

**CITY OF CLINTON, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**City of Clinton, Iowa**

CITY OF CLINTON, IOWA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2005

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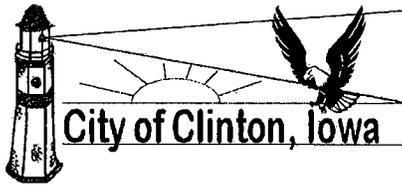
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## **City Clerk/Finance Department**

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

DATE: June 12, 2006

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, 2005.

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, 2005, 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, 2005, 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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Phone 563/242-7545  
Fax 563/242-7775

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/City Administrator 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 includes 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 46 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 is 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 influx of these other sources of revenues, likewise, resulted in the continued deferral of capital equipment purchases. The schedules included in this report reflect the financial impact of this situation.

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 reflects minimal growth 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 2% 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, a restaurant, and new motel 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 recently 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. Currently completed and ready for development are 22 acres. This site includes all earthwork, storm sewer, paving, sanitary sewer and water lines. Additionally, a gravity sewer line in the area is almost completed which will facilitate the future development of 13,000 acres of agricultural land within the City.

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 occurred during 2002/03 and 2003/04. Emphasis is currently in the area of sewer separation. The first sewer construction/separation phase is estimated at \$5.9 million and is now under construction.

A major improvement and enhancement to the City's riverfront and adjacent areas has been approved and is currently underway. 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 issued \$3.575 million of bonds in the spring of 2006 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 \$1.5 million 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, \$642,000 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 \$217,155 of interest during fiscal year 2004/2005.

**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.

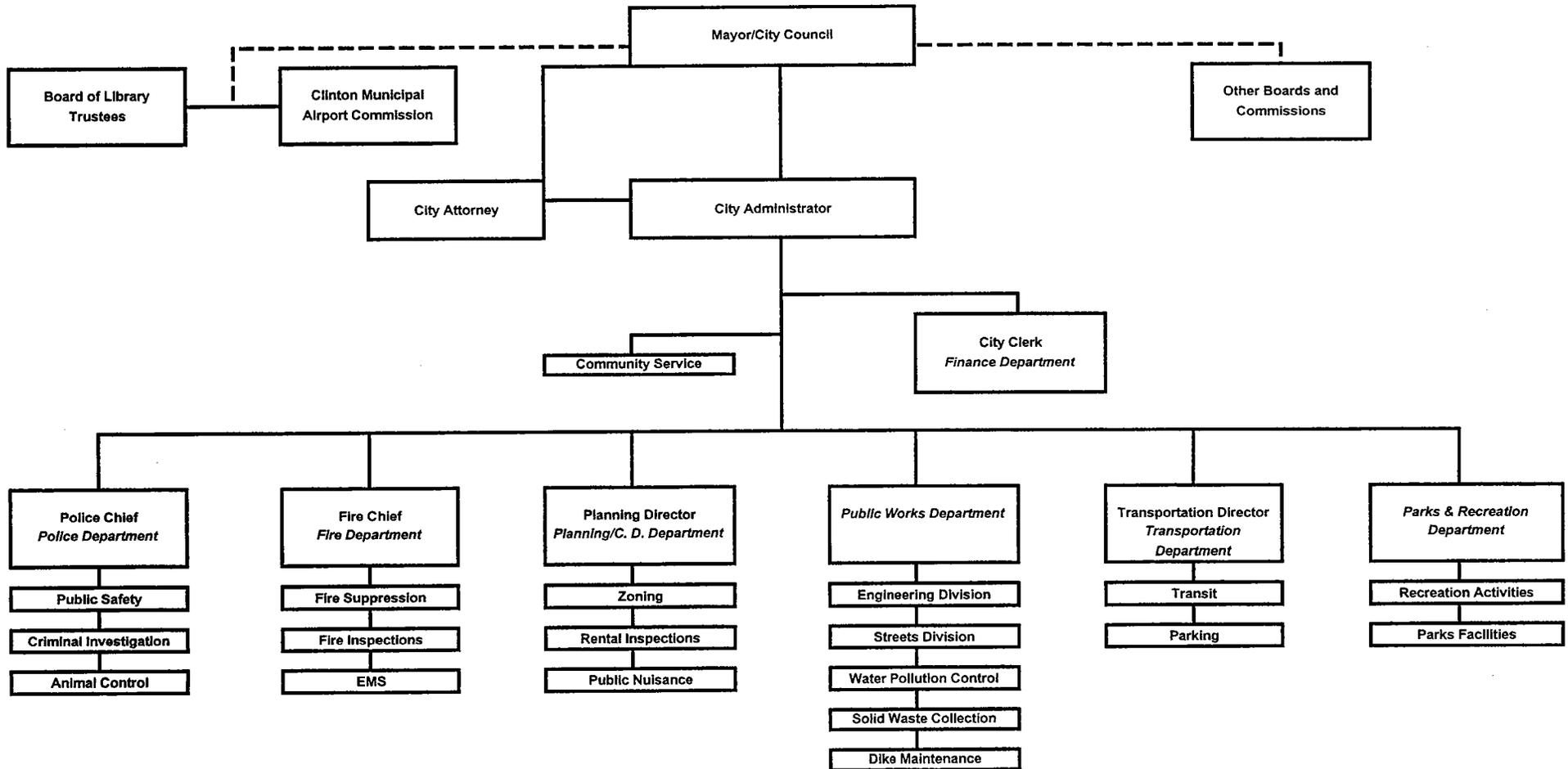
**Acknowledgements.** In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, I would like to express my appreciation to all members of the department for their assistance and contributions for this endeavor. Our auditors, Clifton Gunderson LLP were, likewise, very helpful and worked diligently in assisting us 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, 2005

## ELECTED OFFICIALS

Mayor	LaMetta K. Wynn
Council Member	Beverly Hermann
Council Member	Rodger Holm
Council Member	Michael Kearney
Council Member	Bette J. Oakley
Council Member	Edward O'Neill
Council Member	Darrell G. Smith
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, 2005, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2005, 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 June 16, 2006, 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 inquiries 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, 2004 (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  
June 16, 2006

## 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, 2005. 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, 2005 by \$114,454,246 (net assets).
- The City's total net assets decreased by \$927,811. This amount represents only a .8% decrease.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$8,033,579, a decrease of \$3,226,479 in comparison with the prior year. Approximately 78% 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 \$2,868,777, or 24% of total General Fund expenditures, including transfers out.
- The City's total debt decreased by \$3,434,622 during the current fiscal year.

### 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 2004/05. 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 \$114,454,246 at the close of the fiscal year ended June 30, 2005. For the fiscal year ended June 30, 2004, assets had exceeded liabilities by \$115,382,057. This represents a .8% decrease in net assets between the two fiscal periods.

#### City of Clinton's Net Assets June 30, 2005 and 2004

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>	<u>Business-type Activities 2005</u>	<u>Business-type Activities 2004</u>	<u>Total 2005</u>	<u>Total 2004</u>
Current and other assets	\$ 21,705,765	\$ 24,054,260	\$ 5,245,278	\$ 6,571,015	\$ 26,951,043	\$ 30,625,275
Capital assets	<u>71,975,241</u>	<u>70,518,887</u>	<u>51,547,820</u>	<u>52,928,935</u>	<u>123,523,061</u>	<u>123,447,822</u>
Total assets	<u>93,681,006</u>	<u>94,573,147</u>	<u>56,793,098</u>	<u>59,499,950</u>	<u>150,474,104</u>	<u>154,073,097</u>
Current and other liabilities	16,835,552	15,831,117	433,307	541,302	17,268,859	16,372,419
Long-term liabilities outstanding	<u>17,233,999</u>	<u>20,781,621</u>	<u>1,517,000</u>	<u>1,537,000</u>	<u>18,750,999</u>	<u>22,318,621</u>
Total liabilities	<u>34,069,551</u>	<u>36,612,738</u>	<u>1,950,307</u>	<u>2,078,302</u>	<u>36,019,858</u>	<u>38,691,040</u>
Net assets						
Invested in capital assets, net of related debt	50,711,954	48,007,966	51,517,820	52,888,935	102,229,774	100,896,901
Restricted	1,816,271	2,024,355	2,274,886	2,167,340	4,091,157	4,191,695
Unrestricted	<u>7,083,230</u>	<u>7,928,088</u>	<u>1,050,085</u>	<u>2,365,373</u>	<u>8,133,315</u>	<u>10,293,461</u>
Total net assets	<u>\$ 59,611,455</u>	<u>\$ 57,960,409</u>	<u>\$ 54,842,791</u>	<u>\$ 57,421,648</u>	<u>\$ 114,454,246</u>	<u>\$ 115,382,057</u>

The largest portion of the City of Clinton's net assets (89.3%) 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.

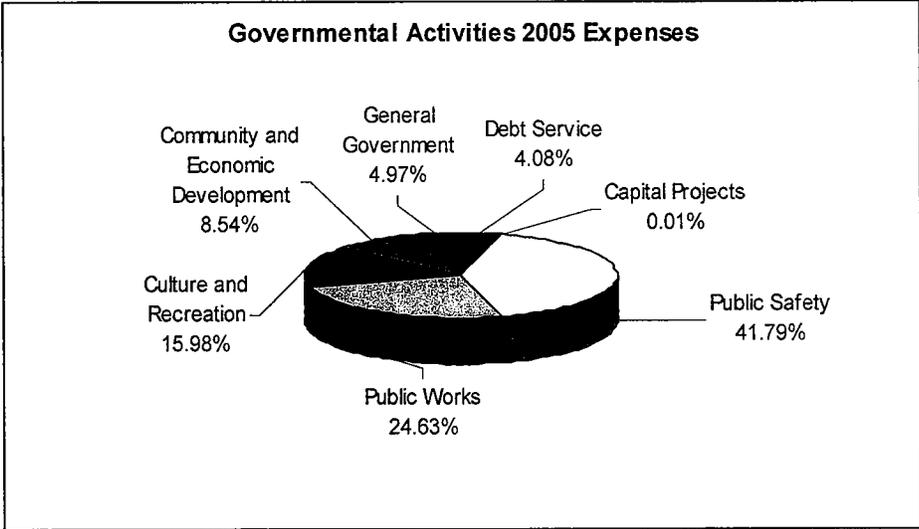
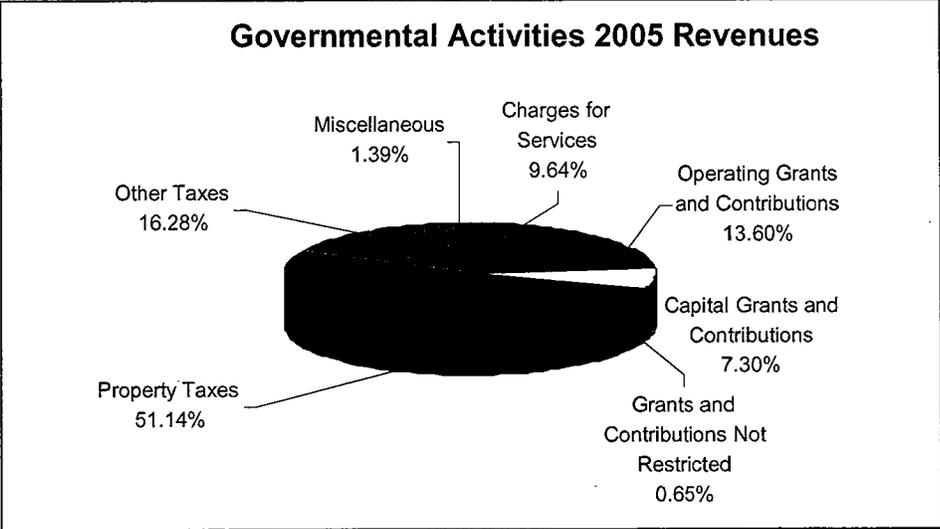
A portion of the City of Clinton's net assets (3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,133,315) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of 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 2004/05.

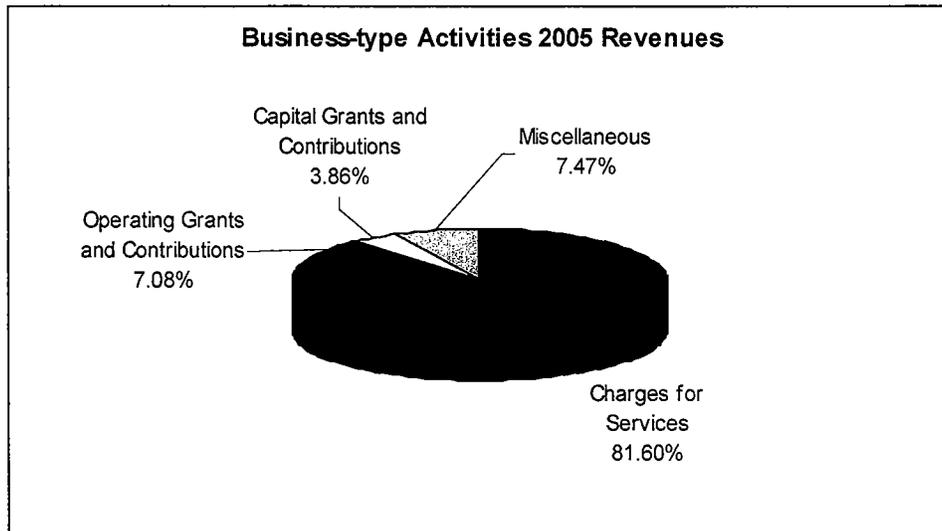
**City of Clinton's Changes in Net Assets  
June 30, 2005 and 2004**

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004	Total 2005	Total 2004
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,067,015	\$ 1,580,092	\$ 4,174,001	\$ 3,863,700	\$ 6,241,016	\$ 5,443,792
Operating grants and contributions	2,914,007	2,755,547	362,055	420,980	3,276,062	3,176,527
Capital grants and contributions	1,564,756	2,248,533	197,417	1,096,001	1,762,173	3,344,534
General Revenues:						
Property taxes	10,960,187	9,906,545	-	-	10,960,187	9,906,545
Other taxes	3,487,964	3,350,504	-	-	3,487,964	3,350,504
Grants and contributions not restricted to specific programs	138,803	263,484	-	-	138,803	263,484
Miscellaneous	298,546	688,419	381,911	353,040	680,457	1,041,459
Total revenues	<u>21,431,278</u>	<u>20,793,124</u>	<u>5,115,384</u>	<u>5,733,721</u>	<u>26,546,662</u>	<u>26,526,845</u>
<b>Expenses:</b>						
Public safety	8,440,015	8,241,226	-	-	8,440,015	8,241,226
Public works	4,974,444	4,759,221	-	-	4,974,444	4,759,221
Culture and recreation	3,226,393	3,580,500	-	-	3,226,393	3,580,500
Community and economic development	1,725,116	764,362	-	-	1,725,116	764,362
General government	1,002,882	1,094,556	-	-	1,002,882	1,094,556
Debt service	823,478	1,317,125	-	-	823,478	1,317,125
Capital projects	2,527	33,935	-	-	2,527	33,935
Sewer	-	-	4,098,552	3,780,377	4,098,552	3,780,377
Solid waste	-	-	994,643	948,463	994,643	948,463
Transit	-	-	1,209,613	1,182,413	1,209,613	1,182,413
Dock operations	-	-	71,041	71,224	71,041	71,224
Marina	-	-	112,077	112,275	112,077	112,275
Parking system	-	-	35,136	37,201	35,136	37,201
Airport operations	-	-	758,556	862,537	758,556	862,537
Total expenses	<u>20,194,855</u>	<u>19,790,925</u>	<u>7,279,618</u>	<u>6,994,490</u>	<u>27,474,473</u>	<u>26,785,415</u>
Increase (decrease) in net assets before transfers	1,236,423	1,002,199	(2,164,234)	(1,260,769)	(927,811)	(258,570)
Transfers	414,623	(136,883)	(414,623)	136,883	-	-
Increase (decrease) in net assets	1,651,046	865,316	(2,578,857)	(1,123,886)	(927,811)	(258,570)
Net assets - beginning of year	<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>
Net assets - end of year	<u>\$ 59,611,455</u>	<u>\$ 57,960,409</u>	<u>\$ 54,842,791</u>	<u>\$ 57,421,648</u>	<u>\$ 114,454,246</u>	<u>\$ 115,382,057</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$1,651,046. This increase combined with the decrease in the business-type activities resulted in overall decrease of \$927,811 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:



**Business-type activities.** As stated earlier, business-type activities decreased the City's total assets by \$2,578,857. The Sewer Revenue Fund experienced a reduction of net assets of \$2,176,568, primarily in depreciation. The Transit System Fund, Airport Operations Fund, and Nonmajor Enterprise Funds also decreased their respective net asset totals while the Solid Waste 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.



## 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 \$8,033,579, a decrease of \$3,226,479 in comparison with the prior year. Approximately, 78% of this total amount or \$6,257,586 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 \$2,868,777 of which \$252,000 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 26% of total General Fund expenditures (excluding transfers out).

The fund balance of the City's General Fund decreased by \$151,050 during the current fiscal year. During fiscal year 2003/04, the State of Iowa eliminated substantial funding to the City. Measures were taken to reduce expenditure levels and increase revenue streams. As a result of this action, the amount of fund balance utilized in the current year was reduced from the \$557,475 utilized in the prior year. Management continues its efforts to control and reduce budgeted expenditures in addition to enhancing revenue streams whenever possible.

The Road Use Tax Fund experienced a small increase in fund balance of \$16,023. The fund balance for this fund is \$2,607,618. 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 decreased by \$2,506,159 or approximately 102%. This was due to the start of a number of capital improvement projects including those which are a part of the Vision Iowa Capital Project group. Additionally, several major storm sewer separation projects were begun in addition to improvements for the development of the business park. Bond proceeds in fiscal year 2005/06 replenished fund balances for some of the projects.

**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, 2005 was \$54,842,791, a decrease of \$2,578,857 from the previous fiscal year. This is primarily due to depreciation expense that totaled \$2,174,267 for the year. Of the net assets of the enterprise funds, \$51,517,820 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$1,050,085.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$583,541, an increase of \$147,324. This increase in net assets was due to lower than estimated medical claims for the fiscal year.

## 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 \$8,326,169 was increased to \$8,443,458, an increase of \$117,289. Sources of the increases included charges for services, licenses and permits, and utility excise taxes.
- The original operating expenditure budget of \$11,130,400 was increased to \$11,198,500, an increase of \$68,100. Police and Fire medical disability costs were estimated to increase by \$111,000; however, decreases due to delays in the hiring of new police officers and firefighters resulted in the lower increase.
- Transfers in were adjusted to reflect net funding needs for employee benefits. Funding requirements (transfers in) for police officer and firefighter benefits were lower than anticipated due to the delay of hiring the new employees while medical disability costs increased. Transfers out were increased for additional hotel/motel taxes to the Special Revenue Fund and additional transit excise taxes to the Transit Enterprise Fund.

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, 2005 amounts to \$123,523,061 (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 \$75,239 compared to the prior year. Capital assets associated with governmental activities increased by \$1,456,354 while capital assets for the business-type activities decreased by \$1,381,115.

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

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>	<b>Business-type Activities 2005</b>	<b>Business-type Activities 2004</b>	<b>Total 2005</b>	<b>Total 2004</b>
Land	\$ 14,305,979	\$ 14,245,979	\$ 1,306,993	\$ 1,306,993	\$ 15,612,972	\$ 15,552,972
Construction in progress	4,173,628	3,498,369	-	2,235,103	4,173,628	5,733,472
Machinery and equipment	2,486,252	2,203,996	948,350	724,900	3,434,602	2,928,896
Land improvements	489,727	565,680	-	-	489,727	565,680
Buildings	8,842,732	8,981,625	15,343,276	15,759,344	24,186,008	24,740,969
Infrastructure	41,676,923	41,023,238	33,949,201	32,902,595	75,626,124	73,925,833
<b>Total</b>	<b>\$ 71,975,241</b>	<b>\$ 70,518,887</b>	<b>\$ 51,547,820</b>	<b>\$ 52,928,935</b>	<b>\$ 123,523,061</b>	<b>\$ 123,447,822</b>

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

- 2<sup>nd</sup> year of a multi-year street resurfacing program
- Construction continued for the new business park
- Design engineering began for most components of the Vision Iowa Project
- Final payment made for storm sewer work on Hwy 30/67
- New fire truck purchased
- Airport Paving Project completed
- Solid Waste refuse collection trucks purchased (3)

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 \$22,318,620. Of this amount \$20,195,000 comprises debt backed by the full faith and credit of the City. Of this outstanding indebtedness, \$6,840,000 is abated from local option sales tax revenues, \$2,885,000 from tax increment financing tax revenues, and \$190,000 from airport hangar revenues. The City also has an agreement with the State of Iowa for a RISE loan; its outstanding balance is \$22,620. The economic development note (\$754,000) is secured by any tax increment revenues remaining after bonds abated by certain tax increment revenues have been satisfied. The remainder of the City's debt of \$1,347,000 represents notes secured solely by revenues generated from sanitary sewer rental fees.

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

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>	<u>Business-type Activities 2005</u>	<u>Business-type Activities 2004</u>	<u>Total 2005</u>	<u>Total 2004</u>
General obligation bonds	\$ 20,005,000	\$ 23,260,000	\$ 190,000	\$ 210,000	\$ 20,195,000	\$ 23,470,000
Development note	754,000	754,000	-	-	754,000	754,000
No interest note - RISE	22,620	45,242	-	-	22,620	45,242
Sewer revenue notes	-	-	1,347,000	1,484,000	1,347,000	1,484,000
<b>Total</b>	<u>\$ 20,781,620</u>	<u>\$ 24,059,242</u>	<u>\$ 1,537,000</u>	<u>\$ 1,694,000</u>	<u>\$ 22,318,620</u>	<u>\$ 25,753,242</u>

During the current fiscal year, the City of Clinton decreased its indebtedness by \$3,434,622. This amount reflected planned debt service retirement. The City did not issue any additional debt for fiscal year 2004/05.

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 \$31,610,750, 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 \$673,929,531 for the 2004/05 fiscal year and increases slightly for fiscal year 2005/06. However, the City realizes a 3.5% increase for fiscal year 2006/07 due to an equalization order on commercial property of 6%. Residential taxable values for that fiscal year are reduced by the rollback factor which then results to only a 3.5% increase overall. The City continues to struggle with limited revenue streams as expenditures are increasing faster than increases in property values including new growth. Reductions in the General Fund balance continue to be forecasted through fiscal year 2006/07. For 2004/05, the emergency tax levy has been implemented for the first time, and the debt service tax rate was increased to cover shortfalls. Likewise, all non-General Fund levies experienced increases. The overall City tax rate continues to increase for fiscal years 2005/06 and 2006/07. Also, the transfer in from the Riverboat Excursion Fund has substantially been increased and a transfer in from the Hotel/Motel Tax Fund added in order to support basic City services. Capital equipment replacements have been delayed until fiscal year 2005/06 and funded from bond proceeds rather than operating funds.

Other concerns for the City include increases in employee health insurance costs, fire and police retirement contributions (rates increased from 24.92% for 2004/05 to 28.21% for 2005/06), 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 3<sup>rd</sup> Street, Clinton, IA 52733-2958.

**CITY OF CLINTON, IOWA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Cash and investments	\$ 7,442,836	\$ 1,304,543	\$ 8,747,379
Receivables			
Taxes	11,493,927	-	11,493,927
Service fees	857,544	1,385,665	2,243,209
Intergovernmental	276,372	229,208	505,580
Loan	133,202	-	133,202
Special assessments	146,418	-	146,418
Other	132,402	16,861	149,263
Prepaid insurance	5,800	-	5,800
Prepaid - other	30,745	-	30,745
Restricted cash and investments	1,186,519	2,309,001	3,495,520
Capital assets, net of accumulated depreciation	71,975,241	51,547,820	123,523,061
<b>Total assets</b>	<b>93,681,006</b>	<b>56,793,098</b>	<b>150,474,104</b>
<b>LIABILITIES</b>			
Accounts payable	1,506,220	216,602	1,722,822
Warrants payable	422,244	105,666	527,910
Deposits payable	15,019	-	15,019
Accrued interest payable	68,690	-	68,690
Contracts payable	267,368	-	267,368
Leases payable	30,317	30,000	60,317
Deferred revenue	10,344,729	2,927	10,347,656
Estimated payable for incurred but not reported claims	181,994	-	181,994
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	3,525,000	20,000	3,545,000
Notes payable	22,621	-	22,621
Compensated absences	451,350	58,112	509,462
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	16,480,000	170,000	16,650,000
Notes payable	753,999	1,347,000	2,100,999
<b>Total liabilities</b>	<b>34,069,551</b>	<b>1,950,307</b>	<b>36,019,858</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	50,711,954	51,517,820	102,229,774
Restricted for:			
Police and fire retirement	652,921	-	652,921
Employee benefits	65,110	-	65,110
Capital equipment replacement/repairs	-	2,048,720	2,048,720
Debt service	1,091,240	226,166	1,317,406
Endowments	7,000	-	7,000
Unrestricted			
Designated for capital improvements	34,118	-	34,118
Undesignated	7,049,112	1,050,085	8,099,197
<b>Total net assets</b>	<b>\$ 59,611,455</b>	<b>\$ 54,842,791</b>	<b>\$ 114,454,246</b>

See notes to financial statements

CITY OF CLINTON, IOWA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 8,440,015	\$ 760,482	\$ 222,771	\$ -
Public works	4,974,444	385,598	2,332,883	-
Culture and recreation	3,226,393	726,671	148,110	11,259
Community and economic development	1,725,116	122,112	210,243	546,587
General government	1,002,882	72,152	-	-
Debt service	823,478	-	-	-
Capital projects	2,527	-	-	1,006,910
<b>Total governmental activities</b>	<b>20,194,855</b>	<b>2,067,015</b>	<b>2,914,007</b>	<b>1,564,756</b>
<b>Business-type activities</b>				
Sewer	4,098,552	2,498,404	444	-
Solid waste	994,643	1,006,679	-	-
Transit	1,209,613	163,446	361,611	84,917
Dock operations	71,041	348,472	-	-
Marina	112,077	99,454	-	-
Parking system	35,136	(31,278)	-	-
Airport operations	758,556	88,824	-	112,500
<b>Total business-type activities</b>	<b>7,279,618</b>	<b>4,174,001</b>	<b>362,055</b>	<b>197,417</b>
<b>Total</b>	<b>\$ 27,474,473</b>	<b>\$ 6,241,016</b>	<b>\$ 3,276,062</b>	<b>\$ 1,762,173</b>

**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**

**NET ASSETS, END OF YEAR**

See notes to financial statements

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

Governmental Activities	Business-type Activities	Total
\$ (7,456,762)	\$ -	\$ (7,456,762)
(2,255,963)	-	(2,255,963)
(2,340,353)	-	(2,340,353)
(846,174)	-	(846,174)
(930,730)	-	(930,730)
(823,478)	-	(823,478)
1,004,383	-	1,004,383
<u>(13,649,077)</u>	<u>-</u>	<u>(13,649,077)</u>
-	(1,599,704)	(1,599,704)
-	12,036	12,036
-	(599,639)	(599,639)
-	277,431	277,431
-	(12,623)	(12,623)
-	(66,414)	(66,414)
-	(557,232)	(557,232)
<u>-</u>	<u>(2,546,145)</u>	<u>(2,546,145)</u>
<u>(13,649,077)</u>	<u>(2,546,145)</u>	<u>(16,195,222)</u>
9,705,816	-	9,705,816
102,789	-	102,789
1,144,581	-	1,144,581
7,001	-	7,001
290,812	-	290,812
16	-	16
2,532,035	-	2,532,035
138,787	-	138,787
653,609	-	653,609
11,508	-	11,508
131,490	77,379	208,869
167,056	304,532	471,588
414,623	(414,623)	-
<u>15,300,123</u>	<u>(32,712)</u>	<u>15,267,411</u>
1,651,046	(2,578,857)	(927,811)
<u>57,960,409</u>	<u>57,421,648</u>	<u>115,382,057</u>
<u>\$ 59,611,455</u>	<u>\$ 54,842,791</u>	<u>\$ 114,454,246</u>

**CITY OF CLINTON, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005**

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
<b>ASSETS</b>			
Cash and investments	\$ 2,022,767	\$ 2,480,808	\$ (217,186)
Receivables			
Taxes	6,201,461	183,085	389,892
Service fees	857,544	-	-
Intergovernmental	4,936	18,972	-
Loan	-	-	116,224
Special assessments	-	-	-
Other	72,166	3,730	-
Prepaid insurance	-	-	-
Prepaid - other	30,745	-	-
Restricted cash and investments	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 9,189,619</b>	<b>\$ 2,686,595</b>	<b>\$ 288,930</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 178,537	\$ 21,295	\$ -
Warrants payable	113,748	42,663	-
Deposits payable	-	15,019	-
Contracts payable	-	-	-
Deferred revenue	5,997,812	-	-
Total liabilities	<u>6,290,097</u>	<u>78,977</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved for:			
Prepaid expenditures	30,745	-	-
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Debt service	-	-	288,930
Endowments	-	-	-
Unreserved			
Designated for capital improvements	-	-	-
Undesignated			
Reported in			
General fund	2,868,777	-	-
Special revenue funds	-	2,607,618	-
Permanent funds	-	-	-
Total fund balances (deficit)	<u>2,899,522</u>	<u>2,607,618</u>	<u>288,930</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,189,619</b>	<b>\$ 2,686,595</b>	<b>\$ 288,930</b>

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>
\$ 597,813	\$ 834,056	\$ (265,208)	\$ 953,815	\$ 6,406,865
3,240,490	1,084,486	-	394,513	11,493,927
-	-	-	-	857,544
-	-	135,919	116,545	276,372
-	-	-	16,978	133,202
-	-	75,000	71,418	146,418
-	-	30,365	26,141	132,402
-	-	-	5,800	5,800
-	-	-	-	30,745
-	-	1,186,519	-	1,186,519
<u>\$ 3,838,303</u>	<u>\$ 1,918,542</u>	<u>\$ 1,162,595</u>	<u>\$ 1,585,210</u>	<u>\$ 20,669,794</u>
\$ 514	\$ 18,537	\$ 665,431	\$ 355,780	\$ 1,240,094
7,811	-	195,678	58,034	417,934
-	-	-	-	15,019
-	-	267,368	-	267,368
3,183,726	1,061,857	75,000	377,405	10,695,800
<u>3,192,051</u>	<u>1,080,394</u>	<u>1,203,477</u>	<u>791,219</u>	<u>12,636,215</u>
-	-	-	5,800	36,545
642,741	-	-	-	642,741
3,511	-	-	-	3,511
-	838,148	-	-	1,127,078
-	-	-	7,000	7,000
-	-	(40,882)	-	(40,882)
-	-	-	-	2,868,777
-	-	-	780,226	3,387,844
-	-	-	965	965
<u>646,252</u>	<u>838,148</u>	<u>(40,882)</u>	<u>793,991</u>	<u>8,033,579</u>
<u>\$ 3,838,303</u>	<u>\$ 1,918,542</u>	<u>\$ 1,162,595</u>	<u>\$ 1,585,210</u>	<u>\$ 20,669,794</u>

CITY OF CLINTON, IOWA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

**Total governmental fund balances (page 26)** \$ 8,033,579

***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 \$124,285,101  
and the accumulated depreciation is \$52,309,860. 71,975,241

Other long-term assets are not available to pay for current period expenditures and  
therefore are deferred in the funds. 351,071

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

Compensated absences	(451,350)
Bonds and notes payable	(20,781,620)
Leases payable	(30,317)
Accrued interest payable	(68,690)

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. 583,541

**Net assets of governmental activities (page 22)** \$ 59,611,455

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2005**

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
<b>REVENUES</b>			
Taxes	\$ 6,551,913	\$ -	\$ 2,532,035
Licenses and permits	200,714	46,575	-
Use of money and property	147,492	19,815	37,232
Intergovernmental	197,829	2,332,040	-
Charges for services	928,203	158,529	-
Miscellaneous	163,581	14,670	-
Total revenues	<u>8,189,732</u>	<u>2,571,629</u>	<u>2,569,267</u>
<b>EXPENDITURES</b>			
Current			
Public safety	7,928,404	-	-
Public works	49,853	2,113,635	-
Culture and recreation	2,058,987	-	-
Community and economic development	230,781	-	-
General government	701,321	-	-
Capital projects	-	29,222	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>10,969,346</u>	<u>2,142,857</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,779,614)</u>	<u>428,772</u>	<u>2,569,267</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from fixed asset sales	44,835	-	-
Bond proceeds	-	-	-
Operating transfers in	3,632,673	-	-
Operating transfers out	(1,048,944)	(412,749)	(2,715,791)
Total other financing sources (uses)	<u>2,628,564</u>	<u>(412,749)</u>	<u>(2,715,791)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(151,050)	16,023	(146,524)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>3,050,572</u>	<u>2,591,595</u>	<u>435,454</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 2,899,522</u>	<u>\$ 2,607,618</u>	<u>\$ 288,930</u>

See notes to financial statements

<b>Special Revenue</b>				
<b>Employee Benefits</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 2,726,861	\$ 1,233,704	\$ -	\$ 1,524,772	\$ 14,569,285
-	-	-	-	247,289
6,022	8,658	37,176	151,093	407,488
-	-	991,371	862,863	4,384,103
-	-	-	251,952	1,338,684
-	-	34,419	96,866	309,536
<u>2,732,883</u>	<u>1,242,362</u>	<u>1,062,966</u>	<u>2,887,546</u>	<u>21,256,385</u>
-	-	115,974	73,820	8,118,198
-	-	364,869	152,162	2,680,519
-	-	78,217	331,155	2,468,359
-	-	-	1,487,767	1,718,548
2,961	3,944	2,750	261,931	972,907
-	-	4,514,052	308,961	4,852,235
-	3,277,621	-	-	3,277,621
-	848,930	-	-	848,930
-	14,092	-	-	14,092
<u>2,961</u>	<u>4,144,587</u>	<u>5,075,862</u>	<u>2,615,796</u>	<u>24,951,409</u>
<u>2,729,922</u>	<u>(2,902,225)</u>	<u>(4,012,896)</u>	<u>271,750</u>	<u>(3,695,024)</u>
-	-	8,899	-	53,734
-	188	-	-	188
85,000	2,987,674	1,501,732	548,081	8,755,160
(3,004,707)	-	(3,894)	(1,154,452)	(8,340,537)
<u>(2,919,707)</u>	<u>2,987,862</u>	<u>1,506,737</u>	<u>(606,371)</u>	<u>468,545</u>
(189,785)	85,637	(2,506,159)	(334,621)	(3,226,479)
<u>836,037</u>	<u>752,511</u>	<u>2,465,277</u>	<u>1,128,612</u>	<u>11,260,058</u>
<u>\$ 646,252</u>	<u>\$ 838,148</u>	<u>\$ (40,882)</u>	<u>\$ 793,991</u>	<u>\$ 8,033,579</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, 2005**

**Net change in fund balances - total governmental funds (page 29)** \$ (3,226,479)

***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	4,808,212
Depreciation expense	(3,349,331)
Net activity from sale of assets	(2,527)

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. 17,670

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. 147,324

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	(60,988)
Interest on long-term debt	39,543

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. 3,277,622

**Change in net assets of governmental activities (page 24)** \$ 1,651,046

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2005**

	<b>Enterprise</b>		
	<b>Sewer Revenue</b>	<b>Solid Waste Collection</b>	<b>Transit System</b>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 780,151	\$ 392,286
Receivables			
Service fees	1,040,497	322,553	-
Intergovernmental	-	-	12,235
Other	2,423	-	2,915
Restricted cash and investments	2,309,001	-	-
Capital assets, net of accumulated depreciation	42,960,280	559,931	1,914,613
Total assets	<u>46,312,201</u>	<u>1,662,635</u>	<u>2,322,049</u>
<b>LIABILITIES</b>			
Accounts payable	154,976	15,706	21,850
Warrants payable	60,264	23,934	19,439
Compensated absences payable	29,094	12,106	16,912
Notes payable	1,347,000	-	-
Leases payable	-	-	-
General obligation bonds payable	-	-	-
Deferred revenue	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Total liabilities	<u>1,591,334</u>	<u>51,746</u>	<u>58,201</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	42,960,280	559,931	1,914,613
Restricted for:			
Capital equipment replacement/repairs	1,582,786	465,934	-
Debt service	226,166	-	-
Unrestricted	(48,365)	585,024	349,235
Total net assets	<u>\$ 44,720,867</u>	<u>\$ 1,610,889</u>	<u>\$ 2,263,848</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>	
\$ (54,532)	\$ 186,638	\$ 1,304,543	\$ 1,035,971	
-	22,615	1,385,665	-	
216,973	-	229,208	-	
5,294	6,229	16,861	-	
-	-	2,309,001	-	
2,873,803	3,239,193	51,547,820	-	
<u>3,041,538</u>	<u>3,454,675</u>	<u>56,793,098</u>	<u>1,035,971</u>	
20,176	3,894	216,602	266,126	
249	1,780	105,666	4,310	
-	-	58,112	-	
-	-	1,347,000	-	
30,000	-	30,000	-	
190,000	-	190,000	-	
2,927	-	2,927	-	
-	-	-	181,994	
<u>243,352</u>	<u>5,674</u>	<u>1,950,307</u>	<u>452,430</u>	
2,843,803	3,239,193	51,517,820	-	
-	-	2,048,720	-	
-	-	226,166	-	
(45,617)	209,808	1,050,085	583,541	
<u>\$ 2,798,186</u>	<u>\$ 3,449,001</u>	<u>\$ 54,842,791</u>	<u>\$ 583,541</u>	

**CITY OF CLINTON, IOWA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2005**

	<b>Enterprise</b>		
	<b>Sewer Revenue</b>	<b>Solid Waste Collection</b>	<b>Transit System</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,498,404	\$ 1,006,679	\$ 155,901
Property rental	-	-	7,545
Miscellaneous	40,026	245	1,550
Total operating revenues	<u>2,538,430</u>	<u>1,006,924</u>	<u>164,996</u>
<b>OPERATING EXPENSES</b>			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,239,620	383,382	845,198
Commodities	195,678	73,962	141,125
Contractual services	1,031,101	467,791	124,668
Depreciation	1,563,592	69,508	98,622
Total operating expenses	<u>4,029,991</u>	<u>994,643</u>	<u>1,209,613</u>
Operating income (loss)	<u>(1,491,561)</u>	<u>12,281</u>	<u>(1,044,617)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	58,110	11,555	3,169
Intergovernmental	444	-	446,528
Proceeds from fixed asset sales	-	-	15,000
Interest expense	(68,561)	-	-
Total non-operating revenues (expenses)	<u>(10,007)</u>	<u>11,555</u>	<u>464,697</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(1,501,568)	23,836	(579,920)
Operating transfers in	-	-	549,077
Operating transfers out	<u>(675,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(2,176,568)	23,836	(30,843)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>46,897,435</u>	<u>1,587,053</u>	<u>2,294,691</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 44,720,867</u>	<u>\$ 1,610,889</u>	<u>\$ 2,263,848</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>	
\$ -	\$ 135,918	\$ 3,796,902	\$ 2,307,418	
66,011	280,730	354,286	-	
247,317	394	289,532	-	
<u>313,328</u>	<u>417,042</u>	<u>4,440,720</u>	<u>2,307,418</u>	
-	-	-	2,168,380	
64,730	23,258	2,556,188	-	
193,227	6,579	610,571	-	
145,187	91,454	1,860,201	-	
345,582	96,963	2,174,267	-	
<u>748,726</u>	<u>218,254</u>	<u>7,201,227</u>	<u>2,168,380</u>	
<u>(435,398)</u>	<u>198,788</u>	<u>(2,760,507)</u>	<u>139,038</u>	
902	3,643	77,379	8,286	
135,313	-	582,285	-	
-	-	15,000	-	
<u>(9,830)</u>	<u>-</u>	<u>(78,391)</u>	<u>-</u>	
<u>126,385</u>	<u>3,643</u>	<u>596,273</u>	<u>8,286</u>	
<u>(309,013)</u>	<u>202,431</u>	<u>(2,164,234)</u>	<u>147,324</u>	
60,300	-	609,377	-	
<u>-</u>	<u>(349,000)</u>	<u>(1,024,000)</u>	<u>-</u>	
<u>(248,713)</u>	<u>(146,569)</u>	<u>(2,578,857)</u>	<u>147,324</u>	
<u>3,046,899</u>	<u>3,595,570</u>	<u>57,421,648</u>	<u>436,217</u>	
<u>\$ 2,798,186</u>	<u>\$ 3,449,001</u>	<u>\$ 54,842,791</u>	<u>\$ 583,541</u>	

CITY OF CLINTON, IOWA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	Sewer Revenue	Solid Waste Collection	Transit System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,305,694	\$ 1,011,645	\$ 176,735
Cash paid to suppliers	(1,125,436)	(534,408)	(246,553)
Cash paid to employees	(1,248,610)	(384,773)	(843,379)
Net cash provided by (used in) operating activities	<u>(68,352)</u>	<u>92,464</u>	<u>(913,197)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental	444	-	-
Operating transfers in	-	-	549,077
Operating transfers out	(675,000)	-	-
Net cash provided by (used in) non-capital financing activities	<u>(674,556)</u>	<u>-</u>	<u>549,077</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(352,078)	(336,495)	(56,844)
Intergovernmental	-	-	446,528
Proceeds from fixed asset sales	-	-	15,000
General obligation bond payment	-	-	-
Low-interest loan repayment	(137,000)	-	-
Interest expense	(68,561)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(557,639)</u>	<u>(336,495)</u>	<u>404,684</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	58,110	11,555	3,169
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	(1,242,437)	(232,476)	43,733
<b>CASH AND INVESTMENTS, JULY 1</b>	3,551,438	1,012,627	348,553
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ 2,309,001</u>	<u>\$ 780,151</u>	<u>\$ 392,286</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS</b>			
<b>FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (1,491,561)	\$ 12,281	\$ (1,044,617)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,563,592	69,508	98,622
Changes in assets and liabilities:			
(Increase) decrease in receivables	(232,736)	4,721	11,739
Increase in prepaid	50,712	772	2,830
Increase (decrease) in accounts payable	82,190	(11,170)	4,260
Increase (decrease) in warrants payable	(31,559)	17,743	12,150
Increase (decrease) in compensated absences payable	(8,990)	(1,391)	1,819
Increase in deferred revenue	-	-	-
Decrease in estimated payable for incurred but not reported claims	-	-	-
Net cash flows from operating activities	<u>\$ (68,352)</u>	<u>\$ 92,464</u>	<u>\$ (913,197)</u>

See notes to financial statements

Airport Operations	Nonmajor Enterprise	Total	Internal Service Health Insurance
\$ 314,375	\$ 474,764	\$ 4,283,213	\$ 2,307,418
(250,913)	(100,649)	(2,257,959)	(2,166,678)
(64,730)	(23,258)	(2,564,750)	-
<u>(1,268)</u>	<u>350,857</u>	<u>(539,496)</u>	<u>140,740</u>
-	-	444	-
60,300	-	609,377	-
-	(349,000)	(1,024,000)	-
<u>60,300</u>	<u>(349,000)</u>	<u>(414,179)</u>	<u>-</u>
(44,520)	(3,215)	(793,152)	-
135,313	-	581,841	-
-	-	15,000	-
(30,000)	-	(30,000)	-
-	-	(137,000)	-
(9,830)	-	(78,391)	-
<u>50,963</u>	<u>(3,215)</u>	<u>(441,702)</u>	<u>-</u>
902	3,643	77,379	8,286
110,897	2,285	(1,317,998)	149,026
(165,429)	184,353	4,931,542	886,945
<u>\$ (54,532)</u>	<u>\$ 186,638</u>	<u>\$ 3,613,544</u>	<u>\$ 1,035,971</u>
\$ (435,398)	\$ 198,788	\$ (2,760,507)	\$ 139,038
345,582	96,963	2,174,267	-
111,859	57,722	(46,695)	-
120	-	54,434	-
(8,624)	(1,888)	64,768	20,335
(15,854)	(728)	(18,248)	2,230
-	-	(8,562)	-
1,047	-	1,047	-
-	-	-	(20,863)
<u>\$ (1,268)</u>	<u>\$ 350,857</u>	<u>\$ (539,496)</u>	<u>\$ 140,740</u>

**CITY OF CLINTON, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**June 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 347,170
Receivables	
Other	2,575
Prepaid insurance	<u>62,388</u>
Total assets	<u>412,133</u>
<b>LIABILITIES</b>	
Accounts payable	104,918
Warrants payable	<u>307,215</u>
Total liabilities	<u>412,133</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

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. Deficit Fund Balance
13. Subsequent Event

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**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 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 are supported by property 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 attributable to the acquisition, construction, or improvement of those assets.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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, contributions, and interest 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 1<sup>st</sup>. Tax collections remitted to the City within sixty days subsequent to June 30 are recorded as property tax revenues for the year ended June 30<sup>th</sup> 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 Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. 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, 2005, 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, 2005.

### *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 15<sup>th</sup> of each year which becomes effective July 1<sup>st</sup> 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 fiscal year ended June 30, 2005, the budget was amended twice for the purpose of transferring capital projects from fiscal year 2005 to fiscal year 2006, appropriating funds for economic development grants, additional medical disability costs for public safety employees, and other police department costs not reflected in the original budget, and to provide for revenue and expenditure estimates related to the City's Sesquicentennial Celebration.

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 15<sup>th</sup> 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:

<b>Function</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Public Safety	\$ 8,313,100	\$ 8,118,198	\$ 194,902
Public Works	2,178,800	2,680,519	(501,719)
Culture and Recreation	2,430,000	2,468,359	(38,359)
Community and Economic Development	1,617,500	1,718,548	(101,048)
General Government	1,033,600	972,907	60,693
Debt Service	4,226,270	4,140,643	85,627
Capital Projects	6,300,800	4,852,235	1,448,565
Business-type Activities	9,698,500	7,279,618	2,418,882
<b>Total</b>	<b>\$ 35,798,570</b>	<b>\$ 32,231,027</b>	<b>\$ 3,567,543</b>

The overruns for the Public Works and Culture and Recreation functions were a result of reclassifying expenditures from the capital projects function to those functions for items under the government-wide capitalization threshold. The overrun for the Community and Economic Development function was a result of reclassifying payments for non-City improvement costs as part of a housing rehabilitation grant program. Those payments had been budgeted for in the capital project category.

### NOTE 3 - DEPOSITS AND INVESTMENTS

**Deposits.** At year end, the City's carrying amount of deposits with financial institutions was \$6,264,350 and the bank balance was \$6,263,974. 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, 2005, the City did not have any assets subject to risk categorization.

The City's investments at June 30, 2005, are as follows:

	<b>Amortized Cost</b>
Investments not subject to categorization:	
Iowa Public Agencies Investment Trust	<u>\$ 6,325,719</u>

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

Carrying amount of deposits	\$ 6,264,350
Carrying amount of investments	<u>6,325,719</u>
<b>Total</b>	<b><u>\$ 12,590,069</u></b>
Cash and investments	\$ 8,747,379
Cash and investments - Agency Funds	347,170
Restricted cash and investments	<u>3,495,520</u>
<b>Total</b>	<b><u>\$ 12,590,069</u></b>

#### NOTE 4 - FUND TRANSFER RECONCILIATION

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,632,673	\$ 1,048,944
Road Use Tax	-	412,749
Local Option Sales Tax	-	2,715,791
Employee Benefits	85,000	3,004,707
Debt Service	2,987,674	-
Capital Projects	1,501,732	3,894
Other Nonmajor Governmental Funds	548,081	1,154,452
Sewer Revenue	-	675,000
Transit System	549,077	-
Airport Operations	60,300	-
Other Nonmajor Proprietary Funds	-	349,000
	<u>\$ 9,364,537</u>	<u>\$ 9,364,537</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, 2005 was as follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$14,245,979	\$ 60,000	\$ -	\$14,305,979
Construction in progress	<u>3,498,369</u>	<u>3,905,095</u>	<u>3,229,836</u>	<u>4,173,628</u>
Total capital assets, not being depreciated	<u>17,744,348</u>	<u>3,965,095</u>	<u>3,229,836</u>	<u>18,479,607</u>
Capital assets, being depreciated				
Machinery and equipment	10,909,873	1,229,522	20,213	12,119,182
Land improvements	1,915,622	13,055	-	1,928,677
Buildings	12,474,836	139,238	-	12,614,074
Infrastructure	<u>76,452,423</u>	<u>2,691,138</u>	-	<u>79,143,561</u>
Total capital assets, being depreciated	<u>101,752,754</u>	<u>4,072,953</u>	<u>20,213</u>	<u>105,805,494</u>
Less accumulated depreciation for:				
Machinery and equipment	8,705,877	944,739	17,686	9,632,930
Land improvements	1,349,942	89,008	-	1,438,950
Buildings	3,493,211	278,131	-	3,771,342
Infrastructure	<u>35,429,185</u>	<u>2,037,453</u>	-	<u>37,466,638</u>
Total accumulated depreciation	<u>48,978,215</u>	<u>3,349,331</u>	<u>17,686</u>	<u>52,309,860</u>
Total capital assets, being depreciated, net	<u>52,774,539</u>	<u>723,622</u>	<u>2,527</u>	<u>53,495,634</u>
<b>Governmental activities capital assets, net</b>	<u>\$70,518,887</u>	<u>\$ 4,688,717</u>	<u>\$ 3,232,363</u>	<u>\$71,975,241</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 2,283,681
Public safety	290,792
Culture and recreation	748,601
General government	26,257
	<u>\$ 3,349,331</u>

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,306,993	\$ -	\$ -	\$ 1,306,993
Construction in progress	2,235,103	28,103	2,263,206	-
Total capital assets, not being depreciated	<u>3,542,096</u>	<u>28,103</u>	<u>2,263,206</u>	<u>1,306,993</u>
Capital assets, being depreciated				
Machinery and equipment	5,691,260	484,199	-	6,175,459
Land improvements	319,900	-	-	319,900
Buildings	25,687,300	80,765	-	25,768,065
Infrastructure	<u>71,011,927</u>	<u>2,463,291</u>	-	<u>73,475,218</u>
Total capital assets, being depreciated	<u>102,710,387</u>	<u>3,028,255</u>	<u>-</u>	<u>105,738,642</u>
Less accumulated depreciation for:				
Machinery and equipment	4,966,360	260,749	-	5,227,109
Land improvements	319,900	-	-	319,900
Buildings	9,927,956	496,833	-	10,424,789
Infrastructure	<u>38,109,332</u>	<u>1,416,685</u>	-	<u>39,526,017</u>
Total accumulated depreciation	<u>53,323,548</u>	<u>2,174,267</u>	<u>-</u>	<u>55,497,815</u>
Total capital assets, being depreciated, net	<u>49,386,839</u>	<u>853,988</u>	<u>-</u>	<u>50,240,827</u>
<b>Business-type activities capital assets, net</b>	<u>\$52,928,935</u>	<u>\$ 882,091</u>	<u>\$ 2,263,206</u>	<u>\$51,547,820</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,563,592
Solid waste	69,508
Transit	98,622
Airport operations	345,582
Other business-type funds	96,963
	<u>\$ 2,174,267</u>

**NOTE 6 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
General obligation	\$ 23,260,000	\$ -	\$ 3,255,000	\$ 20,005,000	\$ 3,525,000
Notes payable	799,242	-	22,622	776,620	22,621
Accrued compensated absences	<u>390,362</u>	<u>699,658</u>	<u>638,670</u>	<u>451,350</u>	<u>451,350</u>
<b>Governmental activities, long-term liabilities</b>	<u>\$ 24,449,604</u>	<u>\$ 699,658</u>	<u>\$ 3,916,292</u>	<u>\$ 21,232,970</u>	<u>\$ 3,998,971</u>
Business-type activities					
General obligation	\$ 210,000	\$ -	\$ 20,000	\$ 190,000	\$ 20,000
Sewer revenue capital notes	1,484,000	-	137,000	1,347,000	143,000
Accrued compensated absences	<u>66,674</u>	<u>113,228</u>	<u>123,592</u>	<u>56,310</u>	<u>56,310</u>
<b>Business-type activities, long-term liabilities</b>	<u>\$ 1,760,674</u>	<u>\$ 113,228</u>	<u>\$ 280,592</u>	<u>\$ 1,593,310</u>	<u>\$ 219,310</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, 2005 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	\$ 3,180,000
Corporate purpose	09/01/99	4.25-4.90	2,750,000	1,680,000
Corporate purpose	03/01/01	4.20-4.25	3,415,000	2,000,000
Refunding	05/01/01	3.35-4.50	5,575,000	4,205,000
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>5,700,000</u>
			<u>\$27,815,000</u>	<u>\$20,195,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,980,083, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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
2011-2015	4,430,000	420,957	4,850,957
<b>Total</b>	<b>\$ 20,195,000</b>	<b>\$ 2,980,083</b>	<b>\$ 23,175,083</b>

**Notes Payable.** Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2005 are as follows:

Purpose	Date of Issue	Interest Rates	Amount Originally Issued	Amount Outstanding End of Year
Economic development	07/94	None	\$ 226,216	\$ 22,620
	07/01	6.00%	800,000	754,000
Sewer plant improvements	11/11/93	4.62%	2,564,000	1,347,000
			<u>\$ 3,590,216</u>	<u>\$ 2,123,620</u>

Debt service requirements to maturity, including interest of \$294,571 on notes payable, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$ 165,620	\$ 62,231	\$ 227,851
2007	150,000	55,625	205,625
2008	157,000	48,695	205,695
2009	164,000	41,441	205,441
2010	171,000	33,865	204,865
2011-2013	562,000	52,714	614,714
2018	754,000	-	754,000
<b>Total</b>	<b>\$ 2,123,620</b>	<b>\$ 294,571</b>	<b>\$ 2,418,191</b>

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 \$44,500 for the year ended June 30, 2005.

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 509 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, 2005 were \$245,482.

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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2005, 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 \$2.2 million for 2005. 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 \$181,994 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, 2005 are summarized as follows:

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	202,857
Claims and changes in estimates during fiscal year 2005	1,664,421
Claim payments	<u>(1,685,284)</u>
<b>Liability at June 30, 2005</b>	<b><u>\$ 181,994</u></b>

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, 2005.

### **Construction Contracts**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2005. The City has additional commitments for signed construction contracts of approximately \$4,453,574 as of June 30, 2005. 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, 2005 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, 2005, 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 104<sup>th</sup> 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 24.92% of earnable compensation for the year ended June 30, 2005, 20.48% for the year ended June 30, 2004, and 17.00% of earnable compensation for the year ended June 30, 2003. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2005, 2004, and 2003, were \$1,016,545, \$816,193, and \$676,355, 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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07% respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$245,028, \$233,243, and \$232,190, 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 18 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, 2005 totaled \$65,269.

**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 - DEFICIT FUND BALANCE**

The following fund had a deficit balance at June 30, 2005:

Capital Projects Fund	<u>\$ 40,882</u>
-----------------------	------------------

The deficit will be eliminated by the issuance of bond proceeds in fiscal year 2006.

#### **NOTE 13 - SUBSEQUENT EVENT**

The City of Clinton issued \$7,620,000 of general obligation bonds dated May 1, 2006 and \$3,470,000 of taxable bonds also dated May 1, 2006. The taxable bonds fund improvements to the City's Marina and Baseball Stadium as part of the Vision Iowa Project. These bonds are due in installments ranging from \$285,000 to \$520,000 with interest rates beginning at 5.4% to 5.7%.

The \$7,620,000 bond issue consisted of essential corporate bonds of \$3,345,000 for public improvements and capital equipment purchases. The remaining bonds from this issue refunded outstanding bonds dated 1997 (\$2,850,000) and 1999 (\$1,355,000). Bond principal payments range from \$365,000 to \$1,135,000 with interest rates beginning at 4% to 4.25%.

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
<b>REVENUES</b>			
Taxes	\$ 14,569,285	\$ -	\$ 14,569,285
Licenses and permits	247,289	-	247,289
Use of money and property	407,488	77,379	484,867
Intergovernmental	4,384,103	582,285	4,966,388
Charges for services	1,338,684	3,796,902	5,135,586
Property rental	-	354,286	354,286
Miscellaneous	309,536	304,532	614,068
Total revenues	<u>21,256,385</u>	<u>5,115,384</u>	<u>26,371,769</u>
<b>EXPENDITURES</b>			
Current			
Public safety	8,118,198	-	8,118,198
Public works	2,680,519	-	2,680,519
Culture and recreation	2,468,359	-	2,468,359
Community and economic development	1,718,548	-	1,718,548
General government	972,907	-	972,907
Debt service	4,140,643	-	4,140,643
Capital projects	4,852,235	-	4,852,235
Business-type activities	-	7,279,618	7,279,618
Total expenditures	<u>24,951,409</u>	<u>7,279,618</u>	<u>32,231,027</u>
<b>DEFICIENCY OF REVENUES</b>			
<b>UNDER EXPENDITURES</b>	<u>(3,695,024)</u>	<u>(2,164,234)</u>	<u>(5,859,258)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from fixed asset sales	53,734	-	53,734
Proceeds of refunding bonds	188	-	188
Operating transfers in	8,755,160	609,377	9,364,537
Operating transfers out	(8,340,537)	(1,024,000)	(9,364,537)
Total other financing sources (uses)	<u>468,545</u>	<u>(414,623)</u>	<u>53,922</u>
<b>DEFICIENCY OF REVENUES</b>			
<b>AND OTHER FINANCING SOURCES</b>			
<b>UNDER EXPENDITURES</b>			
<b>AND OTHER FINANCING USES</b>	<u>(3,226,479)</u>	<u>(2,578,857)</u>	<u>(5,805,336)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>11,260,058</u>	<u>57,421,648</u>	<u>68,681,706</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 8,033,579</u>	<u>\$ 54,842,791</u>	<u>\$ 62,876,370</u>

Budgeted Amounts		Variance with Final Budget
Original	Final	Positive (Negative)
\$ 14,640,616	\$ 14,663,987	\$ (94,702)
199,400	213,900	33,389
751,600	648,300	(163,433)
14,718,728	6,274,200	(1,307,812)
5,682,760	5,471,600	(336,014)
-	-	354,286
10,025,582	3,516,000	(2,901,932)
<u>46,018,686</u>	<u>30,787,987</u>	<u>(4,416,218)</u>
8,189,500	8,313,100	194,902
2,222,300	2,178,800	(501,719)
2,301,200	2,430,000	(38,359)
1,061,400	1,617,500	(101,048)
1,105,200	1,033,600	60,693
4,291,800	4,226,270	85,627
22,549,012	6,300,800	1,448,565
8,166,900	9,698,500	2,418,882
<u>49,887,312</u>	<u>35,798,570</u>	<u>3,567,543</u>
<u>(3,868,626)</u>	<u>(5,010,583)</u>	<u>(848,675)</u>
6,500	191,300	(137,566)
-	-	188
10,402,674	10,565,184	(1,200,647)
<u>(10,402,674)</u>	<u>(10,565,184)</u>	<u>1,200,647</u>
<u>6,500</u>	<u>191,300</u>	<u>(137,378)</u>
<u>(3,862,126)</u>	<u>(4,819,283)</u>	<u>(986,053)</u>
<u>17,183,073</u>	<u>17,405,571</u>	<u>51,276,135</u>
<u>\$ 13,320,947</u>	<u>\$ 12,586,288</u>	<u>\$ 50,290,082</u>

**CITY OF CLINTON, IOWA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**June 30, 2005**

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 disbursements known as functions, not by fund or fund type. These eight 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 disbursement by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments decreased budget disbursements by \$14,088,742. 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 15<sup>th</sup> preceding the beginning of the fiscal year.

During the year ended June 30, 2005, disbursements in the public works, culture and recreation, and community and economic development functions exceeded the amounts budgeted.

CITY OF CLINTON, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2005

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
<b>ASSETS</b>			
Cash and investments	\$ 451,485	\$ 97,367	\$ 61,539
Receivables			
Taxes	-	-	-
Intergovernmental	-	107,638	-
Loan	-	16,978	-
Special assessments	-	-	-
Other	24,343	-	898
Prepaid insurance	-	-	5,800
<b>TOTAL ASSETS</b>	<b>\$ 475,828</b>	<b>\$ 221,983</b>	<b>\$ 68,237</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 37,836	\$ 45,294	\$ -
Warrants payable	5,893	21,017	682
Deferred revenue	-	-	-
Total liabilities	<u>43,729</u>	<u>66,311</u>	<u>682</u>
<b>FUND BALANCES</b>			
Fund balance			
Reserved for prepaid expenditures	-	-	5,800
Reserved for endowments	-	-	-
Unreserved			
Undesignated			
Reported in			
Special revenue funds	432,099	155,672	61,755
Permanent funds	-	-	-
Total fund balances	<u>432,099</u>	<u>155,672</u>	<u>67,555</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 475,828</b>	<b>\$ 221,983</b>	<b>\$ 68,237</b>

<u>Special Revenue</u>	<u>Permanent</u>			
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>	
\$ 335,459	\$ 3,435	\$ 4,530	\$	953,815
394,513	-	-		394,513
8,907	-	-		116,545
-	-	-		16,978
71,418	-	-		71,418
900	-	-		26,141
-	-	-		5,800
<u>\$ 811,197</u>	<u>\$ 3,435</u>	<u>\$ 4,530</u>	<u>\$</u>	<u>1,585,210</u>
\$ 272,650	-	-	\$	355,780
30,442	-	-		58,034
377,405	-	-		377,405
<u>680,497</u>	<u>-</u>	<u>-</u>		<u>791,219</u>
-	-	-		5,800
-	3,000	4,000		7,000
130,700	-	-		780,226
-	435	530		965
<u>130,700</u>	<u>3,435</u>	<u>4,530</u>		<u>793,991</u>
<u>\$ 811,197</u>	<u>\$ 3,435</u>	<u>\$ 4,530</u>	<u>\$</u>	<u>1,585,210</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2005

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	141,011	2,415	-
Intergovernmental	35,523	748,042	-
Charges for services	251,952	-	-
Miscellaneous	136	1,400	3,960
Total revenues	<u>428,622</u>	<u>751,857</u>	<u>3,960</u>
<b>EXPENDITURES</b>			
Current			
Public safety	43,445	-	-
Public works	-	-	-
Culture and recreation	224,520	-	-
Community and economic development	5,318	931,935	-
General government	862	-	261,069
Capital projects	281,473	-	-
Total expenditures	<u>555,618</u>	<u>931,935</u>	<u>261,069</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(126,996)</u>	<u>(180,078)</u>	<u>(257,109)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	273,870	54,705	214,697
Operating transfers out	(276,866)	-	-
Total other financing sources (uses)	<u>(2,996)</u>	<u>54,705</u>	<u>214,697</u>
<b>NET CHANGE IN FUND BALANCES</b>	(129,992)	(125,373)	(42,412)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>562,091</u>	<u>281,045</u>	<u>109,967</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 432,099</u>	<u>\$ 155,672</u>	<u>\$ 67,555</u>

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>
\$ 1,524,772	\$ -	\$ -	\$ 1,524,772
7,592	32	43	151,093
79,298	-	-	862,863
-	-	-	251,952
91,370	-	-	96,866
<u>1,703,032</u>	<u>32</u>	<u>43</u>	<u>2,887,546</u>
30,375	-	-	73,820
152,162	-	-	152,162
106,635	-	-	331,155
550,514	-	-	1,487,767
-	-	-	261,931
27,488	-	-	308,961
<u>867,174</u>	<u>-</u>	<u>-</u>	<u>2,615,796</u>
835,858	32	43	271,750
4,809	-	-	548,081
<u>(877,586)</u>	<u>-</u>	<u>-</u>	<u>(1,154,452)</u>
<u>(872,777)</u>	<u>-</u>	<u>-</u>	<u>(606,371)</u>
(36,919)	32	43	(334,621)
<u>167,619</u>	<u>3,403</u>	<u>4,487</u>	<u>1,128,612</u>
<u>\$ 130,700</u>	<u>\$ 3,435</u>	<u>\$ 4,530</u>	<u>\$ 793,991</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2005**

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ (29,228)	\$ 45,058	\$ 170,808	\$ 186,638
Receivables				
Service fees	22,615	-	-	22,615
Other	-	6,185	44	6,229
Capital assets, net of accumulated depreciation	2,400,448	621,745	217,000	3,239,193
Total assets	<u>2,393,835</u>	<u>672,988</u>	<u>387,852</u>	<u>3,454,675</u>
<b>LIABILITIES</b>				
Accounts payable	-	3,580	314	3,894
Warrants payable	-	1,170	610	1,780
Total liabilities	<u>-</u>	<u>4,750</u>	<u>924</u>	<u>5,674</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,400,448	621,745	217,000	3,239,193
Unrestricted	<u>(6,613)</u>	<u>46,493</u>	<u>169,928</u>	<u>209,808</u>
Total net assets	<u>\$ 2,393,835</u>	<u>\$ 668,238</u>	<u>\$ 386,928</u>	<u>\$ 3,449,001</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**Year Ended June 30, 2005**

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 174,062	\$ -	\$ (38,144)	\$ 135,918
Property rental	174,410	99,454	6,866	280,730
Miscellaneous	-	-	394	394
Total operating revenues	<u>348,472</u>	<u>99,454</u>	<u>(30,884)</u>	<u>417,042</u>
<b>OPERATING EXPENSES</b>				
Business-type/enterprise				
Personal services	-	-	23,258	23,258
Commodities	-	4,192	2,387	6,579
Contractual services	7,813	74,150	9,491	91,454
Depreciation	63,228	33,735	-	96,963
Total operating expenses	<u>71,041</u>	<u>112,077</u>	<u>35,136</u>	<u>218,254</u>
Operating income (loss)	277,431	(12,623)	(66,020)	198,788
<b>NON-OPERATING REVENUES</b>				
Interest revenue	<u>1,276</u>	<u>265</u>	<u>2,102</u>	<u>3,643</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	278,707	(12,358)	(63,918)	202,431
Operating transfers out	<u>(349,000)</u>	<u>-</u>	<u>-</u>	<u>(349,000)</u>
<b>CHANGE IN NET ASSETS</b>	(70,293)	(12,358)	(63,918)	(146,569)
<b>NET ASSETS, BEGINNING OF YEAR,</b>	<u>2,464,128</u>	<u>680,596</u>	<u>450,846</u>	<u>3,595,570</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,393,835</u>	<u>\$ 668,238</u>	<u>\$ 386,928</u>	<u>\$ 3,449,001</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS -**  
**NONMAJOR ENTERPRISE FUNDS**  
**Year Ended June 30, 2005**

	<b>Dock Operations</b>	<b>Marina</b>	<b>Parking System</b>	<b>Total Nonmajor Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 362,097	\$ 96,541	\$ 16,126	\$ 474,764
Cash paid to suppliers	(8,168)	(79,796)	(12,685)	(100,649)
Cash paid to employees	-	-	(23,258)	(23,258)
Net cash provided by (used in) operating activities	<u>353,929</u>	<u>16,745</u>	<u>(19,817)</u>	<u>350,857</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Operating transfers out	(349,000)	-	-	(349,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	-	(3,215)	-	(3,215)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest revenue	<u>1,276</u>	<u>265</u>	<u>2,102</u>	<u>3,643</u>
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>6,205</b>	<b>13,795</b>	<b>(17,715)</b>	<b>2,285</b>
<b>CASH AND INVESTMENTS, JULY 1</b>	<u>(35,433)</u>	<u>31,263</u>	<u>188,523</u>	<u>184,353</u>
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ (29,228)</u>	<u>\$ 45,058</u>	<u>\$ 170,808</u>	<u>\$ 186,638</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 277,431	\$ (12,623)	\$ (66,020)	\$ 198,788
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	63,228	33,735	-	96,963
Changes in assets and liabilities:				
(Increase) decrease in receivables	13,625	(2,913)	47,010	57,722
Decrease in accounts payable	-	(606)	(1,282)	(1,888)
Increase (decrease) in warrants payable	(355)	(848)	475	(728)
Net cash flows from operating activities	<u>\$ 353,929</u>	<u>\$ 16,745</u>	<u>\$ (19,817)</u>	<u>\$ 350,857</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2005

	<u>Payroll Clearing Fund</u>	<u>Miscellaneous Clearing Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 346,292	\$ 878	\$ 347,170
Receivables			
Other	744	1,831	2,575
Prepaid insurance	62,388	-	62,388
<b>TOTAL ASSETS</b>	<u>\$ 409,424</u>	<u>\$ 2,709</u>	<u>\$ 412,133</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 104,918	\$ -	\$ 104,918
Warrants payable	304,506	2,709	307,215
<b>TOTAL LIABILITIES</b>	<u>\$ 409,424</u>	<u>\$ 2,709</u>	<u>\$ 412,133</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**Year Ended June 30, 2005**

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>Payroll Clearing Fund</b>				
Assets:				
Cash and investments	\$ 296,154	\$ 10,793,005	\$ 10,742,867	\$ 346,292
Receivables				
Other	-	744	-	744
Prepaid insurance	45,517	62,388	45,517	62,388
<b>Total assets</b>	<b>\$ 341,671</b>	<b>\$ 10,856,137</b>	<b>\$ 10,788,384</b>	<b>\$ 409,424</b>
Liabilities:				
Accounts payable	\$ 120,923	\$ 5,109,471	5,125,476	\$ 104,918
Warrants payable	220,748	8,905,537	8,821,779	304,506
<b>Total liabilities</b>	<b>\$ 341,671</b>	<b>\$ 14,015,008</b>	<b>\$ 13,947,255</b>	<b>\$ 409,424</b>
<b>Miscellaneous Clearing Fund</b>				
Assets:				
Cash and investments	\$ 1,062	\$ 19,525	\$ 19,709	\$ 878
Receivables				
Other	1,499	8,527	8,195	1,831
<b>Total assets</b>	<b>\$ 2,561</b>	<b>\$ 28,052</b>	<b>\$ 27,904</b>	<b>\$ 2,709</b>
Liabilities:				
Accounts payable	\$ -	\$ 3,970	\$ 3,970	\$ -
Warrants payable	2,561	3,905	3,757	2,709
<b>Total liabilities</b>	<b>\$ 2,561</b>	<b>\$ 7,875</b>	<b>\$ 7,727</b>	<b>\$ 2,709</b>
<b>Total All Funds</b>				
Assets:				
Cash and investments	\$ 297,216	\$ 10,812,530	\$ 10,762,576	\$ 347,170
Receivables				
Other	1,499	9,271	8,195	2,575
Prepaid insurance	45,517	62,388	45,517	62,388
<b>Total assets</b>	<b>\$ 344,232</b>	<b>\$ 10,884,189</b>	<b>\$ 10,816,288</b>	<b>\$ 412,133</b>
Liabilities:				
Accounts payable	\$ 120,923	\$ 5,113,441	\$ 5,129,446	\$ 104,918
Warrants payable	223,309	8,909,442	8,825,536	307,215
<b>Total liabilities</b>	<b>\$ 344,232</b>	<b>\$ 14,022,883</b>	<b>\$ 13,954,982</b>	<b>\$ 412,133</b>

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>			
Taxes	\$ 14,569,285	\$ 13,209,020	\$ 12,903,970
Licenses and permits	247,289	183,969	147,029
Use of money and property	407,488	413,213	483,045
Intergovernmental	4,384,103	5,324,550	4,804,891
Charges for services	1,338,684	1,104,422	942,105
Miscellaneous	309,536	349,131	822,735
<b>TOTAL REVENUES</b>	<b><u>\$ 21,256,385</u></b>	<b><u>\$ 20,584,305</u></b>	<b><u>\$ 20,103,775</u></b>
<b>EXPENDITURES</b>			
Current			
Public safety	\$ 8,118,198	\$ 7,773,283	\$ 7,264,198
Public works	2,680,519	2,371,651	3,027,668
Culture and recreation	2,468,359	2,291,667	2,276,679
Community and economic development	1,718,548	737,029	665,272
General government	972,907	1,039,592	983,144
Debt service	4,140,643	12,068,982	4,379,060
Capital projects	4,852,235	4,907,607	1,181,179
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 24,951,409</u></b>	<b><u>\$ 31,189,811</u></b>	<b><u>\$ 19,777,200</u></b>

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

(Unaudited)

<b>Fiscal Year:</b>	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>
<b><u>January 1 Valuation</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
Residential property	\$ 501,214,698	\$ 518,038,460	\$ 580,596,303	\$ 601,468,174	\$ 620,381,886
Commercial property	165,836,914	182,614,958	195,577,009	195,439,760	213,052,556
Industrial property	84,802,456	86,336,688	88,683,701	97,578,888	97,047,192
Machinery and equipment	101,609,207	62,044,326	26,129,207	-	-
Utilities	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>
Subtotal	922,201,788	920,979,994	965,568,172	971,691,914	1,010,801,198
Agricultural land	<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>
<b>TOTAL</b>	<b><u>\$ 934,739,397</u></b>	<b><u>\$ 933,328,072</u></b>	<b><u>\$ 977,875,571</u></b>	<b><u>\$ 983,987,219</u></b>	<b><u>\$ 1,021,011,619</u></b>

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

(Unaudited)

<b>Fiscal Year:</b>	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>
<b>January 1 Valuation</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Residential property	\$ 274,928,737	\$ 291,475,150	\$ 299,980,330	\$ 309,078,746	\$ 300,611,316
Commercial property	163,802,422	182,614,958	191,215,889	195,439,760	211,469,613
Industrial property	84,802,456	86,336,688	88,683,701	97,578,888	97,047,192
Machinery and equipment	101,609,207	62,044,326	26,129,207	-	-
Utilities	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
Subtotal	693,863,976	694,416,684	680,559,397	679,302,486	678,036,341
Less military exemptions	4,525,362	4,388,314	4,284,602	4,183,668	4,106,810
<b>TOTAL</b>	<b>\$ 689,338,614</b>	<b>\$ 690,028,370</b>	<b>\$ 676,274,795</b>	<b>\$ 675,118,818</b>	<b>\$ 673,929,531</b>
Agricultural land	\$ 12,078,491	\$ 12,348,078	\$ 12,307,399	\$ 12,295,305	\$ 10,210,421

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2005**

(Unaudited)

**SUMMARY**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 20,195,000</u>	<u>\$ 2,980,083</u>	<u>\$ 23,175,083</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND MATURITIES**  
**June 30, 2005**

(Unaudited)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,180,000</u>	<u>\$ 710,752</u>	<u>\$ 3,890,752</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,680,000</u>	<u>\$ 210,331</u>	<u>\$ 1,890,331</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND MATURITIES**  
**June 30, 2005**

(Unaudited)

**General Corporate Purpose Bonds**  
**Dated March 1, 2001**

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,000,000</u>	<u>\$ 405,208</u>	<u>\$ 2,405,208</u>

**General Obligation Refunding Bonds**  
**Dated May 1, 2001**

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 4,205,000</u>	<u>\$ 579,104</u>	<u>\$ 4,784,104</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND MATURITIES**  
**June 30, 2005**

(Unaudited)

**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>
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>\$ 98,575</u>	<u>\$ 728,575</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>
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>\$ 619,093</u>	<u>\$ 3,419,093</u>

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2005**

(Unaudited)

**General Obligation Refunding Bonds  
Dated June 15, 2004**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,700,000</u>	<u>\$ 357,020</u>	<u>\$ 6,057,020</u>

**CITY OF CLINTON, IOWA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2005**

(Unaudited)

Actual property valuations, January 1, 2004	<u><u>\$ 1,051,194,994</u></u>
Debt limit - 5% of total valuation	\$ 52,559,750
Amount of debt applicable to limit - general obligation debt plus economic development note	<u>20,949,000</u>
<b>Legal debt margin</b>	<u><u>\$ 31,610,750</u></u>

**CITY OF CLINTON, IOWA**  
**SUMMARY OF TAXES AND INTERGOVERNMENTAL REVENUES**

(Unaudited)

	<u>2004/05</u>	<u>2003/04</u>	<u>2002/03</u>	<u>2001/02</u>	<u>2000/01</u>	<u>1999/00</u>
<b>Taxes</b>						
Property taxes	\$ 10,935,516	\$ 9,701,894	\$ 9,316,228	\$ 9,491,478	\$ 9,451,404	\$ 9,976,800
Mobile home taxes	7,001	11,356	8,438	8,914	7,823	6,887
Utility excise taxes	653,610	618,326	754,050	734,059	694,515	-
Local option sales taxes	2,532,034	2,472,374	2,415,966	2,686,303	2,251,707	2,219,415
Hotel/motel taxes	290,812	248,276	251,930	222,179	201,545	177,488
Cable television franchise fees	138,787	145,264	146,212	136,421	101,903	93,069
Other taxes	11,508	11,529	11,146	11,437	370	11,929
	<u>14,569,268</u>	<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>
<b>Intergovernmental</b>						
Road use taxes	2,308,180	2,327,048	2,242,288	2,247,712	2,296,487	2,392,400
State consolidated payments	-	-	461,064	486,065	534,748	536,319
Bank franchise tax	5,886	24,730	25,989	80,358	42,166	44,792
Machinery and equipment tax replacement	16	350,166	737,018	316,098	628,482	231,950
Other federal/state revenues	2,588,722	4,026,803	2,320,345	7,451,976	4,335,895	4,928,346
County contributions	40,544	44,738	43,756	33,253	37,198	32,041
	<u>4,943,348</u>	<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>
<b>TOTAL</b>	<u>\$ 19,512,616</u>	<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>

**CITY OF CLINTON, IOWA  
MISCELLANEOUS STATISTICS  
June 30, 2005**

(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	14,720
Number of Items in Collection	151,733
Police Protection:	
Number of Stations	1
Number of Sworn Officers	46
Fire Protection:	
Number of Stations	3
Number of Fire Personnel	45
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 - Residential	\$2.99 per 100 cubic feet
Commercial Class 1	\$2.99 per 100 cubic feet
Commercial Class 2	\$3.289 per 100 cubic feet
Commercial Class 3	\$3.887 per 100 cubic feet
Commercial Class 4	\$4.485 per 100 cubic feet
Commercial Class 5	\$5.083 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, 2005, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated June 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 opinions 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 reportable 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, 2005 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, 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.

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 Henderson LLP*

Clinton, Iowa  
June 16, 2006

**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, 2005. The City of Clinton, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements 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, 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, 2005.

**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 grant agreements 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 reportable 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 grant agreements 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 Gundersen LLP*

Clinton, Iowa  
June 16, 2006

CITY OF CLINTON, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2005

<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	\$ 81,184
Department of Transportation Airport Improvement Program	20.106	3-19-0019-09	24,844
Airport Improvement Program	20.106	3-19-0019-10	85,901
Department of Housing and Urban Development Economic Development Initiative	14.246	B-03-SP-IA-0188	268,245
Environmental Protection Agency Brownsfields Assessment & Cleanup Cooperative Agreements	66.818	BF-98735001	101,383
Total Direct			<u>561,557</u>
Indirect:			
Department of Housing & Urban Development Iowa Department of Economic Development Community Development Block Grants/State's Program	14.228	02-CF-046	127,805
Community Development Block Grants/State's Program	14.288	04-HSG-012	62,459
Community Development Block Grants/State's Program	14.228	03-CF-014	106,323
Subtotal			<u>296,587</u>
Emergency Shelter Grants Program	14.231	04-ES-003	<u>202,109</u>
Department of Transportation Iowa Department of Transportation Federal Transit - Capital Investment Grants	20.500	18-0024-141-03	37,350
Federal Transit - Capital Investment Grants	20.500	03-0093-141-01	47,567
Formula Grants for Other Than Urbanized Areas	20.509	18-4025-141-05	192,078
Formula Grants for Other Than Urbanized Areas	20.509	TR-2005-134	1,293
Highway Planning and Construction	20.205	STP-U-1415(611)--70-23	9,673
Subtotal			<u>287,961</u>
National Highway Traffic Safety Administration Governor's Traffic Safety Bureau State and Community Highway Safety	20.600	PAP05-04, Task09	10,269
State and Community Highway Safety	20.600	PAP04-04, Task05	2,744
Intoxicated Driver Prevention Program	20.605	05-163, Task 15	4,595
Intoxicated Driver Prevention Program	20.605	04-163, Task 15	7,348
Subtotal			<u>24,956</u>
U.S. Department of Justice Governor's Office of Drug Control Policy		None	<u>3,425</u>
Federal Emergency Management Agency Iowa Homeland Security & Emergency Management Division Pre-Disaster Mitigation Plan Grant	97.047	PDMC-PL-2003-0004	<u>3,969</u>
Police Grant Bullet Proof Vests	16.607	None	<u>11,502</u>
Total Indirect			<u>830,509</u>
<b>TOTAL</b>			<u>\$ 1,392,066</u>

**CITY OF CLINTON, IOWA  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
Year Ended June 30, 2005**

**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, 2005. 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>
Emergency Shelter Grants Program	14.231	\$ <u>191,500</u>

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2005**

**Part 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>
14.231	Emergency Shelter Grants Program
14.246	Economic Development Initiative

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

Auditee qualified as low-risk auditee?  yes  no

**Part II: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

None

**REPORTABLE CONDITIONS:**

None

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-05     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, 2005.

IV-B-05     Certified Budget - Expenditures for the year ended June 30, 2005, exceeded the amount budgeted in the public works, culture and recreation, and community and economic development functions. 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 projects function to the public works, culture and recreation, and community and economic development functions 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-05     Questionable Expenditures - Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursements are as follows:

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
Mrs. Heeren	Spouse expenses incurred as a result of his injury and hospitalization	\$ 1,973.69
Iowa League of Cities	Meal ticket for council member's wife to the 2005 Iowa Leagues' Annual Conference	98.00

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to

a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The council should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the City should also establish written policies and procedures, including the requirement for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-D-05 Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-E-05 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	\$ 927
James Connell, Clinton Police Officer, Spouse: Mary Connell, President of Air Control	Parts, Repairs and Maintenance	8,615
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	6,239
		<u>\$ 15,781</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Traffic Study 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 Clinton Police Officer and the Zoning Board of Adjustments were entered into through competitive bidding and do not appear to represent a conflict of interest.

IV-F-05 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-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-05 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 were increased on May 1, 2005.

Conclusion - Response accepted.

IV-I-05 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.

IV-J-05 Financial Condition - The Capital Projects Fund had a deficit fund balance of \$40,882.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The deficit will be eliminated in fiscal year 2006 through the issuance of bonds.

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF BALANCE SHEET ACCOUNTS**  
**REQUIRED BY REVENUE BOND ORDINANCE**  
**ENTERPRISE FUNDS**  
**June 30, 2005**

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
<b>ASSETS</b>			
Receivables			
Service fees	\$ -	\$ -	\$ -
Other	2,423	-	-
Restricted cash and investments	<u>109,468</u>	<u>860,142</u>	<u>722,644</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 111,891</u></u>	<u><u>\$ 860,142</u></u>	<u><u>\$ 722,644</u></u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 78,440	\$ -	\$ -
Warrants payable	<u>33,451</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>111,891</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>			
Retained earnings - reserved for capital equipment replacement/repairs	-	860,142	722,644
Retained earnings - reserved for debt service	-	-	-
Retained earnings - unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>-</u>	<u>860,142</u>	<u>722,644</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 111,891</u></u>	<u><u>\$ 860,142</u></u>	<u><u>\$ 722,644</u></u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 1,040,497	\$ -	\$ 1,040,497
-	-	-	-	2,423
<u>16,977</u>	<u>209,189</u>	<u>316,936</u>	<u>73,645</u>	<u>2,309,001</u>
<u>\$ 16,977</u>	<u>\$ 209,189</u>	<u>\$ 1,357,433</u>	<u>\$ 73,645</u>	<u>\$ 3,351,921</u>
\$ -	\$ -	\$ 5,171	\$ 71,365	\$ 154,976
-	-	1,298	25,515	60,264
<u>-</u>	<u>-</u>	<u>6,469</u>	<u>96,880</u>	<u>215,240</u>
-	-	-	-	1,582,786
16,977	209,189	-	-	226,166
-	-	1,350,964	(23,235)	1,327,729
<u>16,977</u>	<u>209,189</u>	<u>1,350,964</u>	<u>(23,235)</u>	<u>3,136,681</u>
<u>\$ 16,977</u>	<u>\$ 209,189</u>	<u>\$ 1,357,433</u>	<u>\$ 73,645</u>	<u>\$ 3,351,921</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, 2005**

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
<b>OPERATING REVENUES</b>			
Charges for service	\$ 20,773	\$ -	\$ -
Sale of equipment/materials	351	-	-
Miscellaneous	39,525	-	-
Total operating revenues	<u>60,649</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Business type/enterprise			
Personal services	1,218,157	-	-
Commodities	195,678	-	-
Contractual services	801,747	-	-
Capital outlay	102,772	-	9,300
Total operating expenses	<u>2,318,354</u>	<u>-</u>	<u>9,300</u>
Operating income (loss)	<u>(2,257,705)</u>	<u>-</u>	<u>(9,300)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	7,291	6,535
Intergovernmental	444	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>444</u>	<u>7,291</u>	<u>6,535</u>
<b>NET INCOME (LOSS)</b>			
<b>BEFORE OPERATING TRANSFERS</b>	(2,257,261)	7,291	(2,765)
Operating transfers in	2,257,261	175,000	75,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	-	182,291	72,235
<b>RETAINED EARNINGS, JULY 1</b>	<u>-</u>	<u>677,851</u>	<u>650,409</u>
<b>RETAINED EARNINGS, JUNE 30</b>	<u>\$ -</u>	<u>\$ 860,142</u>	<u>\$ 722,644</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,456,384	\$ 21,247	\$ 2,498,404
-	-	-	-	351
-	-	150	-	39,675
<u>-</u>	<u>-</u>	<u>2,456,534</u>	<u>21,247</u>	<u>2,538,430</u>
-	-	-	-	1,218,157
-	-	-	-	195,678
-	-	-	229,354	1,031,101
<u>137,000</u>	<u>-</u>	<u>-</u>	<u>270,459</u>	<u>519,531</u>
<u>137,000</u>	<u>-</u>	<u>-</u>	<u>499,813</u>	<u>2,964,467</u>
<u>(137,000)</u>	<u>-</u>	<u>2,456,534</u>	<u>(478,566)</u>	<u>(426,037)</u>
-	2,862	32,879	8,543	58,110
-	-	-	-	444
<u>(68,561)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,561)</u>
<u>(68,561)</u>	<u>2,862</u>	<u>32,879</u>	<u>8,543</u>	<u>(10,007)</u>
(205,561)	2,862	2,489,413	(470,023)	(436,044)
205,534	-	-	150,000	2,862,795
<u>-</u>	<u>-</u>	<u>(2,862,795)</u>	<u>(675,000)</u>	<u>(3,537,795)</u>
(27)	2,862	(373,382)	(995,023)	(1,111,044)
<u>17,004</u>	<u>206,327</u>	<u>1,724,346</u>	<u>971,788</u>	<u>4,247,725</u>
<u>\$ 16,977</u>	<u>\$ 209,189</u>	<u>\$ 1,350,964</u>	<u>\$ (23,235)</u>	<u>\$ 3,136,681</u>