

CITY OF CLINTON, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

City of Clinton, Iowa

CITY OF CLINTON, IOWA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2006

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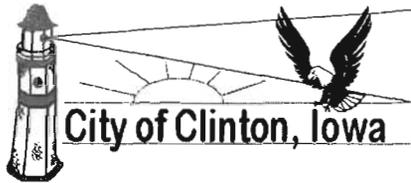
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City Clerk/Finance Department

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

DATE: June 19, 2007

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, 2006.

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, 2006, 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, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to the single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and the auditor's reports on the internal control and compliance with applicable laws, regulations, contracts, and grants are included in the compliance section of this report. Also included in the compliance section are schedules required by the City for compliance to the covenants of a sewer revenue bond ordinance.

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

Profile of Government

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

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

The City of Clinton provides a full range of services which 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 55.

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 continue to 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 5% 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 have been built in the area. This development project was a joint effort between the developer and the City. Nearby, a 130,000 square foot building materials store opened along a major thoroughfare into the City. Development continues along the corridor with the future construction of a land-based casino and hotel complex to be completed in the next twelve months.

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 has been 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. Property has been purchased during the past three years. Emphasis is currently in the area of sewer separation. The first sewer construction/separation phase has been completed and highway design is in its developmental stage.

A major improvement and enhancement to the City's riverfront and adjacent areas 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. Most of the improvements are nearly completed except for the marina. Plans for the marina have been expanded to include a full service restaurant. Nearby development includes rehabilitation of a vacant building in the downtown area into usable commercial space and modern apartments. Also, the City has invested over \$1,500,000 in streetscape improvements in the public right-of-way in the downtown area.

On June 27, 1989, the voters of the City of Clinton and most cities of Clinton County authorized through public referendum a 1% local option sales tax. This tax became effective October 1, 1989. The purpose of the City of Clinton's local option sales tax was to provide funding for storm sewer construction (50%) and property tax relief (50%). Proceeds are used to abate the annual property tax levy for debt service on general obligation bonds issued for storm sewer projects. Also, \$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, is, likewise, reduced due to an allocation of \$28,500.

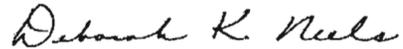
Cash management policies and practices. The City invests its idle cash during the year in money market accounts. The investment policy of the City also includes the ability to solicit competitive bids from local banking institutions and the Iowa Public Agency Investment Trust. The rates secured would 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 \$266,945 of interest during fiscal year 2005/2006.

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.

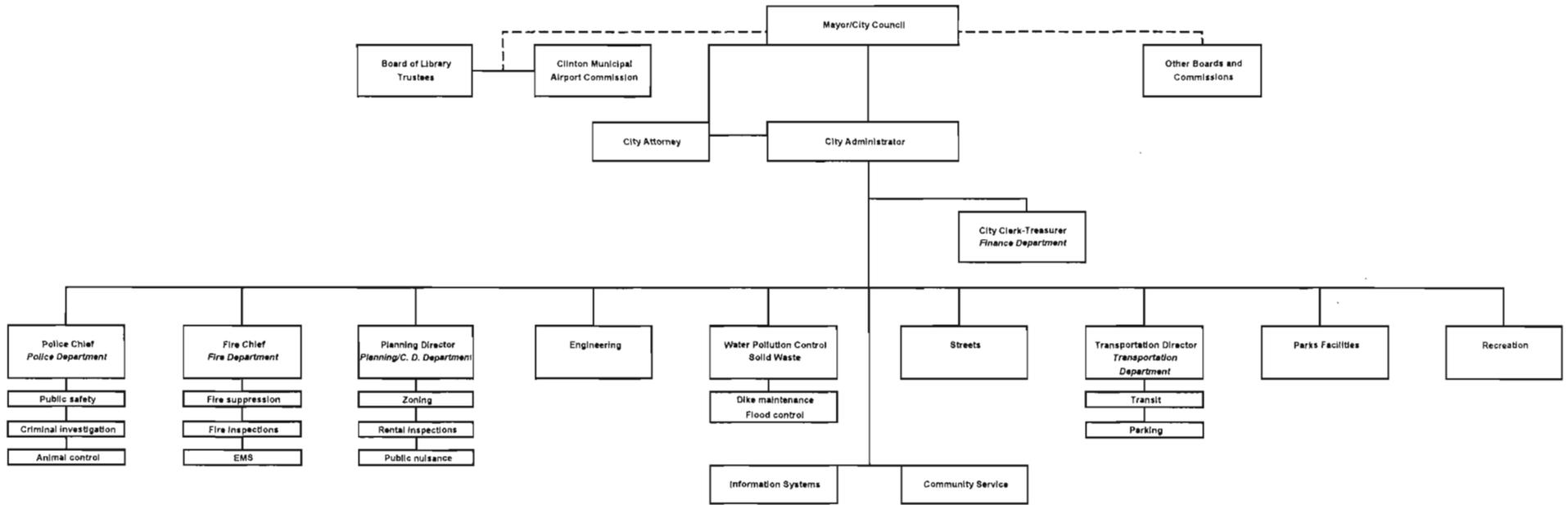
Acknowledgements. In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, I would like to express my appreciation to all members of the department for their assistance and contributions for this endeavor. Our auditors, Clifton Gunderson LLP 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, 2006

ELECTED OFFICIALS

Mayor	LaMetta K. Wynn
Council Member	Rodger Holm
Council Member	Michael Kearney
Council Member	Ron Mallicoat
Council Member	Bette J. Oakley
Council Member	Darrell G. Smith
Council Member	Robert J. Soesbe
Council Member	Mark S. Vulich

APPOINTED OFFICIALS

City Administrator	Jeffrey L. Kooistra
City Attorney	Matthew R. Brisch
City Clerk/Finance Director	Deborah K. Neels
City Engineer	Steven A. Honse
City Planner	John F. Staszewski
Airport Manager	Mike Nass
Fire Chief	Mark Regenwether
Library Director	Daniel Horwath
Parks Superintendent	Thomas Krogman
Recreation Manager	Gregg Obren
Police Chief	Brian D. Guy
Street Superintendent	Don Davis
Transportation Director	Dennis Hart
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, 2006, 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, 2006, 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 5, 2007, 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 55 through 57 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, 2005 (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 Henderson LLP

Clinton, Iowa
June 5, 2007

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, 2006. 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, 2006 by \$118,953,192 (net assets).
- The City's total net assets increased by \$4,498,946. This amount represents a 4% increase.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$6,736,492, a decrease of \$1,297,087 in comparison with the prior year. Approximately 87% 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 \$2,753,398, or 21% of total General Fund expenditures, including transfers out.
- The City's total debt increased by \$3,174,380 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 2005/06. 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 nonmajor 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 38-54 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 55-57. Combining and individual fund statements and schedules can be found on pages 58-66 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 \$118,953,192 at the close of the fiscal year ended June 30, 2006. For the fiscal year ended June 30, 2005, assets had exceeded liabilities by \$114,454,246. This represents a 4% increase in net assets between the two fiscal periods.

City of Clinton's Net Assets June 30, 2006 and 2005

	<u>Governmental Activities 2006</u>	Governmental Activities 2005	<u>Business-type Activities 2006</u>	Business-type Activities 2005	<u>Total 2006</u>	Total 2005
Current and other assets	\$ 22,441,510	\$ 21,705,765	\$ 7,002,303	\$ 5,245,278	\$ 29,443,813	\$ 26,951,043
Capital assets	<u>81,198,627</u>	<u>71,975,241</u>	<u>50,127,040</u>	<u>51,547,820</u>	<u>131,325,667</u>	<u>123,523,061</u>
Total assets	<u>103,640,137</u>	<u>93,681,006</u>	<u>57,129,343</u>	<u>56,793,098</u>	<u>161,769,480</u>	<u>150,474,104</u>
Current and other liabilities	14,905,246	16,835,552	891,153	433,307	15,796,399	17,268,859
Long-term liabilities outstanding	<u>24,574,724</u>	<u>17,233,999</u>	<u>1,445,165</u>	<u>1,517,000</u>	<u>26,019,889</u>	<u>18,750,999</u>
Total liabilities	<u>39,479,970</u>	<u>34,069,551</u>	<u>2,336,318</u>	<u>1,950,307</u>	<u>41,816,288</u>	<u>36,019,858</u>
Net assets						
Invested in capital assets, net of related debt	56,608,744	50,711,954	50,107,040	51,517,820	106,715,784	102,229,774
Restricted	1,238,582	1,816,271	2,356,486	2,274,886	3,595,068	4,091,157
Unrestricted	<u>6,312,841</u>	<u>7,083,230</u>	<u>2,329,499</u>	<u>1,050,085</u>	<u>8,642,340</u>	<u>8,133,315</u>
Total net assets	<u>\$ 64,160,167</u>	<u>\$ 59,611,455</u>	<u>\$ 54,793,025</u>	<u>\$ 54,842,791</u>	<u>\$ 118,953,192</u>	<u>\$ 114,454,246</u>

The largest portion of the City of Clinton's net assets (90%) 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.

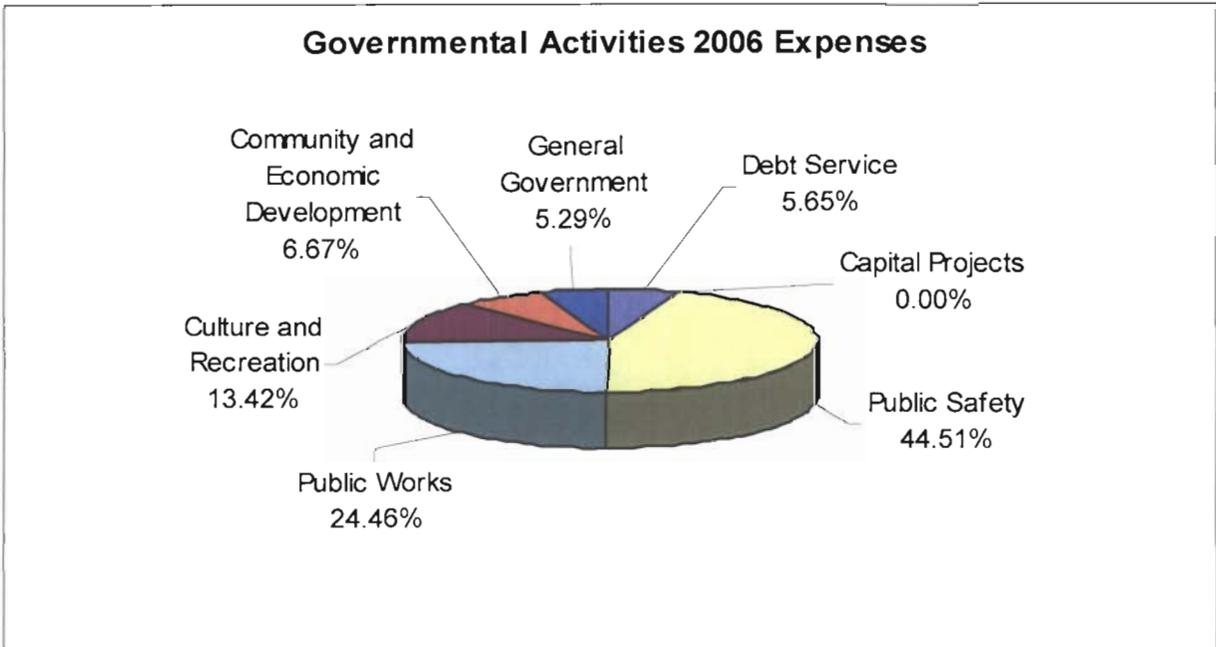
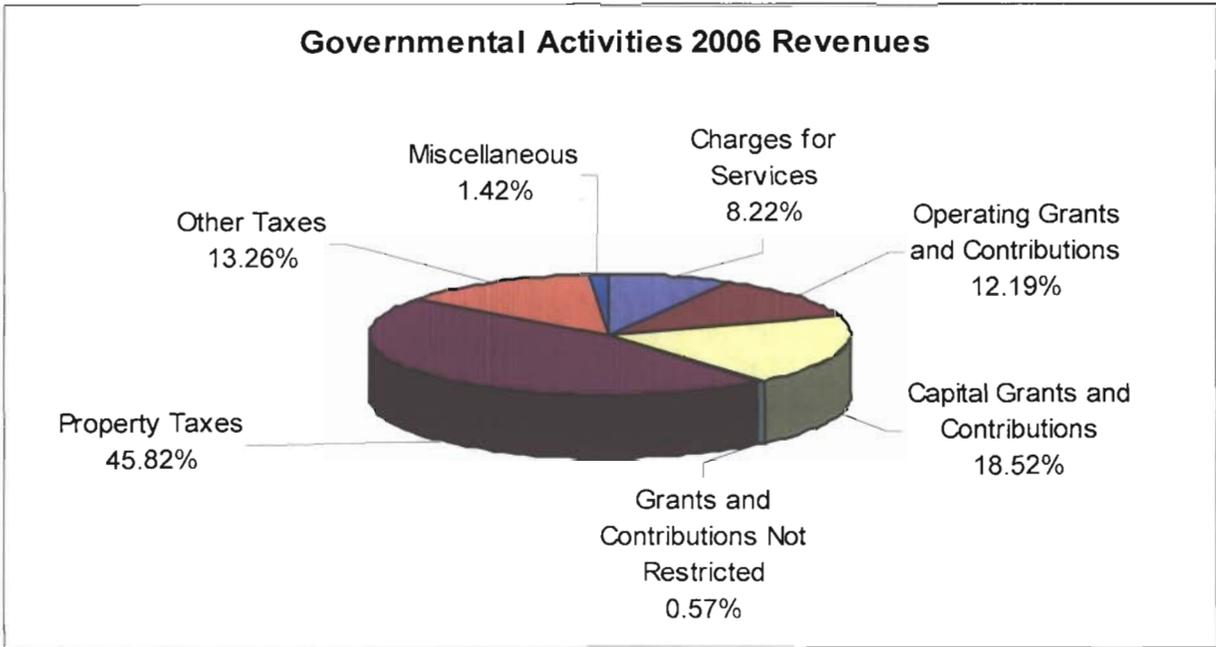
A portion of the City of Clinton's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,642,340) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the 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 2005/06.

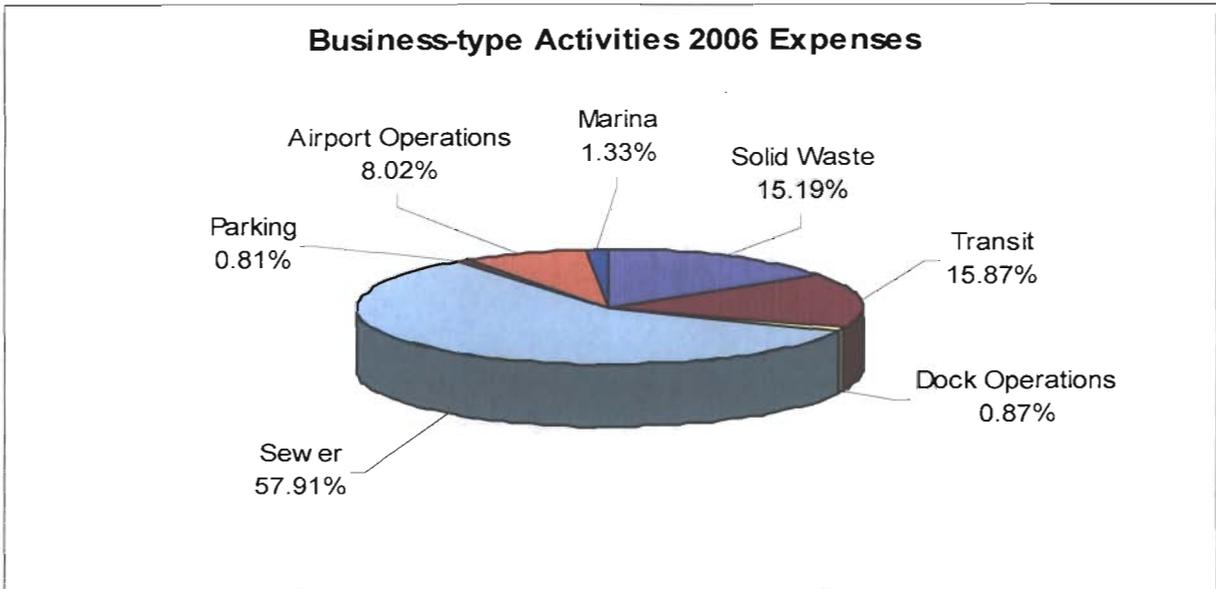
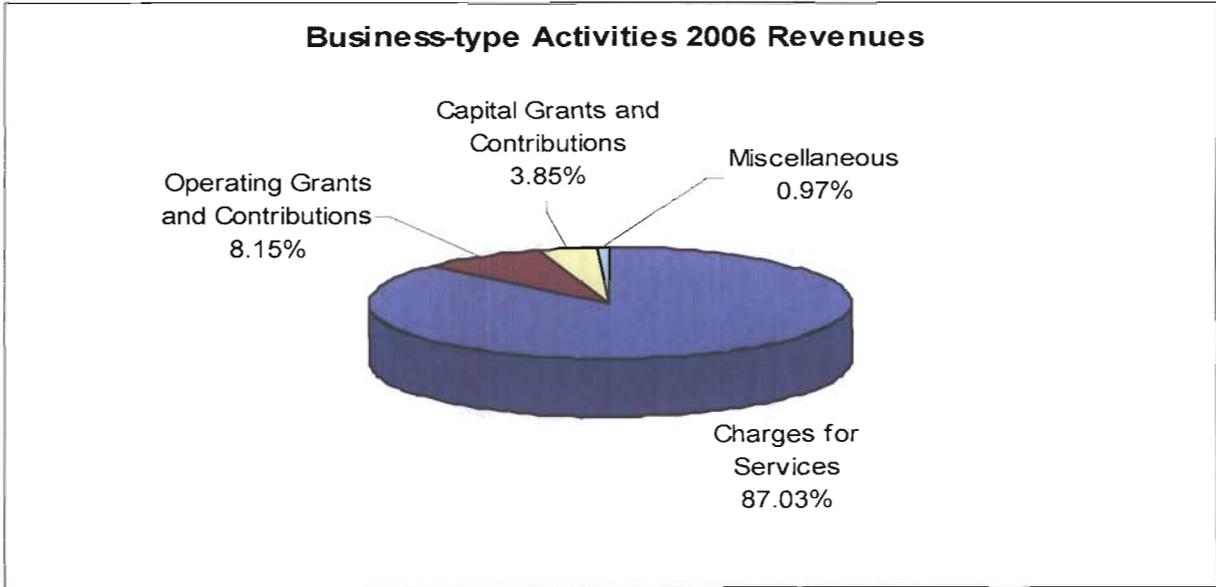
**City of Clinton's Changes in Net Assets
June 30, 2006 and 2005**

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total 2006	Total 2005
Revenues:						
Program Revenues:						
Charges for services	\$ 2,058,323	\$ 2,067,015	\$ 6,843,468	\$ 4,174,001	\$ 8,901,791	\$ 6,241,061
Operating grants and contributions	3,051,496	2,914,007	641,142	362,055	3,692,638	3,276,062
Capital grants and contributions	4,634,500	1,564,756	302,683	197,417	4,937,183	1,762,173
General Revenues:						
Property taxes	11,468,614	10,960,187	-	-	11,468,614	10,960,187
Other taxes	3,318,609	3,487,964	-	-	3,318,609	3,487,964
Grants and contributions not restricted to specific programs	143,172	138,803	-	-	143,172	138,803
Miscellaneous	355,845	298,546	76,289	381,911	432,134	680,457
Total revenues	25,030,559	21,431,278	7,863,582	5,115,384	32,894,141	26,546,662
Expenses:						
Public safety	9,062,590	8,440,015	-	-	9,062,590	8,440,015
Public works	4,980,665	4,974,444	-	-	4,980,665	4,974,444
Culture and recreation	2,731,504	3,226,393	-	-	2,731,504	3,226,393
Community and economic development	1,357,633	1,725,116	-	-	1,357,633	1,725,116
General government	1,077,809	1,002,882	-	-	1,077,809	1,002,882
Debt service	1,150,678	823,478	-	-	1,150,678	823,478
Capital projects	-	2,527	-	-	-	2,527
Sewer	-	-	4,652,854	4,098,552	4,652,854	4,098,552
Solid waste	-	-	1,220,393	994,643	1,220,393	994,643
Transit	-	-	1,274,703	1,209,613	1,274,703	1,209,613
Dock operations	-	-	70,143	71,041	70,143	71,041
Marina	-	-	106,857	112,077	106,857	112,077
Parking system	-	-	65,135	35,136	65,135	35,136
Airport operations	-	-	644,231	758,556	644,231	758,556
Total expenses	20,360,879	20,194,855	8,034,316	7,279,618	28,395,195	27,474,473
Increase (decrease) in net assets before transfers	4,669,680	1,236,423	(170,734)	(2,164,234)	4,498,946	(927,811)
Transfers	(120,968)	414,623	120,968	(414,623)	-	-
Increase (decrease) in net assets	4,548,712	1,651,046	(49,766)	(2,578,857)	4,498,946	(927,811)
Net assets - beginning of year	59,611,455	57,960,409	54,842,791	57,421,648	114,454,246	115,382,057
Net assets - end of year	\$ 64,160,167	\$ 59,611,455	\$ 54,793,025	\$ 54,842,791	\$ 118,953,192	\$ 114,454,246

Governmental activities. Governmental activities increased the City's net assets by \$4,548,712. This increase combined with the slight decrease in the business-type activities resulted in overall increase of \$4,498,946 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 \$49,766. The Sewer Revenue Fund experienced a reduction of net assets of \$137,082 due to increased contractual service expenses. The Solid Waste Collection Fund, Transit System Fund, and Airport Operations Fund also decreased their respective net asset totals while the Nonmajor Enterprise Funds 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 \$6,736,492, a decrease of \$1,297,087 in comparison with the prior year. Approximately, 87% of this total amount or \$5,875,284 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 \$2,753,398. 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 23% of total General Fund expenditures (excluding transfers out).

The fund balance of the City's General Fund decreased by \$120,490 during the current fiscal year. This was reduced from the \$151,050 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 decrease in fund balance of \$76,288. The fund balance for this fund is \$2,531,330. Monies in this fund are used for maintenance of City streets, related engineering expenses 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 and assistance in the payment of tort liability insurance.

Fund balance for the Capital Projects Fund decreased by \$401,499. This was due to the number of capital improvement projects under contract including those which are a part of the Vision Iowa Capital Project group. Renovations to the City stadium amounted to \$3,715,244 of the total capital improvement expenditures. Additionally, several major storm sewer separation projects amounting to \$3,124,835 and \$1,005,149 were active during the fiscal year. Note proceeds and additional fund transfers in fiscal year 2006/07 replenished fund balances for the major 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, 2006 were \$54,793,025, a decrease of \$49,766 from the previous fiscal year. This is primarily due to additional contractual service charges which totaled \$2,508,918 for the year. Of the net assets of the enterprise funds, \$50,107,040 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$2,329,499.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$721,562, an increase of \$138,021 from the prior year. This increase in net assets was due to an increase in the level of funding for estimated medical claims.

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 \$8,334,374 was increased to \$8,415,171, an increase of \$80,797. The primary source of the increase was additional revenues in the Use of Money and Property classification.
- The original operating expenditure budget of \$11,692,900 was increased to \$11,699,600, a small increase of \$6,700.
- Transfers in were adjusted to reflect anticipated funding needs for employee benefits. Transfers out were increased slightly for additional hotel/motel taxes to the Special Revenue Fund.

A schedule detailing budgetary information can be found on pages 55-57 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, 2006 amounts to \$131,325,667 (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 \$7,802,606 compared to the prior year. Capital assets associated with governmental activities increased by \$9,223,386 while capital assets for the business-type activities decreased by \$1,420,780.

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

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total 2006	Total 2005
Land	\$ 15,153,604	\$ 14,305,979	\$ 1,306,993	\$ 1,306,993	\$ 16,460,597	\$ 15,612,972
Construction in progress	14,127,972	4,173,628	34,228	-	14,162,200	4,173,628
Machinery and equipment	2,367,524	2,486,252	1,224,958	948,350	3,592,482	3,434,602
Land improvements	527,600	489,727	-	-	527,600	489,727
Buildings	8,563,814	8,842,732	14,853,593	15,343,276	23,417,407	24,186,008
Infrastructure	40,458,113	41,676,923	32,707,268	33,949,201	73,165,381	75,626,124
Total	\$ 81,198,627	\$ 71,975,241	\$ 50,127,040	\$ 51,547,820	\$ 131,325,667	\$ 123,523,061

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

- 3rd year of a multi-year street resurfacing program
- Renovation of the City Stadium
- Construction of a recreational vehicle park and aquatic center
- Storm sewer separation project completed in the Liberty Square Redevelopment area
- Purchase of additional park property near the City marina

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

Long-term debt. At the end of the current fiscal year, the City of Clinton had total debt outstanding of \$25,493,000. Of this amount \$23,535,000 comprises debt backed by the full faith and credit of the City. Of this outstanding indebtedness, \$5,090,000 is abated from local option sales tax revenues, \$2,455,000 from tax increment financing tax revenues, and \$175,000 from airport hangar revenues. 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 \$1,204,000 represents notes secured solely by revenues generated from sanitary sewer rental fees.

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

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total 2006	Total 2005
General obligation bonds	\$ 23,360,000	\$ 20,005,000	\$ 175,000	\$ 190,000	\$ 23,535,000	\$ 20,195,000
Development note	754,000	754,000	-	-	754,000	754,000
No interest note - RISE	-	22,620	-	-	-	22,620
Sewer revenue notes	-	-	1,204,000	1,347,000	1,204,000	1,347,000
Total	\$ 24,114,000	\$ 20,781,620	\$ 1,379,000	\$ 1,537,000	\$ 25,493,000	\$ 22,318,620

During the current fiscal year, the City of Clinton increased its indebtedness by \$3,174,380. This amount reflected planned debt service retirement. The City issued \$6,815,000 of new debt. The new debt primarily paid for capital projects associated with the Vision Iowa program. Also, \$4,205,000 of bonds were refunded from the issuance of \$4,275,000 of additional bonds.

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 \$53,826,648, 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 \$678,164,838 for the 2005/06 fiscal year and increases for fiscal year 2006/07. However, the City will realize a 5.6% increase for fiscal year 2007/08. 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 2007/08. The overall City tax rate continues to increase for fiscal years 2006/07, but is reduced slightly for 2007/08. 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 were delayed until the 2006 bond issue. Additional capital purchase requests have been deferred for fiscal years 2006/07 and 2007/08.

Other concerns for the City include increases in employee health insurance costs, fire and police, medical disability expenses and costs for providing basic services. Meanwhile, sources for funding these concerns remain limited in the near future without major increases in the property tax rate.

Requests for Information

This financial report is designed to provide a general overview of the City of Clinton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Deborah K. Neels, Finance Director, City of Clinton, 611 South 3rd Street, Clinton, IA 52733-2958.

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,663,000	\$ 1,428,717	\$ 7,091,717
Receivables			
Taxes	11,791,572	-	11,791,572
Service fees	887,710	3,549,665	4,437,375
Intergovernmental	2,329,285	309,465	2,638,750
Loan	93,941	-	93,941
Special assessments	90,111	-	90,111
Other	310,481	29,684	340,165
Due to/from other funds	(65,000)	65,000	-
Prepaid insurance	17,572	-	17,572
Prepaid - other	25,634	-	25,634
Restricted cash and investments	1,297,204	1,619,772	2,916,976
Capital assets, net of accumulated depreciation	81,198,627	50,127,040	131,325,667
Total assets	<u>103,640,137</u>	<u>57,129,343</u>	<u>160,769,480</u>
LIABILITIES			
Accounts payable	2,125,471	578,706	2,704,177
Warrants payable	1,034,097	290,160	1,324,257
Deposits payable	17,369	-	17,369
Accrued interest payable	94,147	-	94,147
Contracts payable	661,227	-	661,227
Leases payable	15,159	20,000	35,159
Deferred revenue	10,729,187	2,287	10,731,474
Estimated payable for incurred but not reported claims	228,589	-	228,589
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	3,710,000	20,000	3,730,000
Notes payable	-	150,000	150,000
Compensated absences	460,724	66,165	526,889
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	19,650,000	155,000	19,805,000
Notes payable	754,000	1,054,000	1,808,000
Total liabilities	<u>39,479,970</u>	<u>2,336,318</u>	<u>41,816,288</u>
NET ASSETS			
Invested in capital assets, net of related debt	56,608,744	50,107,040	106,715,784
Restricted for:			
Police and fire retirement	555,048	-	555,048
Capital equipment replacement/repairs	-	2,117,967	2,117,967
Debt service	676,534	238,519	915,053
Endowments	7,000	-	7,000
Unrestricted			
Undesignated	6,312,841	2,329,499	8,642,340
Total net assets	<u>\$ 64,160,167</u>	<u>\$ 54,793,025</u>	<u>\$ 118,953,192</u>

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 9,062,590	\$ 775,677	\$ 211,386	\$ -
Public works	4,980,665	409,162	2,344,270	-
Culture and recreation	2,731,504	716,788	285,955	9,962
Community and economic development	1,357,633	86,032	209,885	236,276
General government	1,077,809	70,664	-	-
Debt service	1,150,678	-	-	-
Capital projects	-	-	-	4,388,262
Total governmental activities	<u>20,360,879</u>	<u>2,058,323</u>	<u>3,051,496</u>	<u>4,634,500</u>
Business-type activities				
Sewer	4,652,854	4,350,160	230,611	-
Solid waste	1,220,393	1,140,058	-	-
Transit	1,274,703	171,480	393,825	102,464
Dock operations	70,143	693,709	-	-
Marina	106,857	101,970	-	-
Parking system	65,135	21,202	77	-
Airport operations	644,231	364,889	16,629	200,219
Total business-type activities	<u>8,034,316</u>	<u>6,843,468</u>	<u>641,142</u>	<u>302,683</u>
Total	<u>\$ 28,395,195</u>	<u>\$ 8,901,791</u>	<u>\$ 3,692,638</u>	<u>\$ 4,937,183</u>

GENERAL REVENUES

General property tax
Delinquent tax
Tax increment tax
Mobile home tax
Hotel/motel tax
Local option sales tax
Franchise tax
Excise tax
Proceeds from fixed asset sales
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**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (8,075,527)	\$ -	\$ (8,075,527)
(2,227,233)	-	(2,227,233)
(1,718,799)	-	(1,718,799)
(825,440)	-	(825,440)
(1,007,145)	-	(1,007,145)
(1,150,678)	-	(1,150,678)
4,388,262	-	4,388,262
<u>(10,616,560)</u>	<u>-</u>	<u>(10,616,560)</u>
-	(72,083)	(72,083)
-	(80,335)	(80,335)
-	(606,934)	(606,934)
-	623,566	623,566
-	(4,887)	(4,887)
-	(43,856)	(43,856)
-	(62,494)	(62,494)
<u>-</u>	<u>(247,023)</u>	<u>(247,023)</u>
<u>(10,616,560)</u>	<u>(247,023)</u>	<u>(10,863,583)</u>
10,087,716	-	10,087,716
69,459	-	69,459
1,303,947	-	1,303,947
7,492	-	7,492
296,306	-	296,306
2,363,972	-	2,363,972
143,172	-	143,172
658,331	-	658,331
-	7,000	7,000
204,055	69,289	273,344
151,790	-	151,790
<u>(120,968)</u>	<u>120,968</u>	<u>-</u>
<u>15,165,272</u>	<u>197,257</u>	<u>15,362,529</u>
4,548,712	(49,766)	4,498,946
<u>59,611,455</u>	<u>54,842,791</u>	<u>114,454,246</u>
<u>\$ 64,160,167</u>	<u>\$ 54,793,025</u>	<u>\$ 118,953,192</u>

CITY OF CLINTON, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
ASSETS			
Cash and investments	\$ 1,957,514	\$ 2,451,026	\$ (430,412)
Receivables			
Taxes	6,387,412	181,077	430,421
Service fees	887,710	-	-
Intergovernmental	4,292	-	-
Loan	-	-	78,639
Special assessments	-	-	-
Other	91,850	2,610	-
Due from other funds	-	-	-
Prepaid insurance	-	-	-
Prepaid - other	25,634	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	\$ 9,354,412	\$ 2,634,713	\$ 78,648
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 246,298	\$ 54,823	\$ -
Warrants payable	137,699	31,191	-
Deposits payable	-	17,369	-
Contracts payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	6,191,383	-	-
Total liabilities	<u>6,575,380</u>	<u>103,383</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Prepaid expenditures	25,634	-	-
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Endowments	-	-	-
Unreserved			
Designated for capital improvements	-	-	-
Undesignated			
Reported in			
General fund	2,753,398	-	-
Special revenue funds	-	2,531,330	78,648
Permanent funds	-	-	-
Total fund balances (deficit)	<u>2,779,032</u>	<u>2,531,330</u>	<u>78,648</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,354,412	\$ 2,634,713	\$ 78,648

See notes to financial statements

Special Revenue

<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 431,162	\$ 772,822	\$ (1,529,194)	\$ 599,472	\$ 4,252,390
3,332,023	1,056,507	-	404,132	11,791,572
-	-	-	-	887,710
-	-	2,049,684	275,309	2,329,285
-	-	-	15,302	93,941
-	-	45,247	44,864	90,111
-	-	179,175	36,846	310,481
-	-	110,000	-	110,000
-	-	-	17,572	17,572
-	-	-	-	25,634
-	-	1,297,204	-	1,297,204
<u>\$ 3,763,185</u>	<u>\$ 1,829,329</u>	<u>\$ 2,152,116</u>	<u>\$ 1,393,497</u>	<u>\$ 21,205,900</u>
\$ 1,249	\$ 890	\$ 1,467,142	\$ 96,027	\$ 1,866,429
7,811	24,172	245,881	385,926	832,680
-	-	-	-	17,369
-	-	661,227	-	661,227
-	-	175,000	-	175,000
3,269,075	1,035,934	45,247	375,064	10,916,703
<u>3,278,135</u>	<u>1,060,996</u>	<u>2,594,497</u>	<u>857,017</u>	<u>14,469,408</u>
-	-	-	17,572	43,206
544,868	-	-	-	544,868
(59,818)	-	-	-	(59,818)
-	768,333	-	-	768,333
-	-	-	7,000	7,000
-	-	(442,381)	-	(442,381)
-	-	-	-	2,753,398
-	-	-	510,874	3,120,852
-	-	-	1,034	1,034
<u>485,050</u>	<u>768,333</u>	<u>(442,381)</u>	<u>536,480</u>	<u>6,736,492</u>
<u>\$ 3,763,185</u>	<u>\$ 1,829,329</u>	<u>\$ 2,152,116</u>	<u>\$ 1,393,497</u>	<u>\$ 21,205,900</u>

CITY OF CLINTON, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total governmental fund balances (page 26) \$ 6,736,492

***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 \$136,464,462
and the accumulated depreciation is \$55,265,835. 81,198,627

Other long-term assets are not available to pay for current period expenditures and
therefore are deferred in the funds. 187,516

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

Compensated absences	(460,724)
Bonds and notes payable	(24,114,000)
Leases payable	(15,159)
Accrued interest payable	(94,147)

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. 721,562

Net assets of governmental activities (page 22) \$ 64,160,167

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
REVENUES			
Taxes	\$ 6,649,277	\$ -	\$ 2,363,971
Licenses and permits	156,730	35,280	-
Use of money and property	221,317	16,763	54,300
Intergovernmental	188,960	2,343,834	-
Charges for services	951,312	169,203	-
Miscellaneous	168,687	7,101	-
Total revenues	<u>8,336,283</u>	<u>2,572,181</u>	<u>2,418,271</u>
EXPENDITURES			
Current			
Public safety	8,573,848	-	-
Public works	56,096	2,029,436	-
Culture and recreation	2,079,652	-	-
Community and economic development	243,184	-	-
General government	787,753	-	-
Capital projects	942	135,968	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Policy and Administration	-	-	-
Total expenditures	<u>11,741,475</u>	<u>2,165,404</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,405,192)</u>	<u>406,777</u>	<u>2,418,271</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Operating transfers in	4,370,435	-	-
Operating transfers out	(1,085,733)	(483,065)	(2,628,553)
Total other financing sources (uses)	<u>3,284,702</u>	<u>(483,065)</u>	<u>(2,628,553)</u>
NET CHANGE IN FUND BALANCES	(120,490)	(76,288)	(210,282)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>2,899,522</u>	<u>2,607,618</u>	<u>288,930</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 2,779,032</u>	<u>\$ 2,531,330</u>	<u>\$ 78,648</u>

See notes to financial statements

Special Revenue				
Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
\$ 3,309,916	\$ 1,089,874	\$ -	\$ 1,680,912	\$ 15,093,950
-	-	-	-	192,010
5,153	44,983	24,349	142,677	509,542
-	-	3,747,876	645,452	6,926,122
-	-	-	243,297	1,363,812
-	-	661,620	133,249	970,657
<u>3,315,069</u>	<u>1,134,857</u>	<u>4,433,845</u>	<u>2,845,587</u>	<u>25,056,093</u>
-	-	74,359	56,712	8,704,919
-	-	454,231	149,414	2,689,177
-	-	106,297	257,871	2,443,820
-	-	-	1,113,666	1,356,850
7,452	-	-	254,881	1,050,086
-	-	12,009,864	376,151	12,522,925
-	7,582,622	-	-	7,582,622
-	769,782	-	-	769,782
-	23,191	-	-	23,191
-	3,840	-	-	3,840
<u>7,452</u>	<u>8,379,435</u>	<u>12,644,751</u>	<u>2,208,695</u>	<u>37,147,212</u>
<u>3,307,617</u>	<u>(7,244,578)</u>	<u>(8,210,906)</u>	<u>636,892</u>	<u>(12,091,119)</u>
-	4,076,991	6,838,009	-	10,915,000
-	3,097,772	1,074,115	535,768	9,078,090
(3,468,819)	-	(102,717)	(1,430,171)	(9,199,058)
<u>(3,468,819)</u>	<u>7,174,763</u>	<u>7,809,407</u>	<u>(894,403)</u>	<u>10,794,032</u>
(161,202)	(69,815)	(401,499)	(257,511)	(1,297,087)
<u>646,252</u>	<u>838,148</u>	<u>(40,882)</u>	<u>793,991</u>	<u>8,033,579</u>
<u>\$ 485,050</u>	<u>\$ 768,333</u>	<u>\$ (442,381)</u>	<u>\$ 536,480</u>	<u>\$ 6,736,492</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, 2006

Net change in fund balances - total governmental funds (page 29) \$ (1,297,087)

***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	12,179,361
Depreciation expense	(2,955,975)

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. (163,555)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenues of certain activities of the internal service fund is reported with governmental activities. 138,021

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	(9,374)
Interest on long-term debt	(25,457)

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. (3,317,222)

Change in net assets of governmental activities (page 24) \$ 4,548,712

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
ASSETS			
Cash and investments	\$ -	\$ 350,342	\$ 304,592
Receivables			
Service fees	2,768,430	758,591	-
Intergovernmental	209,659	-	99,806
Other	1,257	-	19,573
Due from other funds	-	-	-
Restricted cash and investments	1,619,772	-	-
Capital assets, net of accumulated depreciation	41,874,523	464,268	1,951,728
Total assets	<u>46,473,641</u>	<u>1,573,201</u>	<u>2,375,699</u>
LIABILITIES			
Accounts payable	455,675	16,840	75,270
Warrants payable	193,881	5,008	59,959
Due to other funds	-	-	-
Compensated absences payable	36,300	12,160	17,705
Notes payable	1,204,000	-	-
Leases payable	-	-	-
General obligation bonds payable	-	-	-
Deferred revenue	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Total liabilities	<u>1,889,856</u>	<u>34,008</u>	<u>152,934</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,874,523	464,268	1,951,728
Restricted for:			
Capital equipment replacement/repairs	1,444,906	673,061	-
Debt service	238,519	-	-
Unrestricted	1,025,837	401,864	271,037
Total net assets	<u>\$ 44,583,785</u>	<u>\$ 1,539,193</u>	<u>\$ 2,222,765</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>
\$ 285,077	\$ 488,706	\$ 1,428,717	\$ 1,410,610
-	22,644	3,549,665	-
-	-	309,465	-
3,565	5,289	29,684	-
175,000	-	175,000	-
-	-	1,619,772	-
2,693,874	3,142,647	50,127,040	-
<u>3,157,516</u>	<u>3,659,286</u>	<u>57,239,343</u>	<u>1,410,610</u>
27,216	3,705	578,706	259,042
28,862	2,450	290,160	201,417
110,000	-	110,000	-
-	-	66,165	-
-	-	1,204,000	-
20,000	-	20,000	-
175,000	-	175,000	-
2,287	-	2,287	-
-	-	-	228,589
<u>363,365</u>	<u>6,155</u>	<u>2,446,318</u>	<u>689,048</u>
2,673,874	3,142,647	50,107,040	-
-	-	2,117,967	-
-	-	238,519	-
120,277	510,484	2,329,499	721,562
<u>\$ 2,794,151</u>	<u>\$ 3,653,131</u>	<u>\$ 54,793,025</u>	<u>\$ 721,562</u>

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
OPERATING REVENUES			
Charges for services	\$ 4,319,534	\$ 1,136,869	\$ 155,759
Property rental	-	3,189	7,135
Miscellaneous	30,626	-	8,586
Total operating revenues	<u>4,350,160</u>	<u>1,140,058</u>	<u>171,480</u>
OPERATING EXPENSES			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,275,920	405,020	886,817
Commodities	252,865	99,221	169,302
Contractual services	1,535,301	620,489	136,609
Depreciation	1,537,447	95,663	81,975
Total operating expenses	<u>4,601,533</u>	<u>1,220,393</u>	<u>1,274,703</u>
Operating income (loss)	<u>(251,373)</u>	<u>(80,335)</u>	<u>(1,103,223)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	70,862	8,639	327
Intergovernmental	214,606	-	496,289
Proceeds from fixed asset sales	-	-	7,000
Bond Proceeds	-	-	-
Interest expense	(51,321)	-	-
Total non-operating revenues (expenses)	<u>234,147</u>	<u>8,639</u>	<u>503,616</u>
INCOME (LOSS) BEFORE TRANSFERS	(17,226)	(71,696)	(599,607)
Capital contributions	-	-	-
Operating transfers in	-	-	558,524
Operating transfers out	(119,856)	-	-
CHANGE IN NET ASSETS	(137,082)	(71,696)	(41,083)
NET ASSETS, BEGINNING OF YEAR	44,720,867	1,610,889	2,263,848
NET ASSETS, END OF YEAR	<u>\$ 44,583,785</u>	<u>\$ 1,539,193</u>	<u>\$ 2,222,765</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>
\$ -	\$ 197,043	\$ 5,809,205	\$ 2,599,654
66,311	359,809	436,444	-
298,578	260,029	597,819	-
<u>364,889</u>	<u>816,881</u>	<u>6,843,468</u>	<u>2,599,654</u>
-	-	-	2,424,641
60,388	29,035	2,657,180	-
289,108	5,941	816,437	-
105,906	110,613	2,508,918	46,595
179,929	96,546	1,991,560	-
<u>635,331</u>	<u>242,135</u>	<u>7,974,095</u>	<u>2,471,236</u>
(270,442)	574,746	(1,130,627)	128,418
1,159	4,307	85,294	9,603
46,848	77	757,820	-
-	-	7,000	-
-	-	-	-
(8,900)	-	(60,221)	-
<u>39,107</u>	<u>4,384</u>	<u>789,893</u>	<u>9,603</u>
(231,335)	579,130	(340,734)	138,021
170,000	-	170,000	-
57,300	-	615,824	-
-	(375,000)	(494,856)	-
(4,035)	204,130	(49,766)	138,021
<u>2,798,186</u>	<u>3,449,001</u>	<u>54,842,791</u>	<u>583,541</u>
<u>\$ 2,794,151</u>	<u>\$ 3,653,131</u>	<u>\$ 54,793,025</u>	<u>\$ 721,562</u>

CITY OF CLINTON, IOWA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Sewer Revenue	Solid Waste Collection	Transit System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,413,734	\$ 704,020	\$ 67,251
Cash paid to suppliers	(1,353,850)	(737,502)	(211,971)
Cash paid to employees	(1,268,714)	(404,966)	(886,024)
Net cash provided by (used in) operating activities	<u>(208,830)</u>	<u>(438,448)</u>	<u>(1,030,744)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental	214,606	-	-
Operating transfers in	-	-	558,524
Operating transfers out	(119,856)	-	-
Net cash provided by (used in) non-capital financing activities	<u>94,750</u>	<u>-</u>	<u>558,524</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Due from other funds	-	-	-
Due to other funds	-	-	-
Purchase of capital assets	(451,690)	-	(119,090)
Proceeds from fixed asset sales	-	-	7,000
Intergovernmental	-	-	496,289
General obligation bond payment	-	-	-
Increase in general obligation bonds payable	-	-	-
Lease payment	-	-	-
Low-interest loan repayment	(143,000)	-	-
Interest expense	(51,321)	-	-
Capital contributions	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(646,011)</u>	<u>-</u>	<u>384,199</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	70,862	8,639	327
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(689,229)	(429,809)	(87,694)
CASH AND INVESTMENTS, JULY 1	2,309,001	780,151	392,286
CASH AND INVESTMENTS, JUNE 30	<u>\$ 1,619,772</u>	<u>\$ 350,342</u>	<u>\$ 304,592</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS			
FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (251,373)	\$ (80,335)	\$ (1,103,223)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,537,447	95,663	81,975
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,936,426)	(436,038)	(104,229)
Increase (decrease) in accounts payable	300,699	1,134	53,420
Increase (decrease) in warrants payable	133,617	(18,926)	40,520
Increase in compensated absences payable	7,206	54	793
Decrease in deferred revenue	-	-	-
Decrease in estimated payable for incurred but not reported claims	-	-	-
Net cash flows from operating activities	<u>\$ (208,830)</u>	<u>\$ (438,448)</u>	<u>\$ (1,030,744)</u>

See notes to financial statements

Airport Operations	Nonmajor Enterprise	Total	Internal Service Health Insurance
\$ 582,951	\$ 817,792	\$ 4,585,748	\$ 2,599,654
(359,361)	(116,073)	(2,778,757)	(2,234,618)
(60,388)	(29,035)	(2,649,127)	-
<u>163,202</u>	<u>672,684</u>	<u>(842,136)</u>	<u>365,036</u>
-	77	214,683	-
57,300	-	615,824	-
-	(375,000)	(494,856)	-
<u>57,300</u>	<u>(374,923)</u>	<u>335,651</u>	<u>-</u>
(175,000)	-	(175,000)	-
110,000	-	110,000	-
-	-	(570,780)	-
-	-	7,000	-
46,848	-	543,137	-
(20,000)	-	(20,000)	-
5,000	-	5,000	-
(10,000)	-	(10,000)	-
-	-	(143,000)	-
(8,900)	-	(60,221)	-
170,000	-	170,000	-
<u>117,948</u>	<u>-</u>	<u>(143,864)</u>	<u>-</u>
1,159	4,307	85,294	9,603
339,609	302,068	(565,055)	374,639
(54,532)	186,638	3,613,544	1,035,971
<u>\$ 285,077</u>	<u>\$ 488,706</u>	<u>\$ 3,048,489</u>	<u>\$ 1,410,610</u>
\$ (270,442)	\$ 574,746	\$ (1,130,627)	\$ 128,418
179,929	96,546	1,991,560	-
218,702	911	(2,257,080)	-
7,040	(189)	362,104	(7,084)
28,613	670	184,494	197,107
-	-	8,053	-
(640)	-	(640)	-
-	-	-	46,595
<u>\$ 163,202</u>	<u>\$ 672,684</u>	<u>\$ (842,136)</u>	<u>\$ 365,036</u>

CITY OF CLINTON, IOWA
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 398,650
Receivables	
Other	1,787
Prepaid insurance	<u>48,253</u>
Total assets	<u>448,690</u>
LIABILITIES	
Accounts payable	120,035
Warrants payable	<u>328,655</u>
Total liabilities	<u>448,690</u>
NET ASSETS	<u><u>\$ -</u></u>

See notes to financial statements

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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, 2006

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 the 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. 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 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, 2006, 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, 2006.

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 of each year which becomes effective July 1 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, 2006, the budget was amended twice for the purpose of reclassifying revenues for current year capital projects, to appropriate only capital projects anticipated to occur during the fiscal year, to appropriate public safety equipment and the fire station design study initially included in the prior year budget, to provide for additional electrical costs for street lighting, to provide for a classification of change of housing rehabilitation payments to contractors, to appropriate bond proceeds anticipated to be expended by June 30, 2006, to amend transactions related to the refunding of City bonds, to appropriate funds for activities not previously included in the budget - summer youth program, traffic safety enforcement, police and fire capital equipment, to appropriate funding for the purchase of sewer maintenance equipment, and to include funding for transactions relating to the upcoming SRF loan with the State of Iowa.

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 preceding the beginning of the fiscal year.

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

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

Function	Budget	Actual	Variance
Public Safety	\$ 9,220,300	\$ 8,704,919	\$ 515,381
Public Works	2,277,200	2,689,177	(411,977)
Culture and Recreation	2,374,200	2,443,820	(69,620)
Community and Economic Development	1,483,600	1,356,850	126,750
General Government	1,173,398	1,050,086	123,312
Debt Service	8,620,600	8,379,435	241,165
Capital Projects	11,292,724	12,522,925	(1,230,201)
Business-type Activities	13,761,300	8,034,316	5,726,984
Total	\$ 50,203,322	\$ 45,181,528	\$ 5,021,794

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. Capital Project overruns resulted when expenditures of certain projects occurred before June 30 instead of the following fiscal year.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits. At year end, the City's carrying amount of deposits with financial institutions was \$5,890,381 and the bank balance was \$5,888,460. 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, 2006, the City did not have any assets subject to risk categorization.

The City's investments at June 30, 2006, are as follows:

Investments not subject to categorization:	Amortized Cost
Iowa Public Agencies Investment Trust	<u>\$ 4,516,962</u>

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

Carrying amount of deposits	\$ 5,890,381
Carrying amount of investments	<u>4,516,962</u>
Total	\$ 10,407,343
Cash and investments	\$ 7,091,717
Cash and investments - Agency Funds	398,650
Restricted cash and investments	<u>2,916,976</u>
Total	\$ 10,407,343

NOTE 4 - FUND TRANSFER RECONCILIATION

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 4,370,435	\$ 1,085,733
Road Use Tax	-	483,065
Local Option Sales Tax	-	2,628,553
Employee Benefits	-	3,468,819
Debt Service	3,097,772	-
Capital Projects	1,074,115	102,717
Other Nonmajor Governmental Funds	535,768	1,430,171
Sewer Revenue	-	119,856
Transit System	558,524	-
Airport Operations	57,300	-
Other Nonmajor Proprietary Funds	-	375,000
	<u>\$ 9,693,914</u>	<u>\$ 9,693,914</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, 2006 was as follows:

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$14,305,979	\$ 847,625	\$ -	\$15,153,604
Construction in progress	<u>4,173,628</u>	<u>10,991,418</u>	<u>1,037,074</u>	<u>14,127,972</u>
Total capital assets, not being depreciated	<u>18,479,607</u>	<u>11,839,043</u>	<u>1,037,074</u>	<u>29,281,576</u>
Capital assets, being depreciated				
Machinery and equipment	12,119,182	406,403	-	12,525,585
Land improvements	1,928,677	130,060	-	2,058,737
Buildings	12,614,074	3,640	-	12,617,714
Infrastructure	<u>79,143,561</u>	<u>837,289</u>	<u>-</u>	<u>79,980,850</u>
Total capital assets, being depreciated	<u>105,805,494</u>	<u>1,377,392</u>	<u>-</u>	<u>107,182,886</u>
Less accumulated depreciation for:				
Machinery and equipment	9,632,930	525,131	-	10,158,061
Land improvements	1,438,950	92,187	-	1,531,137
Buildings	3,771,342	282,558	-	4,053,900
Infrastructure	<u>37,466,638</u>	<u>2,056,099</u>	<u>-</u>	<u>39,522,737</u>
Total accumulated depreciation	<u>52,309,860</u>	<u>2,955,975</u>	<u>-</u>	<u>55,265,835</u>
Total capital assets, being depreciated, net	<u>53,495,634</u>	<u>(1,578,583)</u>	<u>-</u>	<u>51,917,051</u>
Governmental activities capital assets, net	<u>\$71,975,241</u>	<u>\$10,260,460</u>	<u>\$ 1,037,074</u>	<u>\$81,198,627</u>

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

Public works	\$ 2,289,936
Public safety	352,648
Culture and recreation	286,274
General government	27,117
	<u>\$ 2,955,975</u>

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,306,993	\$ -	\$ -	\$ 1,306,993
Construction in progress	-	<u>34,228</u>	-	<u>34,228</u>
Total capital assets, not being depreciated	<u>1,306,993</u>	<u>34,228</u>	<u>-</u>	<u>1,341,221</u>
Capital assets, being depreciated				
Machinery and equipment	6,175,459	530,890	202,264	6,504,085
Land improvements	319,900	-	-	319,900
Buildings	25,768,065	6,743	-	25,774,808
Infrastructure	<u>73,475,218</u>	<u>-</u>	<u>-</u>	<u>73,475,218</u>
Total capital assets, being depreciated	<u>105,738,642</u>	<u>537,633</u>	<u>202,264</u>	<u>106,074,011</u>
Less accumulated depreciation for:				
Machinery and equipment	5,227,109	253,201	201,183	5,279,127
Land improvements	319,900	-	-	319,900
Buildings	10,424,789	496,426	-	10,921,215
Infrastructure	<u>39,526,017</u>	<u>1,241,933</u>	<u>-</u>	<u>40,767,950</u>
Total accumulated depreciation	<u>55,497,815</u>	<u>1,991,560</u>	<u>201,183</u>	<u>57,288,192</u>
Total capital assets, being depreciated, net	<u>50,240,827</u>	<u>(1,453,927)</u>	<u>1,081</u>	<u>48,785,819</u>
Business-type activities capital assets, net	<u>\$51,547,820</u>	<u>\$(1,419,699)</u>	<u>\$ 1,081</u>	<u>\$50,127,040</u>

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

Sewer	\$ 1,537,447
Solid waste	95,663
Transit	81,975
Airport operations	179,929
Other business-type funds	96,546
	<u>\$ 1,991,560</u>

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due One Year</u>
Governmental activities					
General obligation	\$ 20,005,000	\$10,915,000	\$ 7,560,000	\$ 23,360,000	\$ 3,710,000
Notes payable	776,620	-	22,620	754,000	-
Accrued compensated absences	<u>451,350</u>	<u>698,935</u>	<u>689,561</u>	<u>460,724</u>	<u>460,724</u>
Governmental activities, long-term liabilities	<u>\$ 21,232,970</u>	<u>\$11,613,935</u>	<u>\$ 8,272,181</u>	<u>\$ 24,574,724</u>	<u>\$ 4,170,724</u>
Business-type activities					
General obligation	\$ 190,000	\$ 175,000	\$ 190,000	\$ 175,000	\$ 20,000
Sewer revenue capital notes	1,347,000	-	143,000	1,204,000	150,000
Accrued compensated absences	<u>56,310</u>	<u>121,498</u>	<u>111,643</u>	<u>66,165</u>	<u>66,165</u>
Business-type activities, long-term liabilities	<u>\$ 1,593,310</u>	<u>\$ 296,498</u>	<u>\$ 444,643</u>	<u>\$ 1,445,165</u>	<u>\$ 236,165</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. In 2006, \$4,275,000 of bonds were issued for the purpose of refunding 1997 and 1999 issues which contained higher interest rates. The amount refunded was \$4,205,000 and included a portion of the 1997 issue used to construct hangars at the airport. As in prior years, rental revenue from the hangars will pay the general long-term debt principal and interest associated with construction of the hangars. 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, 2006 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	03/01/01	4.20-4.25	\$ 3,415,000	\$ 1,795,000
Refunding	05/01/01	3.35-4.50	5,575,000	3,440,000
Corporate purpose	11/01/03	3.00-5.00	630,000	530,000
Corporate purpose	11/01/03	1.75-3.75	2,800,000	2,725,000
Refunding	06/15/04	2.00-3.15	7,650,000	3,955,000
Corporate purpose	05/01/06	5.40-5.70	7,620,000	7,620,000
Corporate purpose	05/01/06	4.00-4.25	<u>3,470,000</u>	<u>3,470,000</u>
			<u>\$31,160,000</u>	<u>\$23,535,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$4,646,250, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 3,730,000	\$ 987,143	\$ 4,717,143
2008	3,625,000	820,888	4,445,888
2009	3,730,000	691,008	4,421,008
2010	2,920,000	546,771	3,466,771
2011	1,985,000	422,662	2,407,662
2012-2018	7,545,000	1,177,778	8,722,778
Total	\$ 23,535,000	\$ 4,646,250	\$ 28,181,250

Notes Payable. Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2006 are as follows:

Purpose	Date of Issue	Interest Rates	Amount Originally Issued	Amount Outstanding End of Year
Economic Development	07/01	6.00%	\$ 800,000	\$ 754,000
Sewer plant improvements	11/11/93	4.62%	2,564,000	1,204,000
			<u>\$ 3,364,000</u>	<u>\$ 1,958,000</u>

Debt service requirements to maturity, including interest of \$232,340 on notes payable, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	179,000	25,964	204,964
2012-2013	383,000	26,750	409,750
2018	754,000	-	754,000
Total	\$ 1,958,000	\$ 232,340	\$ 2,190,340

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 \$44,945 for the year ended June 30, 2006.

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 \$3,820. On February 14, 2006, the City exercised the two one year options.

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, 2006 were \$262,492.

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, 2006, 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 2006. 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 \$228,589 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, 2006 are summarized as follows:

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>
Liability at June 30, 2005	181,994
Claims and changes in estimates during fiscal year 2006	1,991,796
Claim payments	<u>(1,945,201)</u>
Liability at June 30, 2006	<u>\$ 228,589</u>

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

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The City has received financial assistance from numerous federal and state agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position as of June 30, 2006.

Construction Contracts

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2006. The City has additional commitments for signed construction contracts of approximately \$8,289,658 as of June 30, 2006. These commitments will be funded from bond proceeds, grants, and resources already accumulated.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

MFPRSI

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, can not be less than 17.00% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2006, 2005, and 2004, were \$1,177,902, \$1,016,545, and \$816,193, 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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$249,635, \$245,028, and \$233,243, 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, 2006 totaled \$80,448. The City also pays a Medicare supplement insurance charge for 3 retirees. Those premium payments amounted to \$5,458.

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, 2006:

Capital Projects Fund	<u>\$ 442,381</u>
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The deficit will be eliminated by the issuance of note proceeds in fiscal year 2007.

NOTE 13 - SUBSEQUENT EVENT

The City Council approved a loan and disbursement agreement between the City, Iowa Finance Authority, Iowa Department of Natural Resources and Wells Fargo Bank on July 25, 2006. The amount of the sewer revenue capital loan note, series 2006, was \$2,804,000. The note was dated August 3, 2006 at an interest rate of 3% with final maturity on June 1, 2026. Proceeds from the note will be used to fund the sewer separation project in the Liberty Square Redevelopment area. Funds from the note will be requested by the City as costs on the project are incurred. Upon completion of the project and the determination of final project costs, the final debt service retirement schedule will be determined. Sewer charges will pay the principal and interest costs as stated on the retirement schedule.

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
 Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Taxes	\$ 15,093,950	\$ -	\$ 15,093,950
Licenses and permits	192,010	-	192,010
Use of money and property	509,542	85,294	594,836
Intergovernmental	6,926,122	757,820	7,683,942
Charges for services	1,363,812	5,809,205	7,173,017
Property rental	-	436,444	436,444
Miscellaneous	970,657	604,819	1,575,476
Total revenues	<u>25,056,093</u>	<u>7,693,582</u>	<u>32,749,675</u>
EXPENDITURES			
Current			
Public safety	8,704,919	-	8,704,919
Public works	2,689,177	-	2,689,177
Culture and recreation	2,443,820	-	2,443,820
Community and economic development	1,356,850	-	1,356,850
General government	1,050,086	-	1,050,086
Debt service	8,379,435	-	8,379,435
Capital projects	12,522,925	-	12,522,925
Business-type activities	-	8,034,316	8,034,316
Total expenditures	<u>37,147,212</u>	<u>8,034,316</u>	<u>45,181,528</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(12,091,119)</u>	<u>(340,734)</u>	<u>(12,431,853)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	10,915,000	-	10,915,000
Capital contributions	-	170,000	170,000
Operating transfers in	9,078,090	615,824	9,693,914
Operating transfers out	(9,199,058)	(494,856)	(9,693,914)
Total other financing sources (uses)	<u>10,794,032</u>	<u>290,968</u>	<u>11,085,000</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	<u>(1,297,087)</u>	<u>(49,766)</u>	<u>(1,346,853)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>8,033,579</u>	<u>54,842,791</u>	<u>62,876,370</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,736,492</u>	<u>\$ 54,793,025</u>	<u>\$ 61,529,517</u>

Budgeted Amounts		Variance with Final Budget Positive (Negative)
Original	Final	
\$ 15,183,053	\$ 15,089,538	\$ 4,412
238,500	204,700	(12,690)
610,600	654,400	(59,564)
12,134,900	8,626,190	(942,248)
7,895,200	7,777,700	(604,683)
-	-	436,444
11,626,300	3,142,800	(1,567,324)
<u>47,688,553</u>	<u>35,495,328</u>	<u>(2,745,653)</u>
8,529,300	9,220,300	515,381
2,248,900	2,277,200	(411,977)
2,357,300	2,374,200	(69,620)
1,312,200	1,483,600	126,750
1,023,300	1,173,398	123,312
4,337,780	8,620,600	241,165
14,855,850	11,292,724	(1,230,201)
12,797,500	13,761,300	5,726,984
<u>47,462,130</u>	<u>50,203,322</u>	<u>5,021,794</u>
226,423	(14,707,994)	2,276,141
-	15,214,500	(4,299,500)
-	-	170,000
10,296,705	11,123,402	(1,429,488)
(10,296,705)	(11,123,402)	1,429,488
<u>-</u>	<u>15,214,500</u>	<u>(4,129,500)</u>
226,423	506,506	(1,853,359)
13,285,988	12,813,072	50,063,298
<u>\$ 13,512,411</u>	<u>\$ 13,319,578</u>	<u>\$ 48,209,939</u>

CITY OF CLINTON, IOWA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2006

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 15 of each year which becomes effective July 1 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 increased budget disbursements by \$2,741,192. 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 preceding the beginning of the fiscal year.

During the year ended June 30, 2006, disbursements in the public works, culture and recreation, and capital projects functions exceeded the amounts budgeted.

CITY OF CLINTON, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
ASSETS			
Cash and investments	\$ 164,011	\$ 1,622	\$ 4,904
Receivables			
Taxes	-	-	-
Intergovernmental	10,440	259,865	-
Loan	-	15,302	-
Special assessments	-	-	-
Other	24,582	-	-
Prepaid insurance	-	-	17,572
TOTAL ASSETS	\$ 199,033	\$ 276,789	\$ 22,476
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 42,430	\$ 41,032	\$ -
Warrants payable	33,967	27,253	13,072
Deferred revenue	-	-	-
Total liabilities	<u>76,397</u>	<u>68,285</u>	<u>13,072</u>
FUND BALANCES			
Fund balance			
Reserved for prepaid expenditures	-	-	17,572
Reserved for endowments	-	-	-
Unreserved			
Undesignated			
Reported in			
Special revenue funds	122,636	208,504	(8,168)
Permanent funds	-	-	-
Total fund balances	<u>122,636</u>	<u>208,504</u>	<u>9,404</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 199,033	\$ 276,789	\$ 22,476

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>
\$ 420,901	\$ 3,465	\$ 4,569	\$ 599,472
404,132	-	-	404,132
5,004	-	-	275,309
-	-	-	15,302
44,864	-	-	44,864
12,264	-	-	36,846
-	-	-	17,572
<u>\$ 887,165</u>	<u>\$ 3,465</u>	<u>\$ 4,569</u>	<u>\$ 1,393,497</u>
\$ 12,565	\$ -	\$ -	\$ 96,027
311,634	-	-	385,926
375,064	-	-	375,064
<u>699,263</u>	<u>-</u>	<u>-</u>	<u>857,017</u>
-	-	-	17,572
-	3,000	4,000	7,000
187,902	-	-	510,874
-	465	569	1,034
<u>187,902</u>	<u>3,465</u>	<u>4,569</u>	<u>536,480</u>
<u>\$ 887,165</u>	<u>\$ 3,465</u>	<u>\$ 4,569</u>	<u>\$ 1,393,497</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
REVENUES			
Taxes	\$ -	\$ -	\$ -
Use of money and property	135,148	1,456	-
Intergovernmental	159,741	440,541	-
Charges for services	243,297	-	-
Miscellaneous	-	19,589	-
Total revenues	<u>538,186</u>	<u>461,586</u>	<u>-</u>
EXPENDITURES			
Current			
Public safety	19,566	-	-
Public works	-	-	-
Culture and recreation	239,609	-	-
Community and economic development	55,000	446,113	-
General government	-	-	254,881
Capital projects	358,959	-	-
Total expenditures	<u>673,134</u>	<u>446,113</u>	<u>254,881</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(134,948)</u>	<u>15,473</u>	<u>(254,881)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	301,679	37,359	196,730
Operating transfers out	(476,194)	-	-
Total other financing sources (uses)	<u>(174,515)</u>	<u>37,359</u>	<u>196,730</u>
NET CHANGE IN FUND BALANCES	(309,463)	52,832	(58,151)
FUND BALANCES, BEGINNING OF YEAR	<u>432,099</u>	<u>155,672</u>	<u>67,555</u>
FUND BALANCES, END OF YEAR	<u>\$ 122,636</u>	<u>\$ 208,504</u>	<u>\$ 9,404</u>

<u>Special Revenue</u>		<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>	
\$ 1,680,912	\$ -	\$ -	\$ 1,680,912	
6,004	30	39	142,677	
45,170	-	-	645,452	
-	-	-	243,297	
113,660	-	-	133,249	
<u>1,845,746</u>	<u>30</u>	<u>39</u>	<u>2,845,587</u>	
37,146	-	-	56,712	
149,414	-	-	149,414	
18,262	-	-	257,871	
612,553	-	-	1,113,666	
-	-	-	254,881	
17,192	-	-	376,151	
<u>834,567</u>	<u>-</u>	<u>-</u>	<u>2,208,695</u>	
1,011,179	30	39	636,892	
-	-	-	535,768	
<u>(953,977)</u>	<u>-</u>	<u>-</u>	<u>(1,430,171)</u>	
<u>(953,977)</u>	<u>-</u>	<u>-</u>	<u>(894,403)</u>	
57,202	30	39	(257,511)	
130,700	3,435	4,530	793,991	
<u>\$ 187,902</u>	<u>\$ 3,465</u>	<u>\$ 4,569</u>	<u>\$ 536,480</u>	

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2006

	Dock Operations	Marina	Parking System	Total
ASSETS				
Cash and investments	\$ 310,163	\$ 49,817	\$ 128,726	\$ 488,706
Receivables				
Service fees	22,644	-	-	22,644
Other	-	5,212	77	5,289
Capital assets, net of accumulated depreciation	2,337,223	588,424	217,000	3,142,647
Total assets	<u>2,670,030</u>	<u>643,453</u>	<u>345,803</u>	<u>3,659,286</u>
LIABILITIES				
Accounts payable	-	2,967	738	3,705
Warrants payable	-	1,716	734	2,450
Total liabilities	<u>-</u>	<u>4,683</u>	<u>1,472</u>	<u>6,155</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,337,223	588,424	217,000	3,142,647
Unrestricted	<u>332,807</u>	<u>50,346</u>	<u>127,331</u>	<u>510,484</u>
Total net assets	<u>\$ 2,670,030</u>	<u>\$ 638,770</u>	<u>\$ 344,331</u>	<u>\$ 3,653,131</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2006

	Dock Operations	Marina	Parking System	Total
OPERATING REVENUES				
Charges for services	\$ 180,699	\$ -	\$ 16,344	\$ 197,043
Property rental	263,010	91,941	4,858	359,809
Miscellaneous	250,000	10,029	-	260,029
Total operating revenues	<u>693,709</u>	<u>101,970</u>	<u>21,202</u>	<u>816,881</u>
OPERATING EXPENSES				
Business-type/enterprise				
Personal services	-	-	29,035	29,035
Commodities	-	1,607	4,334	5,941
Contractual services	6,918	71,929	31,766	110,613
Depreciation	63,225	33,321	-	96,546
Total operating expenses	<u>70,143</u>	<u>106,857</u>	<u>65,135</u>	<u>242,135</u>
Operating income (loss)	<u>623,566</u>	<u>(4,887)</u>	<u>(43,933)</u>	<u>574,746</u>
NON-OPERATING REVENUES				
Interest revenue	2,629	419	1,259	4,307
Intergovernmental	-	-	77	77
Total non-operating revenues	<u>2,629</u>	<u>419</u>	<u>1,336</u>	<u>4,384</u>
INCOME (LOSS) BEFORE TRANSFERS	626,195	(4,468)	(42,597)	579,130
Operating transfers out	<u>(350,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(375,000)</u>
CHANGE IN NET ASSETS	276,195	(29,468)	(42,597)	204,130
NET ASSETS, BEGINNING OF YEAR,	<u>2,393,835</u>	<u>668,238</u>	<u>386,928</u>	<u>3,449,001</u>
NET ASSETS, END OF YEAR	<u>\$ 2,670,030</u>	<u>\$ 638,770</u>	<u>\$ 344,331</u>	<u>\$ 3,653,131</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2006

	Dock Operations	Marina	Parking System	Total Nonmajor Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 693,680	\$ 102,943	\$ 21,169	\$ 817,792
Cash paid to suppliers	(6,918)	(73,603)	(35,552)	(116,073)
Cash paid to employees	-	-	(29,035)	(29,035)
Net cash provided by (used in) operating activities	<u>686,762</u>	<u>29,340</u>	<u>(43,418)</u>	<u>672,684</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental	-	-	77	77
Operating transfers out	(350,000)	(25,000)	-	(375,000)
Net cash provided by (used in) non-capital financing activities	<u>(350,000)</u>	<u>(25,000)</u>	<u>77</u>	<u>(374,923)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	2,629	419	1,259	4,307
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	339,391	4,759	(42,082)	302,068
CASH AND INVESTMENTS, JULY 1	<u>(29,228)</u>	<u>45,058</u>	<u>170,808</u>	<u>186,638</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 310,163</u>	<u>\$ 49,817</u>	<u>\$ 128,726</u>	<u>\$ 488,706</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 623,566	\$ (4,887)	\$ (43,933)	\$ 574,746
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	63,225	33,321	-	96,546
Changes in assets and liabilities:				
(Increase) decrease in receivables	(29)	973	(33)	911
Increase (decrease) in accounts payable	-	(613)	424	(189)
Increase (decrease) in warrants payable	-	546	124	670
Net cash flows from operating activities	<u>\$ 686,762</u>	<u>\$ 29,340</u>	<u>\$ (43,418)</u>	<u>\$ 672,684</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2006

	Payroll Clearing Fund	Miscellaneous Clearing Fund	Total
ASSETS			
Cash and investments	\$ 396,752	\$ 1,898	\$ 398,650
Receivables			
Other	-	1,787	1,787
Prepaid insurance	48,253	-	48,253
TOTAL ASSETS	<u>\$ 445,005</u>	<u>\$ 3,685</u>	<u>\$ 448,690</u>
LIABILITIES			
Accounts payable	\$ 120,035	\$ -	\$ 120,035
Warrants payable	324,970	3,685	328,655
TOTAL LIABILITIES	<u>\$ 445,005</u>	<u>\$ 3,685</u>	<u>\$ 448,690</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2006

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Payroll Clearing Fund				
Assets:				
Cash and investments	\$ 346,292	\$ 11,310,719	\$ 11,260,259	\$ 396,752
Receivables				
Other	744	-	744	-
Prepaid insurance	62,388	48,253	62,388	48,253
Total assets	<u>\$ 409,424</u>	<u>\$ 11,358,972</u>	<u>\$ 11,323,391</u>	<u>\$ 445,005</u>
Liabilities:				
Accounts payable	\$ 104,918	\$ 5,532,034	\$ 5,516,917	\$ 120,035
Warrants payable	304,506	9,173,078	9,152,614	324,970
Total liabilities	<u>\$ 409,424</u>	<u>\$ 14,705,112</u>	<u>\$ 14,669,531</u>	<u>\$ 445,005</u>
Miscellaneous Clearing Fund				
Assets:				
Cash and investments	\$ 878	\$ 15,666	\$ 14,646	\$ 1,898
Receivables				
Other	1,831	3,987	4,031	1,787
Total assets	<u>\$ 2,709</u>	<u>\$ 19,653</u>	<u>\$ 18,677</u>	<u>\$ 3,685</u>
Liabilities:				
Accounts payable	\$ -	\$ 4,906	\$ 4,906	\$ -
Warrants payable	2,709	4,906	3,930	3,685
Total liabilities	<u>\$ 2,709</u>	<u>\$ 9,812</u>	<u>\$ 8,836</u>	<u>\$ 3,685</u>
Total All Funds				
Assets:				
Cash and investments	\$ 347,170	\$ 11,326,385	\$ 11,274,905	\$ 398,650
Receivables				
Other	2,575	3,987	4,775	1,787
Prepaid insurance	62,388	48,253	62,388	48,253
Total assets	<u>\$ 412,133</u>	<u>\$ 11,378,625</u>	<u>\$ 11,342,068</u>	<u>\$ 448,690</u>
Liabilities:				
Accounts payable	\$ 104,918	\$ 5,536,940	\$ 5,521,823	\$ 120,035
Warrants payable	307,215	9,177,984	9,156,544	328,655
Total liabilities	<u>\$ 412,133</u>	<u>\$ 14,714,924</u>	<u>\$ 14,678,367</u>	<u>\$ 448,690</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES			
Taxes	\$ 15,093,950	\$ 14,569,285	\$ 13,209,020
Licenses and permits	192,010	247,289	183,969
Use of money and property	509,542	407,488	413,213
Intergovernmental	6,926,122	4,384,103	5,324,550
Charges for services	1,363,812	1,338,684	1,104,422
Miscellaneous	<u>970,657</u>	<u>309,536</u>	<u>349,131</u>
TOTAL REVENUES	<u><u>\$ 25,056,093</u></u>	<u><u>\$ 21,256,385</u></u>	<u><u>\$ 20,584,305</u></u>
EXPENDITURES			
Current			
Public safety	\$ 8,704,919	\$ 8,118,198	\$ 7,773,283
Public works	2,689,177	2,680,519	2,371,651
Culture and recreation	2,443,820	2,468,359	2,291,667
Community and economic developm	1,356,850	1,718,548	737,029
General government	1,050,086	972,907	1,039,592
Debt service	8,379,435	4,140,643	12,068,982
Capital projects	<u>12,522,925</u>	<u>4,852,235</u>	<u>4,907,607</u>
TOTAL EXPENDITURES	<u><u>\$ 37,147,212</u></u>	<u><u>\$ 24,951,409</u></u>	<u><u>\$ 31,189,811</u></u>

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

(Unaudited)

Fiscal Year:	2001/02	2002/03	2003/04	2004/05	2005/06
<u>January 1 Valuation</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential property	\$ 518,038,460	\$ 580,596,303	\$ 601,468,174	\$ 620,381,886	\$ 651,917,505
Commercial property	182,614,958	195,577,009	195,439,760	213,052,556	212,733,005
Industrial property	86,336,688	88,683,701	97,578,888	97,047,192	90,567,968
Machinery and equipment	62,044,326	26,129,207	-	-	-
Utilities	71,498,812	74,135,202	76,758,342	79,872,814	85,108,878
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	920,979,994	965,568,172	971,691,914	1,010,801,198	1,040,774,106
Agricultural land	<u>12,348,078</u>	<u>12,307,399</u>	<u>12,295,305</u>	<u>10,210,421</u>	<u>10,420,888</u>
TOTAL	<u><u>\$ 933,328,072</u></u>	<u><u>\$ 977,875,571</u></u>	<u><u>\$ 983,987,219</u></u>	<u><u>\$ 1,021,011,619</u></u>	<u><u>\$ 1,051,194,994</u></u>

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

(Unaudited)

Fiscal Year:	2001/02	2002/03	2003/04	2004/05	2005/06
<u>January 1 Valuation</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential property	\$ 291,475,150	\$ 299,980,330	\$ 309,078,746	\$ 300,611,316	\$ 312,687,063
Commercial property	182,614,958	191,215,889	195,439,760	211,469,613	212,733,005
Industrial property	86,336,688	88,683,701	97,578,888	97,047,192	90,567,968
Machinery and equipment	62,044,326	26,129,207	-	-	-
Utilities	71,498,812	74,103,520	76,758,342	68,461,470	65,735,002
Other	446,750	446,750	446,750	446,750	446,750
Subtotal	694,416,684	680,559,397	679,302,486	678,036,341	682,169,788
Less military exemptions	4,388,314	4,284,602	4,183,668	4,106,810	4,004,950
TOTAL	<u>\$ 690,028,370</u>	<u>\$ 676,274,795</u>	<u>\$ 675,118,818</u>	<u>\$ 673,929,531</u>	<u>\$ 678,164,838</u>
 Agricultural land	 <u>\$ 12,348,078</u>	 <u>\$ 12,307,399</u>	 <u>\$ 12,295,305</u>	 <u>\$ 10,210,421</u>	 <u>\$ 10,420,888</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2006

(Unaudited)

SUMMARY

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,730,000	\$ 987,143	\$ 4,717,143
2008	3,625,000	820,888	4,445,888
2009	3,730,000	691,008	4,421,008
2010	2,920,000	546,771	3,466,771
2011	1,985,000	422,662	2,407,662
2012	1,665,000	339,917	2,004,917
2013	1,735,000	269,916	2,004,916
2014	970,000	195,994	1,165,994
2015	1,020,000	153,381	1,173,381
2016	685,000	107,332	792,332
2017	715,000	73,495	788,495
2018	755,000	37,743	792,743
	<u>\$ 23,535,000</u>	<u>\$ 4,646,250</u>	<u>\$ 28,181,250</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2006

(Unaudited)

General Corporate Purpose Bonds
Dated March 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,795,000</u>	<u>\$ 320,535</u>	<u>\$ 2,115,535</u>

General Obligation Refunding Bonds
Dated May 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,440,000</u>	<u>\$ 404,191</u>	<u>\$ 3,844,191</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2006

(Unaudited)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 530,000</u>	<u>\$ 74,527</u>	<u>\$ 604,527</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,725,000</u>	<u>\$ 528,870</u>	<u>\$ 3,253,870</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2006

(Unaudited)

General Obligation Refunding Bonds
Dated June 15, 2004

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,955,000</u>	<u>\$ 205,362</u>	<u>\$ 4,160,362</u>

General Corporate Purpose Bonds
Series 2006A
Dated May 1, 2006

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 765,000	\$ 333,897	\$ 1,098,897
2008	1,135,000	277,612	1,412,612
2009	1,005,000	232,213	1,237,213
2010	885,000	192,012	1,077,012
2011	695,000	156,613	851,613
2012	720,000	128,812	848,812
2013	745,000	100,013	845,013
2014	305,000	70,212	375,212
2015	320,000	58,013	378,013
2016	335,000	44,412	379,412
2017	345,000	30,175	375,175
2018	365,000	15,513	380,513
	<u>\$ 7,620,000</u>	<u>\$ 1,639,497</u>	<u>\$ 9,259,497</u>

**CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2006**

(Unaudited)

**General Corporate Purpose Bonds
Taxable - Series 2006B
Dated May 1, 2006**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 208,883	\$ 208,883
2008	-	192,815	192,815
2009	335,000	192,815	527,815
2010	520,000	174,725	694,725
2011	270,000	146,645	416,645
2012	285,000	131,795	416,795
2013	300,000	116,120	416,120
2014	315,000	99,320	414,320
2015	335,000	81,680	416,680
2016	350,000	62,920	412,920
2017	370,000	43,320	413,320
2018	390,000	22,230	412,230
	<u>\$ 3,470,000</u>	<u>\$ 1,473,268</u>	<u>\$ 4,943,268</u>

CITY OF CLINTON, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2006

(Unaudited)

Actual property valuations, January 1, 2005	<u>\$1,076,532,962</u>
Debt limit - 5% of total valuation	\$ 53,826,648
Amount of debt applicable to limit - general obligation debt plus economic development note	<u>24,289,000</u>
Legal debt margin	<u>\$ 29,537,648</u>

CITY OF CLINTON, IOWA
SUMMARY OF TAXES AND INTERGOVERNMENTAL REVENUES

(Unaudited)

	<u>2005/06</u>	<u>2004/05</u>	<u>2003/04</u>	<u>2002/03</u>	<u>2001/02</u>	<u>2000/01</u>
Taxes						
Property taxes	\$ 11,624,678	\$ 10,935,516	\$ 9,701,894	\$ 9,316,228	\$ 9,491,478	\$ 9,451,404
Mobile home taxes	7,492	7,001	11,356	8,438	8,914	7,823
Utility excise taxes	658,333	653,610	618,326	754,050	734,059	694,515
Local option sales taxes	2,363,972	2,532,034	2,472,374	2,415,966	2,686,303	2,251,707
Hotel/motel taxes	296,306	290,812	248,276	251,930	222,179	201,545
Cable television franchise fees	143,172	138,787	145,264	146,212	136,421	101,903
Other taxes	11,954	11,508	11,529	11,146	11,437	370
	<u>15,105,907</u>	<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>
Intergovernmental						
Road use taxes	2,323,216	2,308,180	2,327,048	2,242,288	2,247,712	2,296,487
State consolidated payments	-	-	-	461,064	486,065	534,748
Bank franchise tax	-	5,886	24,730	25,989	80,358	42,166
Machinery and equipment tax replacement	-	16	350,166	737,018	316,098	628,482
Other federal/state revenues	5,264,706	2,588,722	4,026,803	2,320,345	7,451,976	4,335,895
County contributions	58,083	40,544	44,738	43,756	33,253	37,198
	<u>7,646,005</u>	<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>
TOTAL	<u>\$ 22,751,912</u>	<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>

**CITY OF CLINTON, IOWA
MISCELLANEOUS STATISTICS
June 30, 2006**

(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	17
Park Acreage	476
Swimming Pool	1
Softball and Baseball Diamonds	14
Tennis Courts	10
Baseball Stadium	1
Libraries:	
Number of Registered Borrowers	10,480
Number of Items in Collection	136,025
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	5
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, 2006, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated June 5, 2007. 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, 2006 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 Gundersen LLP

Clinton, Iowa
June 5, 2007

**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, 2006. 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, 2006.

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 Gunderson LLP

Clinton, Iowa
June 5, 2007

CITY OF CLINTON, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2006

<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	97.044	EMW-2004-FG-13926	\$ 110,241
Department of Commerce			
Economic Development Administration			
Public Works and Development Facilities	11.300	05-01-03851	721,500
Environmental Protection Agency			
Special Infrastructure Grant	66.606	XP-98706201	1,900,911
Brownsfields Assessment & Cleanup			
Cooperative Agreement	66.818	BF-98735001	10,908
Brownsfields Assessment & Cleanup			
Cooperative Agreement - Hazardous Substances	66.818	BF-98761401	55,753
Brownsfields Assessment & Cleanup			
Cooperative Agreement - Petroleum Substances	66.818	BF-98761501	36,939
Total Direct			<u>2,836,252</u>
Indirect:			
Department of Housing & Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/State's Program	14.228	06-CF-006	2,783
Community Development Block Grants/State's Program	14.228	04-HSG-012	234,269
Subtotal			<u>237,052</u>
Emergency Shelter Grants Program	14.231	05-ES-003	191,579
Department of Transportation			
Iowa Department of Transportation			
Federal Transit - Capital Assistance Grants	20.509	18-0028-141-06	53,738
Federal Transit - Capital Assistance Grants	20.509	18-0025-141-04	46,068
Federal Transit - Capital Assistance Grants	20.509	18-0024-141-03	2,658
Federal Transit - Capital Assistance Grants	20.509	03-0093-141-01	4,688
Formula Grants for Other Than Urbanized Areas	20.509	18-4027-141-06	194,747
Formula Grants for Other Than Urbanized Areas	20.509	TF-2005-216	386
Formula Grants for Other Than Urbanized Areas	20.509	TF-2006-076	144
Transportation & Community System Preservation Pilot Progra	20.205	TCSP-1415(614)-9S-23	149,819
Federal Aid Highway Bridge Replacement & Rehabilitation Pro	20.200	BRM-1415(10)--8N-23	116,603
Highway Planning and Construction	20.205	STP-U-1415(613)--70-23	8,691
Subtotal			<u>577,542</u>
National Highway Traffic Safety Administration			
Governor's Traffic Safety Bureau			
State and Community Highway Safety	20.600	PAP05-04, Task09	3,736
State and Community Highway Safety	20.600	PAP06-04, Task09	6,959
Intoxicated Driver Prevention Program	20.605	05-163, Task 15	4,266
Intoxicated Driver Prevention Program	20.605	06-163, Task 15	1,100
Subtotal			<u>16,061</u>
U.S. Department of Justice			
Governor's Office of Drug Control Policy	16.609	05-SD09	1,788
U.S. Department of Interior Fish & Wildlife Service			
Iowa Department of Natural Resources			
Boating Infrastructure Grant, Tier I	66.605	28E Agreement	68,713
Federal Emergency Management Agency			
Iowa Homeland Security & Emergency Management Division			
Iowa Public Assistance	97.036	045-14430-000	214,035
Pre-Disaster Mitigation Plan Grant	97.047	PDMC-PL-2003-0004	2,063
Total Indirect			<u>216,098</u>
U.S. Department of Homeland Security			
Iowa Homeland Security & Emergency Management Division			
Buffer Zone Protection Program	97.078	FY2005-BZPP	42,413
Total Indirect			<u>1,351,246</u>
TOTAL			<u><u>\$ 4,187,498</u></u>

**CITY OF CLINTON, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2006**

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, 2006. 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>182,000</u>

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

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>
11.300	Public Works and Development Facilities
66.606	Special Infrastructure Grant

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-06 Certified Budget - Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the public works, culture and recreation, and capital projects 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 for items under the government-wide capitalization threshold and for Capital Project expenditures occurring prior to June 30, 2006, rather than in the next fiscal year. The City will review its methods of classification and the budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-06 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

IV-C-06 Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-D-06 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	\$ 364
James McGraw, City Planning Commission, Owner of Happy Joe's Pizza	Miscellaneous	601
James Connell, Clinton Police Officer, Spouse: Mary Connell, President of Air Control	Repairs and Maintenance	12,061
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	<u>47,117</u>
		<u>\$ 60,143</u>

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

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

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

Conclusion - Response accepted.

IV-E-06 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-F-06 Council Minutes - Although minutes of Council meetings were published, one instance was noted where they were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.
- Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and publish minutes timely as required.
- Response - The City will publish minutes as required.
- Conclusion - Response accepted.
- IV-G-06 Revenue Bonds - We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.
- IV-H-06 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-I-06 Financial Condition - The Capital Projects Fund had a deficit fund balance of \$442,381.
- 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 a capital loan note.
- Conclusion - Response accepted.
- IV-J-06 Annual Financial Report - The Annual Financial Report was not filed by the December 1 deadline required by Chapter 384.22 of the Code of Iowa.
- Recommendation - The City should comply with Chapter 384.22 of the Code of Iowa and file the report by the deadline.
- Response - The City will file the report as required in the future.
- Conclusion - Response accepted.

CITY OF CLINTON, IOWA
 SCHEDULE OF BALANCE SHEET ACCOUNTS
 REQUIRED BY REVENUE BOND ORDINANCE
 ENTERPRISE FUNDS
 June 30, 2006

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
ASSETS			
Receivables			
Service fees	\$ -	\$ -	\$ -
Grants	209,659	-	-
Other	1,257	-	-
Restricted cash and investments	323,519	940,543	532,237
Total assets	<u>534,435</u>	<u>940,543</u>	<u>532,237</u>
LIABILITIES			
Accounts payable	390,500	2,274	-
Warrants payable	143,935	25,600	-
Total liabilities	<u>534,435</u>	<u>27,874</u>	<u>-</u>
NET ASSETS			
Restricted for:			
Capital equipment replacement/repairs	-	912,669	532,237
Debt service	-	-	-
Unrestricted	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ 912,669</u>	<u>\$ 532,237</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,768,430	\$ -	\$ 2,768,430
-	-	-	-	209,659
-	-	-	-	1,257
27,510	211,009	(79,589)	(335,457)	1,619,772
<u>27,510</u>	<u>211,009</u>	<u>2,688,841</u>	<u>(335,457)</u>	<u>4,599,118</u>
-	-	10,281	52,620	455,675
-	-	2,215	22,131	193,881
<u>-</u>	<u>-</u>	<u>12,496</u>	<u>74,751</u>	<u>649,556</u>
-	-	-	-	1,444,906
27,510	211,009	-	-	238,519
-	-	2,676,345	(410,208)	2,266,137
<u>\$ 27,510</u>	<u>\$ 211,009</u>	<u>\$ 2,676,345</u>	<u>\$ (410,208)</u>	<u>\$ 3,949,562</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, 2006

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
OPERATING REVENUES			
Charges for service	\$ 16,044	\$ -	\$ -
Sale of equipment/materials	891	-	-
Miscellaneous	28,535	-	-
Total operating revenues	<u>45,470</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Business type/enterprise			
Personal services	1,268,714	-	-
Commodities	252,865	-	-
Contractual services	837,913	-	-
Capital outlay/improvements	491,759	35,250	245,400
Total operating expenses	<u>2,851,251</u>	<u>35,250</u>	<u>245,400</u>
Operating income (loss)	<u>(2,805,781)</u>	<u>(35,250)</u>	<u>(245,400)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	7,775	4,992
Intergovernmental	214,606	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>214,606</u>	<u>7,775</u>	<u>4,992</u>
INCOME (LOSS)			
BEFORE OPERATING TRANSFERS	(2,591,175)	(27,475)	(240,408)
Operating transfers in	2,591,175	80,001	50,001
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	-	52,526	(190,407)
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>860,143</u>	<u>722,644</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 912,669</u>	<u>\$ 532,237</u>

Sewer Sinking Fund	Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ -	\$ -	\$ 4,295,355	\$ 8,135	\$ 4,319,534
-	-	-	-	891
-	-	1,200	-	29,735
-	-	4,296,555	8,135	4,350,160
-	-	-	-	1,268,714
-	-	-	-	252,865
-	-	-	355,044	1,192,957
143,000	-	-	21,625	937,034
143,000	-	-	376,669	3,651,570
(143,000)	-	4,296,555	(368,534)	698,590
-	1,820	54,857	1,417	70,861
-	-	-	-	214,606
(51,321)	-	-	-	(51,321)
(51,321)	1,820	54,857	1,417	234,146
(194,321)	1,820	4,351,412	(367,117)	932,736
204,854	-	-	100,000	3,026,031
-	-	(3,026,031)	(119,856)	(3,145,887)
10,533	1,820	1,325,381	(386,973)	812,880
16,977	209,189	1,350,964	(23,235)	3,136,682
<u>\$ 27,510</u>	<u>\$ 211,009</u>	<u>\$ 2,676,345</u>	<u>\$ (410,208)</u>	<u>\$ 3,949,562</u>