\$ 10,394,525	\$ 297,216
Receivables				
Other	1,298	3,565	3,364	1,499
Prepaid insurance	38,522	45,517	38,522	45,517
Total assets	\$ 344,389	\$ 10,436,254	\$ 10,436,411	\$ 344,232
Liabilities:				
Accounts payable	\$ 114,689	\$ 5,086,303	\$ 5,080,069	\$ 120,923
Warrants payable	229,700	8,536,627	8,543,018	223,309
Total liabilities	\$ 344,389	\$ 13,622,930	\$ 13,623,087	\$ 344,232

CITY OF CLINTON, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES
BY FUNCTION - ALL GOVERNMENTAL FUND TYPES
For the Last Two Years

	2004	2003
REVENUES		
Taxes	\$ 13,209,020	\$ 12,903,970
Licenses and permits	183,969	147,029
Use of money and property	413,213	483,045
Intergovernmental	5,324,550	4,804,891
Charges for services	1,104,422	942,105
Miscellaneous	349,131	822,735
	TOTAL REVENUES	TOTAL REVENUES
	\$ 20,584,305	\$ 20,103,775
 EXPENDITURES		
Current		
Public safety	\$ 7,773,283	\$ 7,255,798
Public works	2,371,651	3,027,668
Health and social services	-	8,400
Culture and recreation	2,291,667	2,276,679
Community and economic development	737,029	665,272
General government	1,039,592	983,144
Debt service	12,068,982	4,379,060
Capital projects	4,907,607	1,181,179
	TOTAL EXPENDITURES	TOTAL EXPENDITURES
	\$ 31,189,811	\$ 19,777,200

**CITY OF CLINTON, IOWA
ACTUAL PROPERTY VALUATION COMPARISON**

(Unaudited)

Fiscal Year:	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
<u>January 1 Valuation</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Residential property	\$ 490,937,636	\$ 501,214,698	\$ 518,038,460	\$ 580,596,303	\$ 601,468,174	\$ 620,381,886
Commercial property	155,058,009	165,836,914	182,614,958	195,577,009	195,439,760	213,052,556
Industrial property	76,146,151	84,802,456	86,336,688	88,683,701	97,578,888	97,047,192
Machinery and equipment	127,296,045	101,609,207	62,044,326	26,129,207	-	-
Utilities	69,339,397	68,291,763	71,498,812	74,135,202	76,758,342	79,872,814
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	919,223,988	922,201,788	920,979,994	965,568,172	971,691,914	1,010,801,198
Agricultural land	<u>11,349,115</u>	<u>12,537,609</u>	<u>12,348,078</u>	<u>12,307,399</u>	<u>12,295,305</u>	<u>10,210,421</u>
TOTAL	<u><u>\$ 930,573,103</u></u>	<u><u>\$ 934,739,397</u></u>	<u><u>\$ 933,328,072</u></u>	<u><u>\$ 977,875,571</u></u>	<u><u>\$ 983,987,219</u></u>	<u><u>\$ 1,021,011,619</u></u>

**CITY OF CLINTON, IOWA
TAXABLE PROPERTY VALUATION COMPARISON**

(Unaudited)

Fiscal Year:	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
<u>January 1 Valuation</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Residential property	\$ 277,276,445	\$ 274,928,737	\$ 291,475,150	\$ 299,980,330	\$ 309,078,746	\$ 300,611,316
Commercial property	155,058,009	163,802,422	182,614,958	191,215,889	195,439,760	211,469,613
Industrial property	76,146,151	84,802,456	86,336,688	88,683,701	97,578,888	97,047,192
Machinery and equipment	127,296,045	101,609,207	62,044,326	26,129,207	-	-
Utilities	69,339,397	68,274,404	71,498,812	74,103,520	76,758,342	68,461,470
Other	446,750	446,750	446,750	446,750	446,750	446,750
Subtotal	705,562,797	693,863,976	694,416,684	680,559,397	679,302,486	678,036,341
Less military exemptions	4,672,596	4,525,362	4,388,314	4,284,602	4,183,668	4,106,810
TOTAL	<u>\$ 700,890,201</u>	<u>\$ 689,338,614</u>	<u>\$ 690,028,370</u>	<u>\$ 676,274,795</u>	<u>\$ 675,118,818</u>	<u>\$ 673,929,531</u>
 Agricultural land	 <u>\$ 11,349,115</u>	 <u>\$ 12,078,491</u>	 <u>\$ 12,348,078</u>	 <u>\$ 12,307,399</u>	 <u>\$ 12,295,305</u>	 <u>\$ 10,210,421</u>

**CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2004**

SUMMARY

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,275,000	\$ 841,266	\$ 4,116,266
2006	3,545,000	754,513	4,299,513
2007	3,665,000	642,986	4,307,986
2008	3,520,000	516,358	4,036,358
2009	3,115,000	382,985	3,497,985
2010	1,920,000	262,284	2,182,284
2011	1,450,000	182,619	1,632,619
2012	1,105,000	122,315	1,227,315
2013	1,160,000	75,873	1,235,873
2014	350,000	26,462	376,462
2015	365,000	13,688	378,688
	<u>\$ 23,470,000</u>	<u>\$ 3,821,349</u>	<u>\$ 27,291,349</u>

**CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2004**

**General Corporate Purpose Bonds
Dated November 1, 1997**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 320,000	\$ 163,818	\$ 483,818
2006	330,000	148,937	478,937
2007	350,000	133,593	483,593
2008	365,000	117,317	482,317
2009	385,000	100,345	485,345
2010	405,000	82,250	487,250
2011	430,000	63,215	493,215
2012	445,000	43,005	488,005
2013	470,000	22,090	492,090
	<u>\$ 3,500,000</u>	<u>\$ 874,570</u>	<u>\$ 4,374,570</u>

**General Corporate Purpose Bonds
Dated September 1, 1999**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 230,000	\$ 90,411	\$ 320,411
2006	325,000	80,061	405,061
2007	350,000	65,030	415,030
2008	665,000	48,580	713,580
2009	340,000	16,660	356,660
	<u>\$ 1,910,000</u>	<u>\$ 300,742</u>	<u>\$ 2,210,742</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2004

General Corporate Purpose Bonds
Dated March 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 195,000	\$ 92,862	\$ 287,862
2006	205,000	84,673	289,673
2007	220,000	76,062	296,062
2008	230,000	66,823	296,823
2009	240,000	57,162	297,162
2010	255,000	46,963	301,963
2011	270,000	36,125	306,125
2012	280,000	24,650	304,650
2013	300,000	12,750	312,750
	<u>\$ 2,195,000</u>	<u>\$ 498,070</u>	<u>\$ 2,693,070</u>

General Obligation Refunding Bonds
Dated May 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 580,000	\$ 196,663	\$ 776,663
2006	765,000	174,913	939,913
2007	800,000	145,077	945,077
2008	740,000	113,077	853,077
2009	775,000	82,737	857,737
2010	825,000	49,800	874,800
2011	300,000	13,500	313,500
	<u>\$ 4,785,000</u>	<u>\$ 775,767</u>	<u>\$ 5,560,767</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2004

General Corporate Purpose Bonds
Taxable - Series 2003A
Dated November 1, 2003

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 24,047	\$ 24,047
2006	100,000	24,048	124,048
2007	100,000	21,047	121,047
2008	105,000	17,748	122,748
2009	145,000	13,967	158,967
2010	40,000	8,168	48,168
2011	45,000	6,527	51,527
2012	45,000	4,570	49,570
2013	50,000	2,500	52,500
	<u>\$ 630,000</u>	<u>\$ 122,622</u>	<u>\$ 752,622</u>

General Corporate Purpose Bonds
Series 2003B
Dated November 1, 2003

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 90,222	\$ 90,222
2006	75,000	90,223	165,223
2007	75,000	88,910	163,910
2008	75,000	87,335	162,335
2009	385,000	85,497	470,497
2010	395,000	75,103	470,103
2011	405,000	63,252	468,252
2012	335,000	50,090	385,090
2013	340,000	38,533	378,533
2014	350,000	26,462	376,462
2015	365,000	13,688	378,688
	<u>\$ 2,800,000</u>	<u>\$ 709,315</u>	<u>\$ 3,509,315</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2004

General Obligation Refunding Bonds
Dated June 15, 2004

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,950,000	\$ 183,243	\$ 2,133,243
2006	1,745,000	151,658	1,896,658
2007	1,770,000	113,267	1,883,267
2008	1,340,000	65,478	1,405,478
2009	845,000	26,617	871,617
	<u>\$ 7,650,000</u>	<u>\$ 540,263</u>	<u>\$ 8,190,263</u>

CITY OF CLINTON, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004

Actual property valuations, January 1, 2003	<u>\$ 1,021,011,619</u>
Debt limit - 5% of total valuation	\$ 51,050,581
Amount of debt applicable to limit - general obligation debt plus economic development note	<u>23,470,000</u>
Legal debt margin	<u>\$ 27,580,581</u>

CITY OF CLINTON, IOWA
SUMMARY OF TAXES AND INTERGOVERNMENTAL REVENUES

(Unaudited)

	<u>2003/04</u>	<u>2002/03</u>	<u>2001/02</u>	<u>2000/01</u>	<u>1999/00</u>	<u>1998/99</u>
Taxes						
Property taxes	\$ 9,701,894	\$ 9,316,228	\$ 9,491,478	\$ 9,451,404	\$ 9,976,800	\$ 9,233,067
Mobile home taxes	11,356	8,438	8,914	7,823	6,887	5,437
Utility excise taxes	618,326	754,050	734,059	694,515	-	-
Local option sales taxes	2,472,374	2,415,966	2,686,303	2,251,707	2,219,415	2,267,079
Hotel/motel taxes	248,276	251,930	222,179	201,545	177,488	229,141
Cable television franchise fees	145,264	146,212	136,421	101,903	93,069	89,646
Other taxes	11,529	11,146	11,437	370	11,929	11,972
	<u>13,209,019</u>	<u>12,903,970</u>	<u>13,290,791</u>	<u>12,709,267</u>	<u>12,485,588</u>	<u>11,836,342</u>
Intergovernmental						
Road use taxes	2,327,048	2,242,288	2,247,712	2,296,487	2,392,400	2,220,957
State consolidated payments	-	461,064	486,065	534,748	536,319	535,876
Bank franchise tax	24,730	25,989	80,358	42,166	44,792	75,601
Machinery and equipment tax replacement	350,166	737,018	316,098	628,482	231,950	-
Other federal/state revenues	4,026,803	2,320,345	7,451,976	4,335,895	4,928,346	3,948,597
County contributions	44,738	43,756	33,253	37,198	32,041	27,690
	<u>6,773,485</u>	<u>5,830,460</u>	<u>10,615,462</u>	<u>7,874,976</u>	<u>8,165,848</u>	<u>6,808,721</u>
TOTAL	<u>\$ 19,982,504</u>	<u>\$ 18,734,430</u>	<u>\$ 23,906,253</u>	<u>\$ 20,584,243</u>	<u>\$ 20,651,436</u>	<u>\$ 18,645,063</u>

**CITY OF CLINTON, IOWA
MISCELLANEOUS STATISTICS
June 30, 2004**

(Unaudited)

Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	203
Area in Square Miles	34.8
Population	27,772
City of Clinton Facilities and Services:	
Miles of Streets	185.44
Parks and Recreation:	
Parks	18
Park Acreage	478
Swimming Pool	1
Softball and Baseball Diamonds	16
Tennis Courts	12
Baseball Stadium	1
Libraries:	
Number of Registered Borrowers	12,108
Number of Items in Collection	150,740
Police Protection:	
Number of Stations	1
Number of Sworn Officers	45
Fire Protection:	
Number of Stations	3
Number of Fire Personnel	46
Sewer System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	4.5 million
Maximum Daily Capacity in Gallons	18.0 million
Number of Customers	10,251
Sewer Rate	\$1.65 per 100 cubic feet
Public Transportation System:	
Buses	12
Fixed Routes Served	6
Para Transit Vehicles	3
Municipal Airport:	
Primary Runway Length (in feet)	5,204
Other Runway (in feet)	3,700

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

Honorable Mayor and
Members of the City Council

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated May 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Clinton, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Clinton, Iowa's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Clinton, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Clinton, Iowa, and other parties to whom the City of Clinton, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Clifton Gundersen LLP

Clinton, Iowa
May 31, 2005



**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

Honorable Mayor and
Members of the City Council

Compliance

We have audited the compliance of the City of Clinton, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Clinton, Iowa's major federal programs are identified in Section I of the summary of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Clinton's management. Our responsibility is to express an opinion on the City of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Clinton, Iowa's compliance with those requirements.

In our opinion, the City of Clinton, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Clinton, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Clinton, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Clifton Henderson LLP

Clinton, Iowa
May 31, 2005

CITY OF CLINTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Homeland Security Federal Emergency Management Agency Assistance to Firefighters Grant Program	83.554	EMW-2003-G-17059	\$ 10,018
Department of Transportation Airport Improvement Program	20.106	3-19-0019-09	1,021,066
Environmental Protection Agency Brownsfields Assessment & Cleanup Cooperative Agreements	66.818	BF-98735001	77,366
Superfund State Site - Specific Cooperative Agreements	66.811	BF-99763701	15,987
Total Direct			<u>1,124,437</u>
Indirect:			
Department of Housing & Urban Development Iowa Department of Economic Development Community Development Block Grants/State's Program	14.228	02-CF-046	3,628
Community Development Block Grants/State's Program	14.288	03-CF-014	10,134
Subtotal			<u>13,762</u>
Emergency Shelter Grants Program	14.231	02-ES-003	<u>114,000</u>
Department of Transportation Iowa Department of Transportation Federal Transit - Capital Investment Grants	20.500	03-0095-141-02	5,521
Formula Grants for Other Than Urbanized Areas	20.509	18-4024-141-04	183,834
Formula Grants for Other Than Urbanized Areas	20.509	TR-2004-038	330
Highway Planning and Construction	20.205	STP-U-1415(611)-70-23	254,573
Highway Planning and Construction	20.205	STP-U-1415(612)-70-23	672,000
Highway Planning and Construction	20.205	STP-U-1415(613)-70-23	165,136
Subtotal			<u>1,281,394</u>
National Highway Traffic Safety Administration Governor's Traffic Safety Bureau State and Community Highway Safety	20.600	PAP03-04, Task05	6,605
State and Community Highway Safety	20.600	PAP04-04, Task05	5,054
Intoxicated Driver Prevention Program	20.605	04-163, Task 15	819
Subtotal			<u>12,478</u>
U.S. Department of Justice Governor's Office of Drug Control Policy Local Law Enforcement Block Grant Program	16.592	03LE-0131	6,000
Project Safe Neighborhoods		03-SD09	1,496
Subtotal			<u>7,496</u>
Total Indirect			<u>1,429,130</u>
TOTAL			<u><u>\$ 2,553,567</u></u>

**CITY OF CLINTON, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2004**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clinton, Iowa for the year ended June 30, 2004. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government 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, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Revenue from federal awards is recognized when the City has done everything necessary to establish its rights to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred for expenditures/expenses funded through federal awards.

NOTE 3 - SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ State's Program	14.228	\$ 3,628

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are Required to be reported in accordance with Circular A-133, Section .510(a)? yes no

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? yes no

Section II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Section III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

None

REPORTABLE CONDITIONS:

None

Section IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget - Expenditures for the year ended June 30, 2004, exceeded the amount budgeted in the public works function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - The overrun was a result of reclassifying expenditures from the capital project's function to the public works function for items under the government-wide capitalization threshold. The City will review its methods of classification and the budget will be amended in the future, if applicable.
- Conclusion - Response accepted.
- IV-C-04 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- IV-D-04 Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dick McLane, Member of Traffic Study Commission, Owner of McLanes Office Supply	Supplies	\$ 1,613
James Connell, Clinton Police Officer, Spouse: Mary Connell, President of Air Control	Parts, Repairs and Maintenance	18,865
Tom Lonergan, Member of Planning Commission, Mayer, Longergan & Rolfes Attorney's	Ambulance Refund	355
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	<u>13,773</u>
		<u>\$34,606</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the City Planning Commission do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year. All transactions over \$1,500 with the Traffic Study Commission and the Clinton Police Officer were entered into through competitive bidding and do not appear to represent a conflict of interest. Two transactions over \$1,500 with the Zoning Board of Adjustments were not entered into through competitive bidding and appear to violate Chapter 362.5(10) of the Code of Iowa.

Recommendation - All business transactions greater than or equal to \$1,500 should be done through competitive bidding and in accordance with Chapter 362.5(10) of the Code of Iowa.

Response - The City will monitor business transactions and all transactions greater than or equal to \$1,500 will be done through competitive bidding.

Conclusion - Response accepted.

IV-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-04 Revenue Bonds - We noted one instance of noncompliance with the provisions of the City's revenue bond resolutions. The City did not maintain "net revenues" of not less than 110% of the principal and interest due in the current year.

Recommendation - The City should review its user rates such that their "net revenues" do not fall below 110% of the principal and interest due in future years.

Response - The City performed a sewer rate study and rates will increase on May 1, 2005.

Conclusion - Response accepted.

IV-I-04 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF CLINTON, IOWA
SCHEDULE OF BALANCE SHEET ACCOUNTS
REQUIRED BY REVENUE BOND ORDINANCE
ENTERPRISE FUNDS
June 30, 2004

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
ASSETS			
Receivables			
Service fees	\$ -	\$ -	\$ -
Other	475	-	-
Prepaid insurance	50,712	-	-
Restricted cash and investments	<u>86,582</u>	<u>677,851</u>	<u>650,409</u>
TOTAL ASSETS	<u><u>\$ 137,769</u></u>	<u><u>\$ 677,851</u></u>	<u><u>\$ 650,409</u></u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 46,959	\$ -	\$ -
Warrants payable	<u>90,810</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>137,769</u>	<u>-</u>	<u>-</u>
FUND EQUITY			
Retained earnings - reserved for capital equipment replacement/repairs	-	677,851	650,409
Retained earnings - reserved for debt service	-	-	-
Retained earnings - unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>-</u>	<u>677,851</u>	<u>650,409</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 137,769</u></u>	<u><u>\$ 677,851</u></u>	<u><u>\$ 650,409</u></u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 718,264	\$ -	\$ 718,264
-	-	90,128	1,317	91,920
-	-	-	-	50,712
<u>17,004</u>	<u>206,327</u>	<u>920,794</u>	<u>992,471</u>	<u>3,551,438</u>
<u>\$ 17,004</u>	<u>\$ 206,327</u>	<u>\$ 1,729,186</u>	<u>\$ 993,788</u>	<u>\$ 4,412,334</u>
\$ -	\$ -	\$ 3,827	\$ 22,000	\$ 72,786
-	-	1,013	-	91,823
<u>-</u>	<u>-</u>	<u>4,840</u>	<u>22,000</u>	<u>164,609</u>
-	-	-	-	1,328,260
17,004	206,327	-	-	223,331
-	-	1,724,346	971,788	2,696,134
<u>17,004</u>	<u>206,327</u>	<u>1,724,346</u>	<u>971,788</u>	<u>4,247,725</u>
<u>\$ 17,004</u>	<u>\$ 206,327</u>	<u>\$ 1,729,186</u>	<u>\$ 993,788</u>	<u>\$ 4,412,334</u>

CITY OF CLINTON, IOWA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS
REQUIRED BY REVENUE BOND ORDINANCE
ENTERPRISE FUNDS
Year Ended June 30, 2004

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
OPERATING REVENUES			
Charges for service	\$ 23,263	\$ -	\$ -
Sale of equipment/materials	332	-	-
Miscellaneous	41,531	-	-
Total operating revenues	<u>65,126</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Business-type/enterprise			
Personal services	1,086,867	-	-
Commodities	172,965	-	-
Contractual services	709,696	-	-
Capital outlay	44,069	-	-
Total operating expenses	<u>2,013,597</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>(1,948,471)</u>	<u>-</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	3,692	3,757
Intergovernmental	761	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>761</u>	<u>3,692</u>	<u>3,757</u>
NET INCOME (LOSS)			
BEFORE OPERATING TRANSFERS	(1,947,710)	3,692	3,757
Operating transfers in	1,947,710	225,000	150,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	-	228,692	153,757
RETAINED EARNINGS, JULY 1	<u>-</u>	<u>449,159</u>	<u>496,652</u>
RETAINED EARNINGS, JUNE 30	<u>\$ -</u>	<u>\$ 677,851</u>	<u>\$ 650,409</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,213,919	\$ 6,073	\$ 2,243,255
-	-	-	-	332
-	-	308	-	41,839
<u>-</u>	<u>-</u>	<u>2,214,227</u>	<u>6,073</u>	<u>2,285,426</u>
-	-	-	-	1,086,867
-	-	-	-	172,965
-	-	-	115,282	824,978
131,000	-	-	195,170	370,239
<u>131,000</u>	<u>-</u>	<u>-</u>	<u>310,452</u>	<u>2,455,049</u>
<u>(131,000)</u>	<u>-</u>	<u>2,214,227</u>	<u>(304,379)</u>	<u>(169,623)</u>
-	-	39,498	6,821	53,768
-	-	-	10,955	11,716
(74,613)	-	-	-	(74,613)
<u>(74,613)</u>	<u>-</u>	<u>39,498</u>	<u>17,776</u>	<u>(9,129)</u>
(205,613)	-	2,253,725	(286,603)	(178,752)
205,600	-	-	213,210	2,741,520
<u>-</u>	<u>-</u>	<u>(2,678,310)</u>	<u>(120,000)</u>	<u>(2,798,310)</u>
(13)	-	(424,585)	(193,393)	(235,542)
<u>17,017</u>	<u>206,327</u>	<u>2,148,931</u>	<u>1,165,181</u>	<u>4,483,267</u>
<u>\$ 17,004</u>	<u>\$ 206,327</u>	<u>\$ 1,724,346</u>	<u>\$ 971,788</u>	<u>\$ 4,247,725</u>