

CITY OF CLINTON, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

City of Clinton, Iowa

CITY OF CLINTON, IOWA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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City Clerk/Finance Department

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

DATE: June 11, 2009

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, 2008.

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, 2008, 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, 2008, 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 with the approval of the City Council.

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, community development, planning and zoning, recreational and cultural activities and facilities, a marina, a library, and general administration. The City employs 205 full time and 32 permanent part time employees. The Clinton Police Department consists of 45 sworn full time police officers. The Fire Department is staffed by a Fire Chief and 45 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 City has not fully recovered from that event and 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 has begun to reflect some growth while the City still has concerns about delivering 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 8% over the last nine years, but increases by 5% from 2007/08 to 2008/09 and 7% from 2008/09 to 2009/2010.

Growth, however, has continued on the western boundary of the City in recent years. An eight screen movie theater, a restaurant, and 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. A casino and hotel complex was completed in 2008 with more development underway in the area.

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. Ashford University located some of its classrooms and on-line college class program at the facility.

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 have been purchased, cleaned up, and certain locations will be 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. The first sewer construction/separation phase has been completed. Also, all property purchases have been made. Highway construction including sanitary and storm sewers is now underway.

Additionally, a major improvement and enhancement to the City's riverfront and adjacent areas is done except for the amenities building at the marina which will become a future restaurant. Construction costs were estimated at \$22 million with only approximately \$1 million left to complete. 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. Another issue for \$2,530,000 was issued in the summer of 2008 and spring of 2009 for the redesigned amenities building and enhanced dock improvements. These improvements for the riverfront were part of the Riverview Park master plan and consisted of the conversion 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 in addition to a new marina facility. Nearby development included 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 current purpose of the City of Clinton's local option sales tax is 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, \$941,200 of these taxes abate a portion of the annual property tax levy for debt service of other general obligation bonds. Under consideration by the City is to change the 50% for storm sewer construction to street construction. This proposed change would require voter approval.

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 \$224,864 of interest during fiscal year 2007/08.

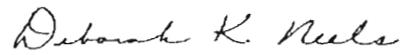
Risk Management. The City of Clinton is exposed to various risks of loss related to liability issues; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. The City is a member of the Iowa Communities Assurance Pool for general and 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 (MFPRS) 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

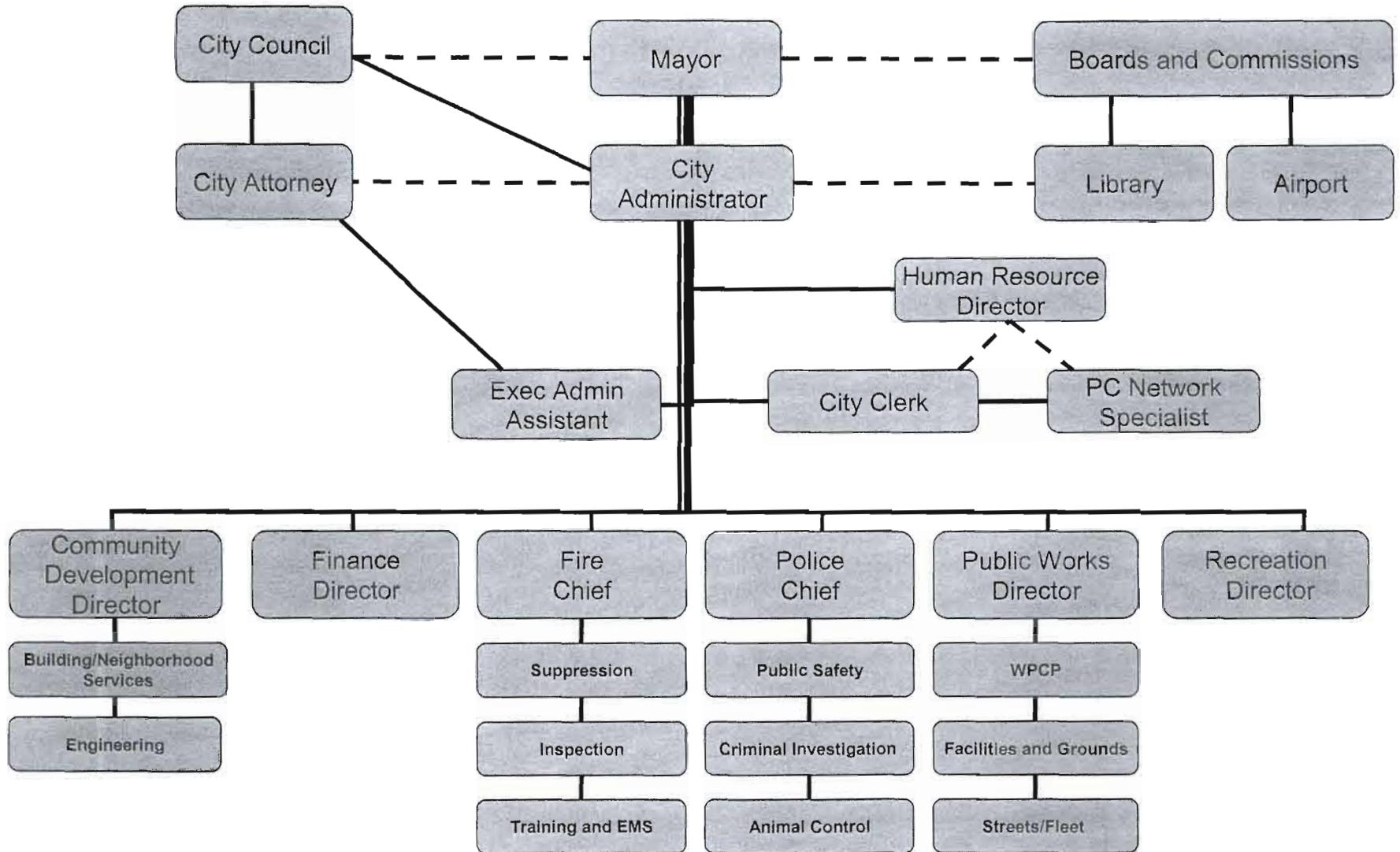
in planning and conducting the financial operations of the City in a responsible and prudent manner, especially in these difficult times of limited resources and on-going needs for City services.

Respectfully submitted,

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

Deborah K. Neels
Finance Director

City of Clinton



CITY OF CLINTON, IOWA

List of Principal Officials
June 30, 2008

ELECTED OFFICIALS

Mayor	Rodger E.J. Holm
Council Member	Paul Gassman
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	Gary W. Boden
City Attorney	Paul M. Walter
City Clerk	Pat Van Loo
Human Resources Director	David Geisler
Finance Director	Deborah K. Neels
Airport Manager	Mike Nass
Fire Chief	Mark Regenwether
Library Director	Daniel Horwath
Recreation Director	Gregg Obren
Police Chief	Brian D. Guy
Public Works Director	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, 2008, 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, 2008, 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 24, 2009, 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, respectively, 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 required 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, 2007 (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 24, 2009

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, 2008. 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 liabilities at June 30, 2008 by \$136,855,650 (net assets).
- The City's total net assets increased by \$7,088,577. This amount represents a 5% increase.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$6,400,847, a decrease of \$2,700,165 in comparison with the prior year. Approximately 91% 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 \$2,969,370, or 21% of total General Fund expenditures, including transfers out.
- The City's total debt increased by \$593,690 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 2007/08. 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 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 \$136,855,650 at the close of the fiscal year ended June 30, 2008. For the fiscal year ended June 30, 2007, assets had exceeded liabilities by \$129,767,073. This represents a 6% increase in net assets between the two fiscal periods.

**City of Clinton's Net Assets
June 30, 2008 and 2007**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>	<u>Business-type Activities 2008</u>	<u>Business-type Activities 2007</u>	<u>Total 2008</u>	<u>Total 2007</u>
Current and other assets	\$ 24,694,690	\$ 24,055,585	\$ 6,968,818	\$ 7,704,609	\$ 31,663,508	\$ 31,760,194
Capital assets	<u>93,782,257</u>	<u>88,287,350</u>	<u>55,723,972</u>	<u>48,758,278</u>	<u>149,506,229</u>	<u>137,045,628</u>
Total assets	<u>118,476,947</u>	<u>112,342,935</u>	<u>62,692,790</u>	<u>56,462,887</u>	<u>181,169,737</u>	<u>168,805,822</u>
Current and other liabilities	17,306,352	13,983,127	2,022,318	669,769	19,328,670	14,652,896
Long-term liabilities						
outstanding	<u>17,305,264</u>	<u>20,889,319</u>	<u>7,680,153</u>	<u>3,496,534</u>	<u>24,985,417</u>	<u>24,385,853</u>
Total liabilities	<u>34,611,616</u>	<u>34,872,446</u>	<u>9,702,471</u>	<u>4,166,303</u>	<u>44,314,087</u>	<u>39,038,749</u>
Net assets						
Invested in capital assets, net of related debt	76,461,834	67,382,872	55,723,972	48,748,278	132,185,806	116,131,150
Restricted	1,295,791	1,332,543	1,123,964	2,578,901	2,419,755	3,911,444
Unrestricted	<u>6,107,706</u>	<u>8,755,074</u>	<u>(3,857,617)</u>	<u>969,405</u>	<u>2,250,089</u>	<u>9,724,479</u>
Total net assets	<u>\$ 83,865,331</u>	<u>\$ 77,470,489</u>	<u>\$ 52,990,319</u>	<u>\$ 52,296,584</u>	<u>\$ 136,855,650</u>	<u>\$ 129,767,073</u>

The largest portion of the City of Clinton's net assets (96%) 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.

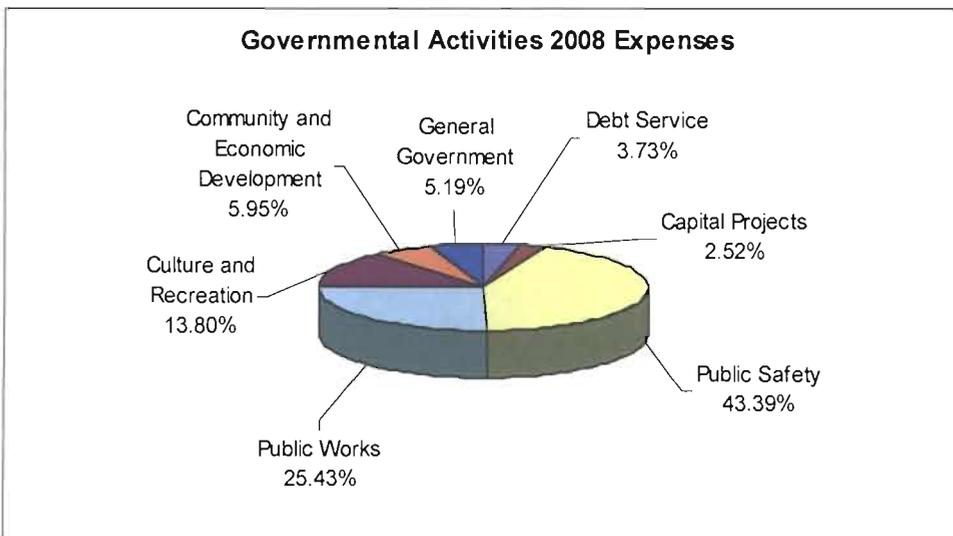
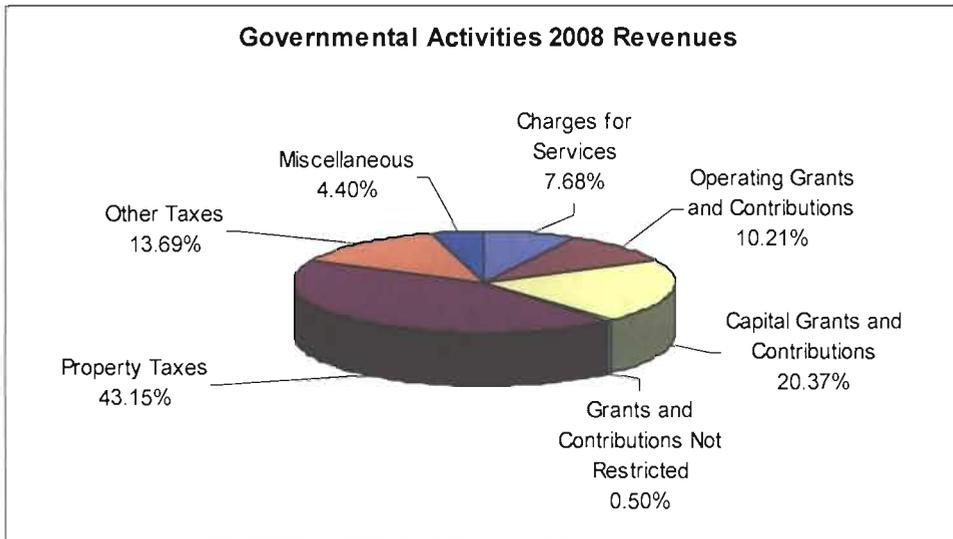
A portion of the City of Clinton's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,250,089) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the 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 2006/07.

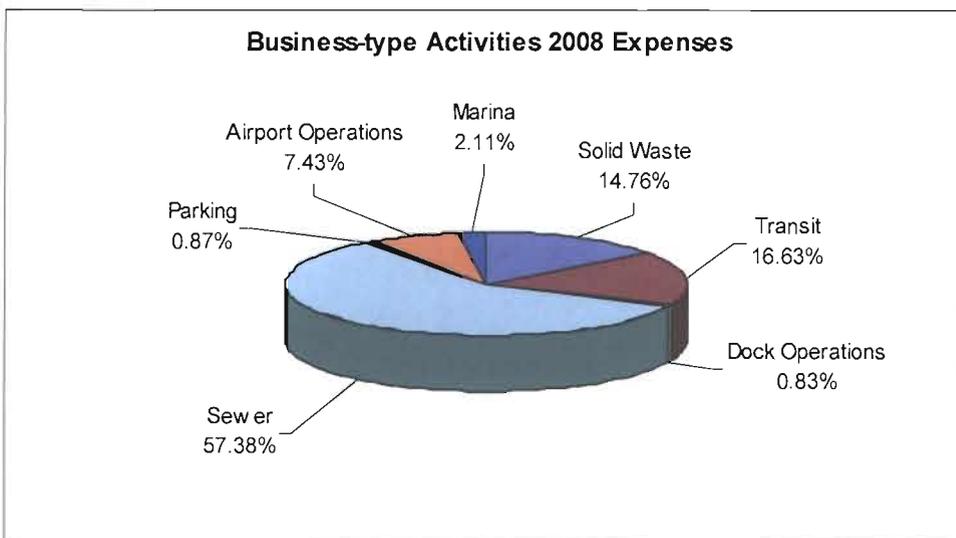
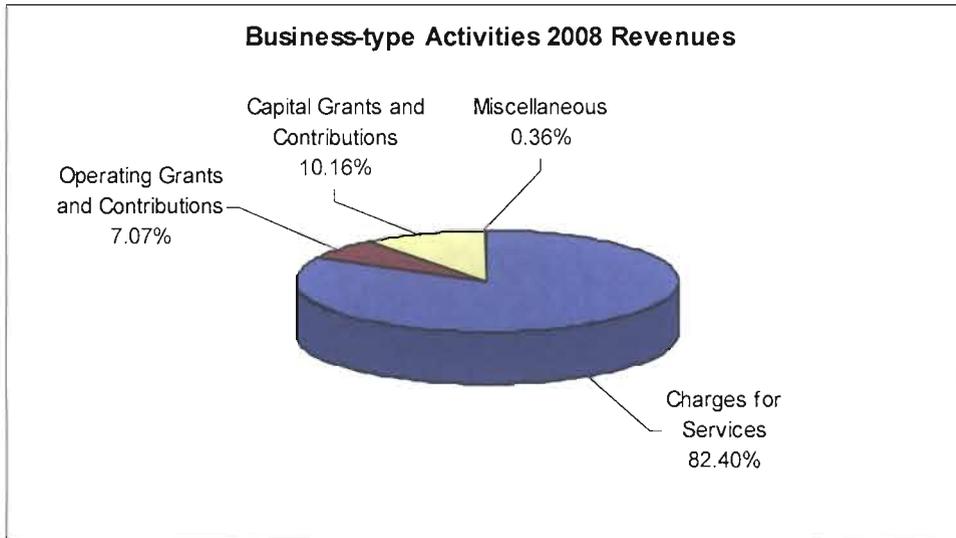
**City of Clinton's Changes in Net Assets
June 30, 2008 and 2007**

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Revenues:						
Program Revenues:						
Charges for services	\$ 2,217,534	\$ 2,148,081	\$ 7,550,487	\$ 8,167,589	\$ 9,768,021	\$ 10,315,670
Operating grants and contributions	2,947,873	2,693,891	648,063	473,201	3,595,936	3,167,092
Capital grants and contributions	5,879,956	8,484,855	931,034	8,742	6,810,990	8,493,597
General Revenues:						
Property taxes	12,458,935	12,126,859	-	-	12,458,935	12,126,859
Other taxes	3,952,326	4,263,421	-	-	3,952,326	4,263,421
Grants and contributions not restricted to specific programs	143,701	143,163	-	-	143,701	143,163
Miscellaneous	1,270,984	1,340,845	33,139	74,712	1,304,123	1,415,557
Total revenues	<u>28,871,309</u>	<u>31,201,115</u>	<u>9,162,723</u>	<u>8,724,244</u>	<u>38,034,032</u>	<u>39,925,359</u>
Expenses:						
Public safety	9,749,037	9,475,416	-	-	9,749,037	9,475,416
Public works	5,714,566	5,278,666	-	-	5,714,566	5,278,666
Culture and recreation	3,099,828	2,946,489	-	-	3,099,828	2,946,489
Community and economic development	1,336,344	1,178,891	-	-	1,336,344	1,178,891
General government	1,165,940	1,084,581	-	-	1,165,940	1,084,581
Debt service	839,225	1,033,138	-	-	839,225	1,033,138
Capital projects	565,241	24,727	-	-	565,241	24,727
Sewer	-	-	4,862,926	4,627,855	4,862,926	4,627,855
Solid waste	-	-	1,251,262	1,234,011	1,251,262	1,234,011
Transit	-	-	1,409,639	1,320,140	1,409,639	1,320,140
Dock operations	-	-	69,973	69,354	69,973	69,354
Marina	-	-	178,512	115,063	178,512	115,063
Parking system	-	-	73,567	66,044	73,567	66,044
Airport operations	-	-	629,395	657,103	629,395	657,103
Total expenses	<u>22,470,181</u>	<u>21,021,908</u>	<u>8,475,274</u>	<u>8,089,570</u>	<u>30,945,455</u>	<u>29,111,478</u>
Increase (decrease) in net assets before transfers	6,401,128	10,179,207	687,449	634,674	7,088,577	10,813,881
Transfers	<u>(6,286)</u>	<u>3,131,115</u>	<u>6,286</u>	<u>(3,131,115)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	6,394,842	13,310,322	693,735	(2,496,441)	7,088,577	10,813,881
Net assets - beginning of year	<u>77,470,489</u>	<u>64,160,167</u>	<u>52,296,584</u>	<u>54,793,025</u>	<u>129,767,073</u>	<u>118,953,192</u>
Net assets - end of year	<u>\$ 83,865,331</u>	<u>\$ 77,470,489</u>	<u>\$ 52,990,319</u>	<u>\$ 52,296,584</u>	<u>\$ 136,855,650</u>	<u>\$ 129,767,073</u>

Governmental activities. Governmental activities increased the City's net assets by \$6,394,842. This increase combined with an increase in the business-type activities resulted in overall increase of \$7,088,577 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 increased the City's total assets by \$693,735. The Sewer Revenue Fund experienced an increase of net assets of \$633,167 due to increases in the sewer rental rates and lower than anticipated capital improvements. The Transit System Fund and Airport Operations Fund also experienced net increases in the respective net asset totals while the Solid Waste Fund and Non Major Enterprise Funds decreased 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 \$6,400,847, a decrease of \$2,700,165 in comparison with the prior year. Approximately 80% of this total amount or \$5,101,855 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 \$2,969,370. 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 increased by \$402,218 during the current fiscal year. This compares to a utilization of fund balance in the prior year of \$189,344. The primary reason for the increase in fund balance was due to the sale of City property. Management continues its efforts to control budgeted expenditures in addition to enhancing revenue streams whenever possible.

The Road Use Tax Fund experienced a small decrease in fund balance of \$321,196. The fund balance for this fund is \$2,032,830. 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 for 2007/08.

Fund balance for the Capital Projects Fund decreased by \$2,994,822. This was due primarily to construction costs associated with the new marina and docks. The deficit for this project of \$2,223,373 was funded from the issuance of long term bonds amounting to \$2,300,000 in August of 2008. The August 2008 bond also funded street improvements which were started in fiscal year 2007/08. A new state program "Great Places" amounting to \$1,000,000 in state funds began during 2007/08 and will be completed during 2008/09. The State of Iowa also purchased on behalf of the City \$2,810,850 of property for public improvements and future economic development. The first reimbursement to the State amounting to \$651,150 occurred in the current year with the remaining payment made in 2008/09. The reimbursements represent property purchased for economic development purposes.

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, 2008 were \$52,990,319, an increase of \$693,735 from the previous fiscal year. This is primarily due to additional sewer revenue charges as a result of a rate increase implemented in the current year. The rate increase was needed in order to fund future sanitary sewer improvements. Of the net assets of the enterprise funds, \$55,723,972 is invested in capital assets, net of related debt. Unrestricted net assets amounted to a deficit of \$3,857,617.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$855,732, an increase of \$151,698 from the prior year.

General Fund Budgetary Highlights

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

- The original operating revenue budget of \$9,232,334 was increased to \$10,069,126, an increase of \$836,792. Major sources of the increase were the sale of City property amounting to \$500,000, additional hotel/motel taxes (\$96,000), interest income (\$35,000) and building permits (\$27,000).
- The original operating expenditure budget of \$12,589,400 was increased to \$12,902,800, an increase of \$313,400. This expenditure increase was distributed between the activities in the General Fund.
- Transfers in were slightly adjusted to reflect anticipated funding needs for employee benefits. Transfers out were increased by approximately \$96,000 for higher than initially anticipated 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, 2008 amounts to \$149,506,229 (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 \$12,460,601 compared to the prior year. Capital assets associated with governmental activities increased by \$5,494,907 while capital assets for the business-type activities increased by \$6,965,694.

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

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Land	\$ 21,008,898	\$ 17,964,454	\$ 2,034,013	\$ 1,306,993	\$ 23,042,911	\$ 19,271,447
Construction in progress	11,270,403	6,239,480	6,575,227	314,234	17,845,630	6,553,714
Machinery and equipment	2,574,478	2,575,641	1,236,720	1,314,882	3,811,198	3,890,523
Land improvements	499,451	426,034	-	-	499,451	426,034
Buildings	13,093,080	13,435,718	14,115,466	14,356,830	27,208,546	27,792,548
Infrastructure	45,335,947	47,646,023	31,762,546	31,465,339	77,098,493	79,111,362
Total	<u>\$ 93,782,257</u>	<u>\$ 88,287,350</u>	<u>\$ 55,723,972</u>	<u>\$ 48,756,278</u>	<u>\$ 149,506,229</u>	<u>\$ 137,045,628</u>

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

- Continued construction of a new marina facility
- Construction of South 18th Street
- Additional purchases of real estate for street construction & economic development in the Liberty Square Redevelopment area
- Sanitary sewer and storm sewer separation at 13th Avenue and 15th Avenue, and at 5th Avenue S. and South 2nd Street
- Improvements to certain sewer pumping stations and the wastewater treatment plant
- Property purchases at the municipal airport

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 \$24,424,293. Of this amount \$16,180,000 comprises debt backed by the full faith and credit of the City. Of this outstanding indebtedness, \$2,883,810 is abated from local option sales tax revenues, \$1,179,553 from tax increment financing tax revenues, and \$130,000 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 \$7,490,293 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 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
General obligation bonds	\$ 16,050,000	\$ 19,650,000	\$ 130,000	\$ 155,000	\$ 16,180,000	\$ 19,805,000
Development note	754,000	754,000		-	754,000	754,000
Sewer revenue notes	-	-	7,490,293	3,271,603	7,490,293	3,271,603
Total	\$ 16,804,000	\$ 20,404,000	\$ 7,620,293	\$ 3,426,603	\$ 24,424,293	\$ 23,830,603

During the current fiscal year, the City of Clinton increased its indebtedness by \$593,690. This amount reflected planned debt service retirement. The new debt in the amount of \$4,483,690 funded sanitary sewer/storm sewer improvements and treatment plant improvements.

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 \$58,696,227 which is 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 \$740,805,944 for the 2007/08 fiscal year and increases for fiscal year 2008/09. The City will also realize a 6% increase for fiscal year 2009/10. The City continues to experience limited revenue streams as expenditures and service needs are increasing faster than increases in property values including new growth. The General Fund balance is projected to stabilize as the result of the sale of property in 2008/09. After 2009/10, the balance should begin to increase as the result of major industrial expansion. The overall City tax rate decreased by 1.4% for fiscal year 2008/09, and continues to decrease in 2009/10. With the casino moving to a land based facility, the City lost a fee collected for admissions. Accordingly, transfers in from the Riverboat Excursion Fund were eliminated for 2008/09. For 2009/10, gaming revenues become a direct source of funds into the General Fund; likewise, the Riverboat Excursion Fund will be closed at the end of fiscal year 2008/09. A transfer in from the Hotel/Motel Tax Fund remains at a consistent level through 2008/09, but increases to \$100,000 in 2009/10. Capital equipment replacements for the General Fund activities are funded from short term capital equipment notes and will continue to be in the future until such time as operating revenues are available.

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 immediate future without major increases in the property tax rate. The City will continue to monitor expenditure levels and pursue other revenue options, thereby avoiding major property tax increases, especially in these difficult economic times. Also, charges for utility services will remain prudent and continually be evaluated to insure that revenues are sufficient to fund federal/state mandated improvements.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 7,481,609	\$ 1,127,415	\$ 8,609,024
Receivables			
Taxes	13,011,115	-	13,011,115
Service fees	1,110,046	3,498,302	4,608,348
Intergovernmental	2,003,193	772,767	2,775,960
Loan	3,072	-	3,072
Special assessments	25,475	-	25,475
Other	147,714	64,669	212,383
Due to/from other funds	(65,000)	65,000	-
Prepaid insurance	6,704	-	6,704
Prepaid - other	27,006	46,500	73,506
Restricted cash and investments	943,756	1,394,165	2,337,921
Capital assets, net of accumulated depreciation	93,782,257	55,723,972	149,506,229
Total assets	<u>118,476,947</u>	<u>62,692,790</u>	<u>181,169,737</u>
LIABILITIES			
Cash overdrafts	2,178,088	303,278	2,481,366
Accounts payable	1,830,736	1,117,485	2,948,221
Warrants payable	818,812	294,624	1,113,436
Deposits payable	20,319	-	20,319
Accrued interest payable	75,882	-	75,882
Contracts payable	370,835	303,734	674,569
Leases payable	15,159	-	15,159
Deferred revenue	11,813,007	3,197	11,816,204
Estimated payable for incurred but not reported claims	183,514	-	183,514
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	3,705,000	25,000	3,730,000
Notes payable	-	445,964	445,964
Compensated absences	501,264	59,860	561,124
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	12,345,000	105,000	12,450,000
Notes payable	754,000	7,044,329	7,798,329
Total liabilities	<u>34,611,616</u>	<u>9,702,471</u>	<u>44,314,087</u>
NET ASSETS			
Invested in capital assets, net of related debt	76,461,834	55,723,972	132,185,806
Restricted for:			
Police and fire retirement	402,958	-	402,958
Employee benefits	240,743	-	240,743
Capital equipment replacement/repairs	-	1,123,964	1,123,964
Debt service	645,090	-	645,090
Endowments	7,000	-	7,000
Unrestricted			
Undesignated	6,107,706	(3,857,617)	2,250,089
Total net assets	<u>\$ 83,865,331</u>	<u>\$ 52,990,319</u>	<u>\$ 136,855,650</u>

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

CITY OF CLINTON, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 9,749,037	\$ 871,418	\$ 271,033	\$ -
Public works	5,714,566	425,096	2,463,164	-
Culture and recreation	3,099,828	676,043	-	16,565
Community and economic development	1,336,344	185,292	118,903	347,970
General government	1,165,940	59,685	94,773	-
Debt service	839,225	-	-	-
Capital projects	565,241	-	-	5,515,421
Total governmental activities	22,470,181	2,217,534	2,947,873	5,879,956
Business-type activities				
Sewer	4,862,926	5,453,386	799	393,753
Solid waste	1,251,262	969,233	-	-
Transit	1,409,639	257,765	632,539	44,000
Dock operations	69,973	325,698	-	-
Marina	178,512	80,894	1,140	-
Parking system	73,567	26,607	72	-
Airport operations	629,395	436,904	13,513	493,281
Total business-type activities	8,475,274	7,550,487	648,063	931,034
Total	\$ 30,945,455	\$ 9,768,021	\$ 3,595,936	\$ 6,810,990

GENERAL REVENUES

General property tax
Delinquent tax
Tax increment financing
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

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

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (8,606,586)	\$ -	\$ (8,606,586)
(2,826,306)	-	(2,826,306)
(2,407,220)	-	(2,407,220)
(684,179)	-	(684,179)
(1,011,482)	-	(1,011,482)
(839,225)	-	(839,225)
4,950,180	-	4,950,180
<u>(11,424,818)</u>	<u>-</u>	<u>(11,424,818)</u>
-	985,012	985,012
-	(282,029)	(282,029)
-	(475,335)	(475,335)
-	255,725	255,725
-	(96,478)	(96,478)
-	(46,888)	(46,888)
-	314,303	314,303
<u>-</u>	<u>654,310</u>	<u>654,310</u>
<u>(11,424,818)</u>	<u>654,310</u>	<u>(10,770,508)</u>
11,172,454	-	11,172,454
100,898	-	100,898
1,179,553	-	1,179,553
6,030	-	6,030
357,639	-	357,639
2,883,810	-	2,883,810
143,701	-	143,701
710,877	-	710,877
526,840	1,250	528,090
206,338	31,889	238,227
537,806	-	537,806
<u>(6,286)</u>	<u>6,286</u>	<u>-</u>
<u>17,819,660</u>	<u>39,425</u>	<u>17,859,085</u>
6,394,842	693,735	7,088,577
<u>77,470,489</u>	<u>52,296,584</u>	<u>129,767,073</u>
<u>\$ 83,865,331</u>	<u>\$ 52,990,319</u>	<u>\$ 136,855,650</u>

CITY OF CLINTON, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
ASSETS			
Cash and investments	\$ 1,938,510	\$ 1,995,270	\$ -
Receivables			
Taxes	7,152,953	190,495	524,112
Service fees	1,110,046	-	-
Intergovernmental	8,506	-	-
Loan	-	-	-
Special assessments	-	-	-
Other	78,594	30,916	1,989
Due from other funds	-	-	-
Prepaid insurance	530	-	-
Prepaid - other	22,006	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	\$ 10,311,145	\$ 2,216,681	\$ 526,101
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash overdrafts	\$ -	\$ -	\$ 135,476
Accounts payable	284,922	117,466	-
Warrants payable	87,333	44,401	-
Deposits payable	-	20,319	-
Contracts payable	-	1,665	-
Due to other funds	-	-	-
Deferred revenue	6,946,984	-	-
Total liabilities	<u>7,319,239</u>	<u>183,851</u>	<u>135,476</u>
FUND BALANCES			
Reserved for:			
Prepaid expenditures	22,536	-	-
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Endowments	-	-	-
Unreserved			
Designated for capital improvements	-	-	-
Undesignated			
Reported in			
General fund	2,969,370	-	-
Special revenue funds	-	2,032,830	390,625
Permanent funds	-	-	-
Total fund balances (deficit)	<u>2,991,906</u>	<u>2,032,830</u>	<u>390,625</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,311,145	\$ 2,216,681	\$ 526,101

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>
\$ 527,681	\$ 714,967	\$ 148,897	\$ 773,944	\$ 6,099,269
3,378,823	1,335,041	-	429,691	13,011,115
-	-	-	-	1,110,046
-	-	1,937,312	57,375	2,003,193
-	-	-	3,072	3,072
-	-	25,475	-	25,475
-	-	22,139	14,076	147,714
-	-	110,000	-	110,000
-	-	-	3,700	4,230
-	-	-	5,000	27,006
-	-	943,756	-	943,756
<u>\$ 3,906,504</u>	<u>\$ 2,050,008</u>	<u>\$ 3,187,579</u>	<u>\$ 1,286,858</u>	<u>\$ 23,484,876</u>
\$ -	\$ -	\$ 2,042,612	\$ -	\$ 2,178,088
11,355	-	1,024,251	49,703	1,487,697
7,811	30,693	297,188	348,857	816,283
-	-	-	-	20,319
-	-	364,864	4,306	370,835
-	-	175,000	-	175,000
3,327,915	1,317,982	28,038	414,888	12,035,807
<u>3,347,081</u>	<u>1,348,675</u>	<u>3,931,953</u>	<u>817,754</u>	<u>17,084,029</u>
-	-	-	8,700	31,236
392,778	-	-	-	392,778
166,645	-	-	-	166,645
-	701,333	-	-	701,333
-	-	-	7,000	7,000
-	-	(744,374)	-	(744,374)
-	-	-	-	2,969,370
-	-	-	452,203	2,875,658
-	-	-	1,201	1,201
<u>559,423</u>	<u>701,333</u>	<u>(744,374)</u>	<u>469,104</u>	<u>6,400,847</u>
<u>\$ 3,906,504</u>	<u>\$ 2,050,008</u>	<u>\$ 3,187,579</u>	<u>\$ 1,286,858</u>	<u>\$ 23,484,876</u>

CITY OF CLINTON, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total governmental fund balances (page 26) \$ 6,400,847

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 \$155,838,226 and the accumulated depreciation is \$62,055,969. 93,782,257

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 222,800

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

Compensated absences	(501,264)
Bonds and notes payable	(16,804,000)
Leases payable	(15,159)
Accrued interest payable	(75,882)

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. 855,732

Net assets of governmental activities (page 22) \$ 83,865,331

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
REVENUES			
Taxes	\$ 7,426,770	\$ -	\$ 2,883,810
Licenses and permits	264,389	38,340	-
Use of money and property	253,432	28,412	37,597
Intergovernmental	202,125	2,462,871	-
Charges for services	1,148,128	205,134	-
Miscellaneous	128,103	741	-
Total revenues	<u>9,422,947</u>	<u>2,735,498</u>	<u>2,921,407</u>
EXPENDITURES			
Current			
Public safety	9,270,968	-	-
Public works	68,631	2,573,326	-
Culture and recreation	2,237,596	-	-
Community and economic development	205,543	-	-
General government	829,281	-	-
Capital projects	33,370	153,368	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>12,645,389</u>	<u>2,726,694</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,222,442)</u>	<u>8,804</u>	<u>2,921,407</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from fixed asset sales	526,840	-	-
Operating transfers in	4,358,034	-	-
Operating transfers out	(1,260,214)	(330,000)	(2,688,893)
Total other financing sources (uses)	<u>3,624,660</u>	<u>(330,000)</u>	<u>(2,688,893)</u>
NET CHANGE IN FUND BALANCES	402,218	(321,196)	232,514
FUND BALANCES, BEGINNING OF YEAR	<u>2,589,688</u>	<u>2,354,026</u>	<u>158,111</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 2,991,906</u>	<u>\$ 2,032,830</u>	<u>\$ 390,625</u>

See notes to financial statements

Special Revenue				
Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
\$ 3,559,633	\$ 1,221,322	\$ -	\$ 1,605,238	\$ 16,696,773
-	-	-	-	302,729
3,119	13,710	23,379	146,049	505,698
-	-	3,756,907	521,101	6,943,004
-	-	-	212,962	1,566,224
-	-	377,938	216,719	723,501
<u>3,562,752</u>	<u>1,235,032</u>	<u>4,158,224</u>	<u>2,702,069</u>	<u>26,737,929</u>
-	-	23,364	120,441	9,414,773
-	-	327,332	177,887	3,147,176
-	-	37,589	285,106	2,560,291
-	-	6,012	1,135,178	1,346,733
22,633	2,800	11,382	262,643	1,128,739
-	-	7,602,030	126,786	7,915,554
-	3,600,000	-	-	3,600,000
-	845,382	-	-	845,382
<u>22,633</u>	<u>4,448,182</u>	<u>8,007,709</u>	<u>2,108,041</u>	<u>29,958,648</u>
<u>3,540,119</u>	<u>(3,213,150)</u>	<u>(3,849,485)</u>	<u>594,028</u>	<u>(3,220,719)</u>
-	-	-	-	526,840
-	3,141,393	1,456,297	681,975	9,637,699
<u>(3,483,599)</u>	<u>-</u>	<u>(601,634)</u>	<u>(1,279,645)</u>	<u>(9,643,985)</u>
<u>(3,483,599)</u>	<u>3,141,393</u>	<u>854,663</u>	<u>(597,670)</u>	<u>520,554</u>
56,520	(71,757)	(2,994,822)	(3,642)	(2,700,165)
<u>502,903</u>	<u>773,090</u>	<u>2,250,448</u>	<u>472,746</u>	<u>9,101,012</u>
<u>\$ 559,423</u>	<u>\$ 701,333</u>	<u>\$ (744,374)</u>	<u>\$ 469,104</u>	<u>\$ 6,400,847</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, 2008

Net change in fund balances - total governmental funds (page 29) \$ (2,700,165)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Depreciation expense exceeded capital outlay in the current year as follows:

Expenditures for capital assets	9,113,780
Depreciation expense	(3,603,756)
Loss on disposal of fixed assets	(15,117)

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. (141,810)

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. 151,698

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	(15,945)
Interest on long-term debt	6,157

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. 3,600,000

Change in net assets of governmental activities (page 24) \$ 6,394,842

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
ASSETS			
Cash and investments	\$ -	\$ 643,222	\$ 373,936
Receivables			
Service fees	2,854,831	623,024	-
Intergovernmental	119,014	-	160,472
Other	11,998	-	11,157
Due from other funds	-	-	-
Prepaid - other	-	-	-
Restricted cash and investments	1,394,165	-	-
Capital assets, net of accumulated depreciation	47,448,560	272,945	1,863,749
Total assets	<u>51,828,568</u>	<u>1,539,191</u>	<u>2,409,314</u>
LIABILITIES			
Cash overdrafts	-	-	-
Accounts payable	958,678	17,204	84,964
Warrants payable	192,741	-	5,601
Contracts payable	303,734	-	-
Compensated absences payable	26,276	8,891	21,909
Notes payable	7,490,293	-	-
General obligation bonds payable	-	-	-
Deferred revenue	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Total liabilities	<u>8,971,722</u>	<u>26,095</u>	<u>112,474</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,448,560	272,945	1,863,749
Restricted for:			
Capital equipment replacement/repairs	-	885,303	238,661
Unrestricted	(4,591,714)	354,848	194,430
Total net assets	<u>\$ 42,856,846</u>	<u>\$ 1,513,096</u>	<u>\$ 2,296,840</u>

See notes to financial statements

Airport Operations	Enterprise		Internal Service
	Nonmajor Enterprise	Total	Health Insurance
\$ -	\$ 110,257	\$ 1,127,415	\$ 1,382,340
-	20,447	3,498,302	-
493,281	-	772,767	-
30,194	11,320	64,669	-
65,000	-	65,000	-
250	46,250	46,500	2,474
-	-	1,394,165	-
3,008,415	3,130,303	55,723,972	-
<u>3,597,140</u>	<u>3,318,577</u>	<u>62,692,790</u>	<u>1,384,814</u>
302,524	754	303,278	-
50,691	5,948	1,117,485	343,039
37,464	58,818	294,624	2,529
-	-	303,734	-
2,784	-	59,860	-
-	-	7,490,293	-
130,000	-	130,000	-
3,197	-	3,197	-
-	-	-	183,514
<u>526,660</u>	<u>65,520</u>	<u>9,702,471</u>	<u>529,082</u>
3,008,415	3,130,303	55,723,972	-
-	-	1,123,964	-
62,065	122,754	(3,857,617)	855,732
<u>\$ 3,070,480</u>	<u>\$ 3,253,057</u>	<u>\$ 52,990,319</u>	<u>\$ 855,732</u>

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
OPERATING REVENUES			
Charges for services	\$ 5,404,530	\$ 968,872	\$ 241,594
Property rental	-	361	9,340
Miscellaneous	48,856	-	6,831
Total operating revenues	<u>5,453,386</u>	<u>969,233</u>	<u>257,765</u>
OPERATING EXPENSES			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,252,963	410,904	961,296
Commodities	354,018	114,320	219,482
Contractual services	1,594,894	630,375	143,727
Depreciation	1,558,034	95,663	85,134
Total operating expenses	<u>4,759,909</u>	<u>1,251,262</u>	<u>1,409,639</u>
Operating income (loss)	<u>693,477</u>	<u>(282,029)</u>	<u>(1,151,874)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	20,423	8,555	2,002
Intergovernmental	394,552	-	676,539
Proceeds from sale of property	-	-	1,250
Loss on sale of capital assets	-	-	-
Interest expense	(103,017)	-	-
Total non-operating revenues (expenses)	<u>311,958</u>	<u>8,555</u>	<u>679,791</u>
INCOME (LOSS) BEFORE TRANSFERS	1,005,435	(273,474)	(472,083)
Operating transfers in	-	-	594,620
Operating transfers out	(372,268)	-	-
CHANGE IN NET ASSETS	633,167	(273,474)	122,537
NET ASSETS, BEGINNING OF YEAR	<u>42,223,679</u>	<u>1,786,570</u>	<u>2,174,303</u>
NET ASSETS, END OF YEAR	<u>\$ 42,856,846</u>	<u>\$ 1,513,096</u>	<u>\$ 2,296,840</u>

See notes to financial statements

Airport Operations	Enterprise		Internal Service
	Nonmajor Enterprise	Total	Health Insurance
\$ -	\$ 90,646	\$ 6,705,642	\$ 2,584,778
80,190	341,216	431,107	-
356,714	1,337	413,738	-
<u>436,904</u>	<u>433,199</u>	<u>7,550,487</u>	<u>2,584,778</u>
-	-	-	2,447,657
86,341	32,297	2,743,801	-
300,086	24,926	1,012,832	-
38,677	165,799	2,573,472	-
196,092	99,030	2,033,953	-
<u>621,196</u>	<u>322,052</u>	<u>8,364,058</u>	<u>2,447,657</u>
<u>(184,292)</u>	<u>111,147</u>	<u>(813,571)</u>	<u>137,121</u>
-	909	31,889	14,577
506,794	1,212	1,579,097	-
-	-	1,250	-
(1,999)	-	(1,999)	-
(6,200)	-	(109,217)	-
<u>498,595</u>	<u>2,121</u>	<u>1,501,020</u>	<u>14,577</u>
314,303	113,268	687,449	151,698
158,934	-	753,554	-
-	(375,000)	(747,268)	-
473,237	(261,732)	693,735	151,698
<u>2,597,243</u>	<u>3,514,789</u>	<u>52,296,584</u>	<u>704,034</u>
<u>\$ 3,070,480</u>	<u>\$ 3,253,057</u>	<u>\$ 52,990,319</u>	<u>\$ 855,732</u>

CITY OF CLINTON, IOWA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,107,995	\$ 1,265,592	\$ 125,485
Cash paid to suppliers	(1,004,350)	(755,720)	(288,891)
Cash paid to employees	(1,266,617)	(408,200)	(962,055)
Net cash provided by (used in) operating activities	<u>3,837,028</u>	<u>101,672</u>	<u>(1,125,461)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental	394,552	-	-
Operating transfers in	-	-	594,620
Operating transfers out	(372,268)	-	-
Net cash provided by (used in) non-capital financing activities	<u>22,284</u>	<u>-</u>	<u>594,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(8,094,248)	-	(78,744)
Proceeds from sale of property	-	-	1,250
Intergovernmental	-	-	676,539
Increase in long-term debt	4,483,690	-	-
Principal payments on long-term debt	(265,000)	-	-
Lease payment	-	-	-
Interest expense	(103,017)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(3,978,575)</u>	<u>-</u>	<u>599,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	<u>20,423</u>	<u>8,555</u>	<u>2,002</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(98,840)	110,227	70,206
CASH AND INVESTMENTS, JULY 1	1,493,005	532,995	303,730
CASH AND INVESTMENTS, JUNE 30	<u>\$ 1,394,165</u>	<u>\$ 643,222</u>	<u>\$ 373,936</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 693,477	\$ (282,029)	\$ (1,151,874)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,558,034	95,663	85,134
Changes in assets and liabilities:			
(Increase) decrease in receivables	654,609	296,359	(132,280)
(Increase) decrease in prepaid - other	-	-	-
Increase (decrease) in accounts payable	1,025,327	127	72,165
Increase (decrease) in warrants payable	(80,765)	(11,152)	2,153
Increase (decrease) in compensated absences payable	(13,654)	2,704	(759)
Decrease in deferred revenue	-	-	-
Decrease in estimated payable for incurred but not reported claims	-	-	-
Net cash flows provided by (used in) operating activities	<u>\$ 3,837,028</u>	<u>\$ 101,672</u>	<u>\$ (1,125,461)</u>

See notes to financial statements

Airport Operations	Enterprise		Internal Service
	Nonmajor Enterprise	Total	Health Insurance
\$ 423,679	\$ 426,301	\$ 8,349,052	\$ 2,584,778
(345,543)	(180,674)	(2,575,178)	(2,511,846)
(84,703)	(32,297)	(2,753,872)	-
(6,567)	213,330	3,020,002	72,932
-	1,212	395,764	-
158,934	-	753,554	-
-	(375,000)	(747,268)	-
158,934	(373,788)	402,050	-
(656,379)	(172,275)	(9,001,646)	-
-	-	1,250	-
13,513	-	690,052	-
-	-	4,483,690	-
(25,000)	-	(290,000)	-
(10,000)	-	(10,000)	-
(6,200)	-	(109,217)	-
(684,066)	(172,275)	(4,235,871)	-
-	909	31,889	14,577
(531,699)	(331,824)	(781,930)	87,509
229,175	441,327	3,000,232	1,294,831
\$ (302,524)	\$ 109,503	\$ 2,218,302	\$ 1,382,340
\$ (184,292)	\$ 111,147	\$ (813,571)	\$ 137,121
196,092	99,030	2,033,953	-
(14,870)	(6,898)	796,920	-
(250)	(46,250)	(46,500)	152
(539)	1,031	1,098,111	30,205
(5,991)	55,270	(40,485)	(1,090)
1,638	-	(10,071)	-
1,645	-	1,645	-
-	-	-	(93,456)
\$ (6,567)	\$ 213,330	\$ 3,020,002	\$ 72,932

CITY OF CLINTON, IOWA
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2008

	Agency Funds
ASSETS	
Cash and investments	\$ 437,382
Receivables	
Other	1,910
Total assets	439,292
LIABILITIES	
Accounts payable	128,674
Warrants payable	310,618
Total liabilities	439,292
NET ASSETS	\$ -

See notes to financial statements

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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. Deficit Fund Balance
8. Risk Management
9. Commitments and Contingent Liabilities
10. Employee Retirement Systems
11. Postemployment Benefits Other Than Pensions
12. Industrial Development Revenue Bonds
13. Subsequent Events
14. New Pronouncements

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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:

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 other debt requirements.

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. The fund also includes funds for capital equipment replacement.

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, 2008, 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, 2008.

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, 2008, the budget was amended twice to appropriate funds for start-up costs for new Building & Neighborhood Services Department, allocation of union contract increases to the Police Department, cost of living increases to non-union personnel, increased snow removal costs, recreation equipment and improvements transferred from last fiscal year to this fiscal year, completion of a daycare facility (pass-thru project) funded with grant funds, Marina dock construction and building enlargement funded from proposed bond proceeds, payment to State for Liberty Square property purchases funded from grants, summer youth program, traffic safety enforcement, police and fire capital equipment, donation accounts, to appropriate funds for the unanticipated purchase of certain property, funding for engineering costs of the Liberty Square Brownsfield Project, medical disability costs and unemployment costs, and to provide funding for estimated marina operator start-up costs.

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:

<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 9,599,100	\$ 9,414,773	\$ 184,327
Public Works	3,208,800	3,147,176	61,624
Culture and Recreation	2,697,300	2,560,291	137,009
Community and Economic Development	1,472,100	1,346,733	125,367
General Government	1,173,228	1,128,739	44,489
Debt Service	4,480,900	4,445,382	35,518
Capital Projects	11,199,511	7,915,554	3,283,957
Business-type Activities	20,983,100	8,475,274	12,507,826
Total	<u>\$ 54,814,039</u>	<u>\$ 38,433,922</u>	<u>\$ 16,380,117</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits. At year end, the City's carrying amount of deposits with financial institutions was \$3,979,473 and the bank balance was \$3,979,003. 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 is authorized by statute to invest public funds in obligations of the United States government, 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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,923,488 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City's investments in the Iowa Public Agency Investment Trust is unrated.

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

Carrying amount of deposits	\$ 3,979,473
Carrying amount of investments	<u>4,923,488</u>
Total	<u>\$ 8,902,961</u>
Cash and investments	\$ 6,127,658
Cash and investments - Agency Funds	437,382
Restricted cash and investments	<u>2,337,921</u>
Total	<u>\$ 8,902,961</u>

NOTE 4 - FUND TRANSFER RECONCILIATION

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 4,358,034	\$ 1,260,214
Road Use Tax	-	330,000
Local Option Sales Tax	-	2,688,893
Employee Benefits	-	3,483,599
Debt Service	3,141,393	-
Capital Projects	1,456,297	601,634
Other Nonmajor Governmental Funds	681,975	1,279,645
Sewer Revenue	-	372,268
Transit System	594,620	-
Airport Operations	158,934	-
Other Nonmajor Proprietary Funds	-	375,000
	<u>\$ 10,391,253</u>	<u>\$ 10,391,253</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, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$17,964,454	\$ 3,044,444	\$ -	\$21,008,898
Construction in progress	6,239,480	5,392,254	361,331	11,270,403
Total capital assets, not being depreciated	<u>24,203,934</u>	<u>8,436,698</u>	<u>361,331</u>	<u>32,279,301</u>
Capital assets, being depreciated				
Machinery and equipment	13,234,713	621,033	47,088	13,808,658
Land improvements	2,051,671	173,131	-	2,224,802
Buildings	17,904,264	208,261	-	18,112,525
Infrastructure	89,376,952	35,988	-	89,412,940
Total capital assets, being depreciated	<u>122,567,600</u>	<u>1,038,413</u>	<u>47,088</u>	<u>123,558,925</u>
Less accumulated depreciation for:				
Machinery and equipment	10,659,072	607,079	31,971	11,234,180
Land improvements	1,625,637	99,714	-	1,725,351
Buildings	4,468,546	550,899	-	5,019,445
Infrastructure	41,730,929	2,346,064	-	44,076,993
Total accumulated depreciation	<u>58,484,184</u>	<u>3,603,756</u>	<u>31,971</u>	<u>62,055,969</u>
Total capital assets, being depreciated, net	<u>64,083,416</u>	<u>(2,565,343)</u>	<u>15,117</u>	<u>61,502,956</u>
Governmental activities capital assets, net	<u>\$88,287,350</u>	<u>\$ 5,871,355</u>	<u>\$ 376,448</u>	<u>\$93,782,257</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 2,591,668			
Public safety	406,892			
Culture and recreation	559,288			
General government	45,908			
	<u>\$ 3,603,756</u>			
	Balance			Balance
	July 1,	Increases	Decreases	June 30,
	2007			2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,306,993	\$ 727,020	\$ -	\$ 2,034,013
Construction in progress	314,234	8,067,354	1,806,361	6,575,227
Total capital assets, not being depreciated	<u>1,621,227</u>	<u>8,794,374</u>	<u>1,806,361</u>	<u>8,609,240</u>
Capital assets, being depreciated				
Machinery and equipment	6,849,732	200,563	213,303	6,836,992
Land improvements	319,900	-	-	319,900
Buildings	25,774,808	258,384	-	26,033,192
Infrastructure	<u>73,475,218</u>	<u>1,554,686</u>	<u>-</u>	<u>75,029,904</u>
Total capital assets, being depreciated	<u>106,419,658</u>	<u>2,013,633</u>	<u>213,303</u>	<u>108,219,988</u>
Less accumulated depreciation for:				
Machinery and equipment	5,534,850	276,726	211,304	5,600,272
Land improvements	319,900	-	-	319,900
Buildings	11,417,978	499,748	-	11,917,726
Infrastructure	<u>42,009,879</u>	<u>1,257,479</u>	<u>-</u>	<u>43,267,358</u>
Total accumulated depreciation	<u>59,282,607</u>	<u>2,033,953</u>	<u>211,304</u>	<u>61,105,256</u>
Total capital assets, being depreciated, net	<u>47,137,051</u>	<u>(20,320)</u>	<u>1,999</u>	<u>47,114,732</u>
Business-type activities				
capital assets, net	<u>\$48,758,278</u>	<u>\$ 8,774,054</u>	<u>\$ 1,808,360</u>	<u>\$55,723,972</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,558,034
Solid waste	95,663
Transit	85,134
Airport operations	196,092
Other business-type funds	99,030
	<u>\$ 2,033,953</u>

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due One Year</u>
Governmental activities					
General obligation	\$ 19,650,000	\$ -	\$ 3,600,000	\$ 16,050,000	\$ 3,705,000
Notes payable	754,000	-	-	754,000	-
Accrued compensated absences	<u>485,319</u>	<u>786,629</u>	<u>770,684</u>	<u>501,264</u>	<u>501,264</u>
Governmental activities, long-term liabilities	<u>\$ 20,889,319</u>	<u>\$ 786,629</u>	<u>\$ 4,370,684</u>	<u>\$ 17,305,264</u>	<u>\$ 4,206,264</u>
Business-type activities					
General obligation	\$ 155,000	\$ -	\$ 25,000	\$ 130,000	\$ 25,000
Sewer revenue capital notes	3,271,603	4,483,690	265,000	7,490,293	445,964
Accrued compensated absences	<u>67,507</u>	<u>123,574</u>	<u>131,221</u>	<u>59,860</u>	<u>59,860</u>
Business-type activities, long-term liabilities	<u>\$ 3,494,110</u>	<u>\$ 4,607,264</u>	<u>\$ 421,221</u>	<u>\$ 7,680,153</u>	<u>\$ 530,824</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, 2008 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	\$ 1,345,000
Refunding	05/01/01	3.35-4.50	5,575,000	1,900,000
Corporate purpose	11/01/03	3.00-5.00	630,000	325,000
Corporate purpose	11/01/03	1.75-3.75	2,800,000	2,575,000
Refunding	06/15/04	2.00-3.15	7,650,000	845,000
Corporate purpose	05/01/06	5.40-5.70	7,620,000	5,720,000
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>\$16,180,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,838,219, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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
2014-2018	4,145,000	567,945	4,712,945
Total	<u>\$ 16,180,000</u>	<u>\$ 2,838,219</u>	<u>\$ 19,018,219</u>

Notes Payable. Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2008 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	897,000
Sewer separation project	08/03/06	3.00%	2,804,000	2,266,000
Sewer system project	12/11/07	3.00%	9,898,000	4,327,293
			<u>\$16,066,000</u>	<u>\$ 8,244,293</u>

Debt service requirements to maturity, including interest of \$2,203,062 on notes payable, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 445,964	\$ 237,231	\$ 683,195
2010	458,786	221,119	679,905
2011	472,650	204,506	677,156
2012	486,558	187,346	673,904
2013	502,510	169,639	672,149
2014-2018	2,384,410	659,898	3,044,308
2019-2023	1,813,181	402,457	2,215,638
2024-2026	1,680,234	120,866	1,801,100
Total	<u>\$ 8,244,293</u>	<u>\$ 2,203,062</u>	<u>\$ 10,447,355</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the three sewer revenue notes issued in November 1993, August 2006, and December 2007. Proceeds from the notes provided financing of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the sewer system. The notes are payable solely from sewer customer net revenues and are payable through 2026. Total principal and interest remaining to be paid on the notes is \$9,693,355. For the current year, principal and interest paid and total customer net revenues were \$368,017 and \$1,373,611, respectively.

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) 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 \$52,579 for the year ended June 30, 2008.

The original lease agreement was signed in November, 1997 and renewed in October, 2002, February 2006, and March 2008. The term of the current lease is five years with two five year options at current monthly payments of \$5,200.

NOTE 7 - DEFICIT FUND BALANCE

At June 30, 2008, the Capital Projects Fund had a deficit balance of \$744,374. The deficit fund balance is a result of project costs in excess of available funds. The deficit will be eliminated upon the issuance of debt in the fall of 2008.

NOTE 8 - 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, 2008 were \$347,258.

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, 2008, 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 2008. 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 \$183,514 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, 2008 are summarized as follows:

Liability at June 30, 2007	\$ 276,970
Claims and changes in estimates during fiscal year 2008	2,034,947
Claim payments	<u>(2,128,403)</u>
Liability at June 30, 2008	<u>\$ 183,514</u>

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

NOTE 9 - 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, 2008.

Construction Contracts

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2008. The City has additional commitments for signed construction contracts of approximately \$5,876,508 as of June 30, 2008. These commitments will be funded from bond proceeds, grants, and resources already accumulated.

NOTE 10 - 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, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, and 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, 2008, 2007, and 2006, were \$1,179,239, \$1,246,446, and \$1,177,902, 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 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. 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, 2008, 2007, and 2006 were \$280,456, \$259,922, and \$249,635, respectively, equal to the required contributions for each year.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City pays for the health insurance premiums for 17 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, 2008 totaled \$77,981. The City also pays a Medicare supplement insurance charge for 3 retirees. Those premium payments amounted to \$6,134.

NOTE 12 - 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 13 - SUBSEQUENT EVENTS

The City Council approved the issuance of the Series 2008A General Obligation Bonds in the amount of \$6,270,000. The bonds were dated September 16, 2008 with interest rates ranging from 3.25% to 4.75% and a final maturity on June 1, 2028. Proceeds from the bonds will be used to pay costs of street improvements, improvements to parks already owned (marina improvements), rail port improvements, improvements to City buildings, site improvements and land acquisition, construction of a recreational trail and general corporate purpose projects.

The City Council approved a loan and disbursement agreement between the City and the Iowa Finance Authority and authorized the issuance of the Sewer Revenue Capital Loan Notes Anticipation Project Note, Series 2008, in the amount of \$2,000,000. The note was dated December 17, 2008, without interest (0%), and final maturity on December 17, 2011. Proceeds from the note will be used to fund sewer projects.

The City Council approved the issuance of the Series 2009 General Obligation Capital Loan Note in the amount of \$315,000. The note was dated March 5, 2009 with an interest rate of 3.25% and a final maturity on June 1, 2011. Proceeds from the loan will be used to pay costs of equipping the police and parks departments and City airport and for general corporate purposes.

The City Council approved the issuance of the Series 2009 General Obligation Taxable Capital Loan Note in the amount of \$230,000. The note was dated April 3, 2009 with an interest rate of 4.85% and a final maturity on June 1, 2013. Proceeds from the loan will be used to pay costs of the Marina Amenities building.

NOTE 14 - NEW PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2009. The Statement requires governments to report any liability associated with providing employees benefits other than pensions subsequent to their employment with the City that have not been fully funded.

The City's management has not yet determined the effect this Statement will have on the City's financial statements.

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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Taxes	\$ 16,696,773	\$ -	\$ 16,696,773
Licenses and permits	302,729	-	302,729
Use of money and property	505,698	31,889	537,587
Intergovernmental	6,943,004	1,579,097	8,522,101
Charges for services	1,566,224	6,705,642	8,271,866
Property rental	-	431,107	431,107
Special assessments	-	-	-
Miscellaneous	723,501	414,988	1,138,489
Total revenues	<u>26,737,929</u>	<u>9,162,723</u>	<u>35,900,652</u>
EXPENDITURES			
Current			
Public safety	9,414,773	-	9,414,773
Public works	3,147,176	-	3,147,176
Culture and recreation	2,560,291	-	2,560,291
Community and economic development	1,346,733	-	1,346,733
General government	1,128,739	-	1,128,739
Debt service	4,445,382	-	4,445,382
Capital projects	7,915,554	-	7,915,554
Business-type activities	-	8,475,274	8,475,274
Total expenditures	<u>29,958,648</u>	<u>8,475,274</u>	<u>38,433,922</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,220,719)</u>	<u>687,449</u>	<u>(2,533,270)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Proceeds from fixed asset sales	526,840	-	526,840
Operating transfers in	9,637,699	753,554	10,391,253
Operating transfers out	(9,643,985)	(747,268)	(10,391,253)
Total other financing sources (uses)	<u>520,554</u>	<u>6,286</u>	<u>526,840</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(2,700,165)</u>	<u>693,735</u>	<u>(2,006,430)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>9,101,012</u>	<u>52,296,584</u>	<u>61,397,596</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,400,847</u>	<u>\$ 52,990,319</u>	<u>\$ 59,391,166</u>

Budgeted Amounts		Variance with Final Budget
Original	Final	Positive (Negative)
\$ 16,734,247	\$ 16,618,181	\$ 78,592
221,500	251,600	51,129
842,300	914,400	(376,813)
8,715,800	10,225,100	(1,702,999)
10,203,100	9,691,300	(1,419,434)
-	-	431,107
775,300	302,300	(302,300)
3,621,800	5,435,688	(4,297,199)
<u>41,114,047</u>	<u>43,438,569</u>	<u>(7,537,917)</u>
9,112,900	9,599,100	184,327
2,619,800	3,208,800	61,624
2,455,700	2,697,300	137,009
1,358,200	1,472,100	125,367
1,183,300	1,173,228	44,489
4,478,300	4,480,900	35,518
7,712,052	11,199,511	3,283,957
<u>20,958,300</u>	<u>20,983,100</u>	<u>12,507,826</u>
<u>49,878,552</u>	<u>54,814,039</u>	<u>16,380,117</u>
<u>(8,764,505)</u>	<u>(11,375,470)</u>	<u>8,842,200</u>
9,510,000	10,383,600	(10,383,600)
-	-	526,840
13,497,182	12,464,513	(2,073,260)
<u>(13,497,182)</u>	<u>(12,464,513)</u>	<u>2,073,260</u>
<u>9,510,000</u>	<u>10,383,600</u>	<u>(9,856,760)</u>
745,495	(991,870)	(1,014,560)
<u>14,780,691</u>	<u>15,331,829</u>	<u>46,065,767</u>
<u>\$ 15,526,186</u>	<u>\$ 14,339,959</u>	<u>\$ 45,051,207</u>

CITY OF CLINTON, IOWA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2008

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 \$4,935,487. 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.

CITY OF CLINTON, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
ASSETS			
Cash and investments	\$ 27,926	\$ 259,491	\$ 43,560
Receivables			
Taxes	-	-	-
Intergovernmental	37,606	-	-
Loan	-	3,072	-
Other	13,376	-	-
Prepaid - other	5,000	-	-
Prepaid insurance	-	-	3,700
TOTAL ASSETS	\$ 83,908	\$ 262,563	\$ 47,260
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,462	\$ 1,525	\$ -
Warrants payable	41,656	3,082	-
Contracts payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>46,118</u>	<u>4,607</u>	<u>-</u>
FUND BALANCES			
Fund balance			
Reserved for prepaid expenditures	5,000	-	3,700
Reserved for endowments	-	-	-
Unreserved			
Undesignated			
Reported in			
Special revenue funds	32,790	257,956	43,560
Permanent funds	-	-	-
Total fund balances	<u>37,790</u>	<u>257,956</u>	<u>47,260</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 83,908	\$ 262,563	\$ 47,260

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningesen Trust</u>	<u>Total</u>
\$ 434,766	\$ 3,537	\$ 4,664	\$ 773,944
429,691	-	-	429,691
19,769	-	-	57,375
-	-	-	3,072
700	-	-	14,076
-	-	-	5,000
-	-	-	3,700
<u>\$ 884,926</u>	<u>\$ 3,537</u>	<u>\$ 4,664</u>	<u>\$ 1,286,858</u>
\$ 43,716	\$ -	\$ -	\$ 49,703
304,119	-	-	348,857
4,306	-	-	4,306
414,888	-	-	414,888
<u>767,029</u>	<u>-</u>	<u>-</u>	<u>817,754</u>
-	-	-	8,700
-	3,000	4,000	7,000
117,897	-	-	452,203
-	537	664	1,201
<u>117,897</u>	<u>3,537</u>	<u>4,664</u>	<u>469,104</u>
<u>\$ 884,926</u>	<u>\$ 3,537</u>	<u>\$ 4,664</u>	<u>\$ 1,286,858</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
REVENUES			
Taxes	\$ -	\$ -	\$ -
Use of money and property	136,947	2,440	-
Intergovernmental	87,863	347,970	-
Charges for services	212,962	-	-
Miscellaneous	11,795	-	38,007
Total revenues	<u>449,567</u>	<u>350,410</u>	<u>38,007</u>
EXPENDITURES			
Current			
Public safety	18,768	-	-
Public works	-	-	-
Culture and recreation	266,189	-	-
Community and economic development	60,875	364,755	-
General government	336	-	262,307
Capital projects	82,791	-	-
Total expenditures	<u>428,959</u>	<u>364,755</u>	<u>262,307</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,608</u>	<u>(14,345)</u>	<u>(224,300)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	382,536	48,681	250,758
Operating transfers out	<u>(422,145)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(39,609)</u>	<u>48,681</u>	<u>250,758</u>
NET CHANGE IN FUND BALANCES	(19,001)	34,336	26,458
FUND BALANCES, BEGINNING OF YEAR	<u>56,791</u>	<u>223,620</u>	<u>20,802</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,790</u>	<u>\$ 257,956</u>	<u>\$ 47,260</u>

Special Revenue	Permanent		
Miscellaneous	Hayes Trust	Boyd Henningsen Trust	Total
\$ 1,605,238	\$ -	\$ -	\$ 1,605,238
6,569	40	53	146,049
85,268	-	-	521,101
-	-	-	212,962
166,917	-	-	216,719
<u>1,863,992</u>	<u>40</u>	<u>53</u>	<u>2,702,069</u>
101,673	-	-	120,441
177,887	-	-	177,887
18,917	-	-	285,106
709,548	-	-	1,135,178
-	-	-	262,643
43,995	-	-	126,786
<u>1,052,020</u>	<u>-</u>	<u>-</u>	<u>2,108,041</u>
811,972	40	53	594,028
-	-	-	681,975
(857,500)	-	-	(1,279,645)
<u>(857,500)</u>	<u>-</u>	<u>-</u>	<u>(597,670)</u>
(45,528)	40	53	(3,642)
<u>163,425</u>	<u>3,497</u>	<u>4,611</u>	<u>472,746</u>
<u>\$ 117,897</u>	<u>\$ 3,537</u>	<u>\$ 4,664</u>	<u>\$ 469,104</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2008

	Dock Operations	Marina	Parking System	Total
ASSETS				
Cash and investments	\$ 61,343	\$ -	\$ 48,914	\$ 110,257
Receivables				
Service fees	20,447	-	-	20,447
Other	-	13,789	(2,469)	11,320
Prepaid - other	-	46,250	-	46,250
Capital assets, net of accumulated depreciation	2,383,045	521,785	225,473	3,130,303
Total assets	<u>2,464,835</u>	<u>581,824</u>	<u>271,918</u>	<u>3,318,577</u>
LIABILITIES				
Cash overdrafts	-	754	-	754
Accounts payable	276	5,222	450	5,948
Warrants payable	-	58,636	182	58,818
Total liabilities	<u>276</u>	<u>64,612</u>	<u>632</u>	<u>65,520</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,383,045	521,785	225,473	3,130,303
Unrestricted	81,514	(4,573)	45,813	122,754
Total net assets	<u>\$ 2,464,559</u>	<u>\$ 517,212</u>	<u>\$ 271,286</u>	<u>\$ 3,253,057</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2008

	Dock Operations	Marina	Parking System	Total
OPERATING REVENUES				
Charges for services	\$ 66,341	\$ -	\$ 24,305	\$ 90,646
Property rental	258,020	80,894	2,302	341,216
Miscellaneous	1,337	-	-	1,337
Total operating revenues	<u>325,698</u>	<u>80,894</u>	<u>26,607</u>	<u>433,199</u>
OPERATING EXPENSES				
Business-type/enterprise				
Personal services	-	-	32,297	32,297
Commodities	-	20,598	4,328	24,926
Contractual services	6,745	124,593	34,461	165,799
Depreciation	63,228	33,321	2,481	99,030
Total operating expenses	<u>69,973</u>	<u>178,512</u>	<u>73,567</u>	<u>322,052</u>
Operating income (loss)	<u>255,725</u>	<u>(97,618)</u>	<u>(46,960)</u>	<u>111,147</u>
NON-OPERATING REVENUES				
Interest revenue	-	-	909	909
Intergovernmental	-	1,140	72	1,212
Total non-operating revenues	<u>-</u>	<u>1,140</u>	<u>981</u>	<u>2,121</u>
INCOME (LOSS) BEFORE TRANSFERS	255,725	(96,478)	(45,979)	113,268
Operating transfers out	<u>(375,000)</u>	<u>-</u>	<u>-</u>	<u>(375,000)</u>
CHANGE IN NET ASSETS	(119,275)	(96,478)	(45,979)	(261,732)
NET ASSETS, BEGINNING OF YEAR	<u>2,583,834</u>	<u>613,690</u>	<u>317,265</u>	<u>3,514,789</u>
NET ASSETS, END OF YEAR	<u>\$ 2,464,559</u>	<u>\$ 517,212</u>	<u>\$ 271,286</u>	<u>\$ 3,253,057</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2008

	Dock Operations	Marina	Parking System	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 325,800	\$ 71,345	\$ 29,156	\$ 426,301
Cash paid to suppliers	(6,469)	(135,340)	(38,865)	(180,674)
Cash paid to employees	-	-	(32,297)	(32,297)
Net cash provided by (used in) operating activities	<u>319,331</u>	<u>(63,995)</u>	<u>(42,006)</u>	<u>213,330</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental	-	1,140	72	1,212
Operating transfers out	(375,000)	-	-	(375,000)
Net cash provided by (used in) non-capital financing activities	<u>(375,000)</u>	<u>1,140</u>	<u>72</u>	<u>(373,788)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(172,275)	-	-	(172,275)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	-	-	909	909
NET DECREASE IN CASH AND INVESTMENTS	<u>(227,944)</u>	<u>(62,855)</u>	<u>(41,025)</u>	<u>(331,824)</u>
CASH AND INVESTMENTS, JULY 1	<u>289,287</u>	<u>62,101</u>	<u>89,939</u>	<u>441,327</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 61,343</u>	<u>\$ (754)</u>	<u>\$ 48,914</u>	<u>\$ 109,503</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 255,725	\$ (97,618)	\$ (46,960)	\$ 111,147
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	63,228	33,321	2,481	99,030
Changes in assets and liabilities:				
(Increase) decrease in receivables	102	(9,549)	2,549	(6,898)
(Increase) decrease in prepaid - other	-	(46,250)	-	(46,250)
Increase (decrease) in accounts payable	276	619	136	1,031
Increase (decrease) in warrants payable	-	55,482	(212)	55,270
Net cash flows provided by (used in) operating activities	<u>\$ 319,331</u>	<u>\$ (63,995)</u>	<u>\$ (42,006)</u>	<u>\$ 213,330</u>

CITY OF CLINTON, IOWA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2008

	Payroll Clearing Fund	Miscellaneous Clearing Fund	Total
ASSETS			
Cash and investments	\$ 436,731	\$ 651	\$ 437,382
Receivables			
Other	-	1,910	1,910
TOTAL ASSETS	<u>\$ 436,731</u>	<u>\$ 2,561</u>	<u>\$ 439,292</u>
LIABILITIES			
Accounts payable	\$ 128,674	\$ -	\$ 128,674
Warrants payable	308,057	2,561	310,618
TOTAL LIABILITIES	<u>\$ 436,731</u>	<u>\$ 2,561</u>	<u>\$ 439,292</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2008

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Payroll Clearing Fund				
Assets:				
Cash and investments	\$ 423,942	\$ 12,127,782	\$ 12,114,993	\$ 436,731
Prepaid insurance	40,262	-	40,262	-
Total assets	<u>\$ 464,204</u>	<u>\$ 12,127,782</u>	<u>\$ 12,155,255</u>	<u>\$ 436,731</u>
Liabilities:				
Accounts payable	\$ 124,366	\$ 5,463,144	\$ 5,458,836	\$ 128,674
Warrants payable	339,838	9,707,287	9,739,068	308,057
Total liabilities	<u>\$ 464,204</u>	<u>\$ 15,170,431</u>	<u>\$ 15,197,904</u>	<u>\$ 436,731</u>
Miscellaneous Clearing Fund				
Assets:				
Cash and investments	\$ 609	\$ 15,409	\$ 15,367	\$ 651
Receivables				
Other	1,952	1,910	1,952	1,910
Total assets	<u>\$ 2,561</u>	<u>\$ 17,319</u>	<u>\$ 17,319</u>	<u>\$ 2,561</u>
Liabilities:				
Accounts payable	\$ -	\$ 5,423	\$ 5,423	\$ -
Warrants payable	2,561	5,423	5,423	2,561
Total liabilities	<u>\$ 2,561</u>	<u>\$ 10,846</u>	<u>\$ 10,846</u>	<u>\$ 2,561</u>
Total All Funds				
Assets:				
Cash and investments	\$ 424,551	\$ 12,143,191	\$ 12,130,360	\$ 437,382
Receivables				
Other	1,952	1,910	1,952	1,910
Prepaid insurance	40,262	-	40,262	-
Total assets	<u>\$ 466,765</u>	<u>\$ 12,145,101</u>	<u>\$ 12,172,574</u>	<u>\$ 439,292</u>
Liabilities:				
Accounts payable	\$ 124,366	\$ 5,468,567	\$ 5,464,259	\$ 128,674
Warrants payable	342,399	9,712,710	9,744,491	310,618
Total liabilities	<u>\$ 466,765</u>	<u>\$ 15,181,277</u>	<u>\$ 15,208,750</u>	<u>\$ 439,292</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES					
Taxes	\$16,696,773	\$16,356,349	\$15,093,950	\$14,569,285	\$13,209,020
Licenses and permits	302,729	271,733	192,010	247,289	183,969
Use of money and property	505,698	533,043	509,542	407,488	413,213
Intergovernmental	6,943,004	8,325,118	6,926,122	4,384,103	5,324,550
Charges for services	1,566,224	1,518,430	1,363,812	1,338,684	1,104,422
Miscellaneous	723,501	938,498	970,657	309,536	349,131
TOTAL REVENUES	<u>\$26,737,929</u>	<u>\$27,943,171</u>	<u>\$25,056,093</u>	<u>\$21,256,385</u>	<u>\$20,584,305</u>
EXPENDITURES					
Current					
Public safety	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919	\$ 8,118,198	\$ 7,773,283
Public works	3,147,176	2,819,417	2,689,177	2,680,519	2,371,651
Culture and recreation	2,560,291	2,525,097	2,443,820	2,468,359	2,291,667
Community and economic development	1,346,733	1,175,920	1,356,850	1,718,548	737,029
General government	1,128,739	1,047,609	1,050,086	972,907	1,039,592
Debt service	4,445,382	4,755,246	8,379,435	4,140,643	12,068,982
Capital projects	7,915,554	7,553,288	12,522,925	4,852,235	4,907,607
TOTAL EXPENDITURES	<u>\$29,958,648</u>	<u>\$28,979,766</u>	<u>\$37,147,212</u>	<u>\$24,951,409</u>	<u>\$31,189,811</u>

CITY OF CLINTON, IOWA
ACTUAL PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2003/04	2004/05	2005/06	2006/07	2007/08
<u>January 1 Valuation</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential property	\$ 601,468,174	\$ 620,381,886	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186
Commercial property	195,439,760	213,052,556	212,733,005	239,709,838	254,475,073
Industrial property	97,578,888	97,047,192	90,567,968	92,280,556	103,889,045
Utilities	76,758,342	79,872,814	85,108,878	87,104,661	86,562,503
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	971,691,914	1,010,801,198	1,040,774,106	1,100,532,053	1,163,025,557
Agricultural land	<u>12,295,305</u>	<u>10,210,421</u>	<u>10,420,888</u>	<u>10,961,103</u>	<u>10,898,984</u>
TOTAL	<u>\$ 983,987,219</u>	<u>\$ 1,021,011,619</u>	<u>\$ 1,051,194,994</u>	<u>\$ 1,111,493,156</u>	<u>\$ 1,173,924,541</u>

CITY OF CLINTON, IOWA
TAXABLE PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2003/04	2004/05	2005/06	2006/07	2007/08
<u>January 1 Valuation</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential property	\$ 309,078,746	\$ 300,611,316	\$ 312,687,063	\$ 310,556,419	\$ 323,640,980
Commercial property	195,439,760	211,469,613	212,733,005	237,440,179	254,475,073
Industrial property	97,578,888	97,047,192	90,567,968	92,280,556	103,889,045
Utilities	76,758,342	68,461,470	65,735,002	65,194,081	62,171,994
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	679,302,486	678,036,341	682,169,788	705,917,985	744,623,842
Less military exemptions	<u>4,183,668</u>	<u>4,106,810</u>	<u>4,004,950</u>	<u>3,851,234</u>	<u>3,817,898</u>
TOTAL	<u><u>\$ 675,118,818</u></u>	<u><u>\$ 673,929,531</u></u>	<u><u>\$ 678,164,838</u></u>	<u><u>\$ 702,066,751</u></u>	<u><u>\$ 740,805,944</u></u>
Agricultural land	<u><u>\$ 12,307,399</u></u>	<u><u>\$ 12,295,305</u></u>	<u><u>\$ 10,210,421</u></u>	<u><u>\$ 10,420,888</u></u>	<u><u>\$ 10,961,103</u></u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2008

SUMMARY

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 16,180,000</u>	<u>\$ 2,838,219</u>	<u>\$ 19,018,219</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2008

General Corporate Purpose Bonds
Dated March 1, 2001

Year Ending June 30	Principal	Interest	Total
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>\$ 1,345,000</u>	<u>\$ 177,650</u>	<u>\$ 1,522,650</u>

General Obligation Refunding Bonds
Dated May 1, 2001

Year Ending June 30	Principal	Interest	Total
2009	\$ 775,000	\$ 82,737	\$ 857,737
2010	825,000	49,800	874,800
2011	300,000	13,500	313,500
	<u>\$ 1,900,000</u>	<u>\$ 146,037</u>	<u>\$ 2,046,037</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
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>\$ 325,000</u>	<u>\$ 35,732</u>	<u>\$ 360,732</u>

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

Year Ending June 30	Principal	Interest	Total
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>\$ 2,575,000</u>	<u>\$ 352,625</u>	<u>\$ 2,927,625</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2008

General Obligation Refunding Bonds
Dated June 15, 2004

Year Ending June 30	Principal	Interest	Total
2009	\$ 845,000	\$ 26,617	\$ 871,617

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

Year Ending June 30	Principal	Interest	Total
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>\$ 5,720,000</u>	<u>\$ 1,027,988</u>	<u>\$ 6,747,988</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
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>\$ 1,071,570</u>	<u>\$ 4,541,570</u>

CITY OF CLINTON, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2008

(Unaudited)

Actual property valuations, January 1, 2006	<u><u>\$1,173,924,541</u></u>
Debt limit - 5% of total valuation	\$ 58,696,227
Amount of debt applicable to limit -	
general obligation debt	\$ 16,180,000
economic development note	754,000
economic development tax rebates - tax increment	17,678,233
residential housing - tax increment	548,000
public improvements - tax increment	<u>199,240</u>
Total applicable debt	<u><u>35,359,473</u></u>
 Legal debt margin	 <u><u>\$ 23,336,754</u></u>

CITY OF CLINTON, IOWA
SUMMARY OF TAXES AND INTERGOVERNMENTAL REVENUES

(Unaudited)

	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>	<u>2004/05</u>	<u>2003/04</u>	<u>2002/03</u>
Taxes						
Property taxes	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678	\$ 10,935,516	\$ 9,701,894	\$ 9,316,228
Mobile home taxes	6,029	6,717	7,492	7,001	11,356	8,438
Utility excise taxes	710,877	747,851	658,333	653,610	618,326	754,050
Local option sales taxes	2,883,810	3,211,844	2,363,972	2,532,034	2,472,374	2,415,966
Hotel/motel taxes	357,639	303,726	296,306	290,812	248,276	251,930
Cable television franchise fees	143,701	143,163	143,172	138,787	145,264	146,212
Other taxes	-	-	-	11,508	11,529	11,146
	<u>16,696,771</u>	<u>16,356,349</u>	<u>15,093,953</u>	<u>14,569,268</u>	<u>13,209,019</u>	<u>12,903,970</u>
Intergovernmental						
Road use taxes	2,379,640	2,323,732	2,323,216	2,308,180	2,327,048	2,242,288
State consolidated payments	-	-	-	-	-	461,064
Bank franchise tax	-	-	-	5,886	24,730	25,989
Machinery and equipment tax replacement	-	-	-	16	350,166	737,018
Other federal/state revenues	5,411,763	6,290,529	5,264,706	2,588,722	4,026,803	2,320,345
County contributions	46,731	50,893	58,083	40,544	44,738	43,756
	<u>7,838,134</u>	<u>8,665,154</u>	<u>7,646,005</u>	<u>4,943,348</u>	<u>6,773,485</u>	<u>5,830,460</u>
TOTAL	<u>\$ 24,534,905</u>	<u>\$ 25,021,503</u>	<u>\$ 22,739,958</u>	<u>\$ 19,512,616</u>	<u>\$ 19,982,504</u>	<u>\$ 18,734,430</u>

CITY OF CLINTON, IOWA
MISCELLANEOUS STATISTICS
June 30, 2008

(Unaudited)

Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	205
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	15
Tennis Courts	10
Baseball Stadium	1
Libraries:	
Number of Registered Borrowers	11,293
Number of Items in Collection	125,306
Police Protection:	
Number of Stations	1
Number of Sworn Officers	45
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	10,244
Sewer Rate - Residential	\$4.86 per 100 cubic feet
Commercial Class 1	\$4.86 per 100 cubic feet
Commercial Class 2	\$5.346 per 100 cubic feet
Commercial Class 3	\$6.318 per 100 cubic feet
Commercial Class 4	\$7.290 per 100 cubic feet
Commercial Class 5	\$8.262 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 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, 2008, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated June 24, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. However, we believe item II-A-08 is a material weakness.

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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City of Clinton, Iowa's operations for the year ended June 30, 2008 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.

The City of Clinton, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Clinton, Iowa's responses and, accordingly, we express no opinion on them.

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

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

Clifton Henderson LLP

Clinton, Iowa
June 24, 2009

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on 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, 2008. 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, 2008. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described as item III-A-08.

Internal Control Over Compliance

The management of the City of Clinton, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Clinton, Iowa's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-08 to be a material weakness.

The City of Clinton, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Clinton, Iowa's responses and, accordingly, we express no opinion on them.

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

Clifton Henderson LLP

Clinton, Iowa
June 24, 2009

CITY OF CLINTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

<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-2006-FG-09744	\$ 206,658
Assistance to Firefighters Grant Program	97.044	EMW-2007-FG-03131	24,965
Subtotal			<u>231,623</u>
Department of Housing & Urban Development			
Office of Community Planning & Development			
EDI Special Project	14.246	B-04-SP-IA-0266	596,460
Department of Justice			
Office of Community Oriented Policing Services			
COPS 2006 Technology Grant	16.607	2006CKWX0540	32,704
Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	19-0019-10	10,212
Airport Land Acquisition	20.106	19-0019-11	65,922
Airport Land Acquisition	20.106	19-0019-12	417,147
Subtotal			<u>493,281</u>
Environmental Protection Agency			
Brownsfields Assessment & Cleanup			
Cooperative Agreement - Hazardous Substances	66.818	BF-98761401	64,151
Cooperative Agreement - Hazardous Substances	66.818	BF-98761501	113,540
Subtotal			<u>177,691</u>
Total Direct			<u>1,531,759</u>
Indirect:			
Department of Housing & Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/State's Program	14.228	06-CF-006	347,970
Community Development Block Grants/State's Program	14.228	06-WS-019	393,753
Subtotal			<u>741,723</u>
Department of the Interior, Fish & Wildlife Service			
Iowa Department of Natural Resources			
Tier 2 Boating Infrastructure Grant	66.605	FY00-BIG	508,485
Department of Transportation			
Iowa Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	18-4028-141-08	444,648
Formula Grants for Other Than Urbanized Areas	20.509	TF-2008-007/141/164/119	1,436
Capital Investment Grants	20.500	04-0105-141-06	44,000
Transportation & Community System Preservation Pilot Program	20.205	TCSP-1415(614)-9S-23	94,709
Subtotal			<u>584,793</u>
National Highway Traffic Safety Administration			
Governor's Traffic Safety Bureau			
State and Community Highway Safety	20.600	PAP07-04, Task09	1,121
Intoxicated Driver Prevention Program	20.605	07-163, Task 15	7,127
Intoxicated Driver Prevention Program	20.605	08-410, Task 16	20,979
Subtotal			<u>29,227</u>
U.S. Department of Justice			
Governor's Office of Drug Control Policy			
Project Safe Neighborhoods	16.609	07-SD09	256
2007 Byrne Justice Assistance Grant Program	16.609	2007-F4268-IADJ	17,553
Subtotal			<u>17,809</u>
Federal Emergency Management Agency			
Iowa Homeland Security & Emergency Management Division			
Iowa Public Assistance	97.036	DR 1688	181
Iowa Public Assistance	97.036	DR 1737	53,568
Subtotal			<u>53,749</u>
Environmental Protection Agency			
Iowa Finance Authority	66.458	CS192338-01	6,282,290
Total Indirect			<u>8,218,076</u>
TOTAL			<u>\$ 9,749,835</u>

See notes to the schedule of expenditures of federal awards

CITY OF CLINTON, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
June 30, 2008

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, 2008. 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.

CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Reporting

Criteria - During the audit, we identified material amounts of receivables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Condition - Expenditures were identified that were incurred prior to year end in which the related receivables were not recorded in the City's financial statements. These amounts should have been accrued at the time the City made the expenditures that entitled them to the revenue.

Effect - As a result of these conditions, there is a risk that account balances could be materially misstated.

Cause - The City did not review grant documentation to ensure receivables were recorded for all earned revenues.

Recommendation - The City should implement procedures to ensure receivables are recorded in the financial statements in the future.

Response - We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

Finding No. III-A-08

Federal Program Name: Tier 2 Boating Infrastructure Grant
Project Number: FY00-BIG
CFDA Number: 66.605
Passed Through: Iowa Department of Natural Resources
Federal Agency: Department of Interior, Fish & Wildlife Service

Criteria - Quarterly construction reports were due to the granting agency no later than twenty days after March 31, June 30, September 30, and December 31.

Condition - Reports were prepared by an outside third party but there was no verification that the information was submitted timely.

Questioned Costs - N/A

Context - Per review of the construction reports submitted to the granting agency, it was noted that the reports were being filed after the twenty days following the end of the quarter.

Effect - There is a deficiency in internal controls over compliance of the reporting requirements of the grant.

Cause - The City relied on an outside third party to ensure compliance requirements were met.

Recommendation - The City should implement review procedures to ensure all reports are filed accurately and timely.

Response - The City will implement review procedures to ensure all reports are filed accurately and timely in the future.

CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

SIGNIFICANT DEFICIENCIES:

Finding No. III-B-08

Federal Program Name: Tier 2 Boating Infrastructure Grant

Project Number: FY00-BIG

CFDA Number: 66.605

Passed Through: Iowa Department of Natural Resources

Federal Agency: Department of Interior, Fish & Wildlife Service

Criteria - The grant was handled by an outside third party and the City did not have effective internal controls to ensure the grant reports reconciled to the City's financial records at June 30, 2008.

Condition - Reports were prepared by an outside third party but there was no verification or reconciliation of the information presented.

Questioned Costs - N/A

Context - Based on a review of this grant it was noted that the grant documentation did not reconcile to the City's financial records at June 30, 2008.

Effect - As a result of these conditions, there is a risk that financial records could be materially misstated. Material adjustments were subsequently made to the City's financial statements.

Cause - The City does not have a review procedure in place to ensure the grant documentation reconciled to the City's year-end financial records.

Recommendation - The City should implement procedures to ensure grant documentation reconciles to the City's year-end financial records.

Response - We will revise our current procedures to ensure grant documentation reconciles to the City's year-end financial records.

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008, did not exceed the amount budgeted in any functional area.
- IV-B-08 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-08 Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.
- IV-D-08 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>
Randy Pennock, Tree Commission, Owner of Pennock Landscaping	Trees and Plants	\$ 12,573
Lester Shields, Airport Commission	Services	854
James McGraw, City Planning Commission, Owner of Happy Joe's Pizza	Miscellaneous	851
James Connell, Clinton Police Officer, Spouse: Mary Connell, President of Air Control	Repairs and Maintenance	33,570
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	48,718

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

CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

- IV-E-08 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-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-08 Revenue Bonds - We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.
- IV-H-08 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-08 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.
- IV-J-08 Financial Condition - The Capital Projects Fund had a deficit balance at June 30, 2008 of \$744,374.
- Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound position.
- Response - The deficit was due to construction costs incurred prior to revenues received.
- Conclusion - Response accepted.

CITY OF CLINTON, IOWA
 SCHEDULE OF BALANCE SHEET ACCOUNTS
 REQUIRED BY REVENUE BOND ORDINANCE
 ENTERPRISE FUNDS
 June 30, 2008

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve
ASSETS			
Receivables			
Service fees	\$ -	\$ -	\$ -
Grants	-	-	-
Other	8,139	-	-
Restricted cash and investments	186,596	966,685	638,568
Total assets	<u>194,735</u>	<u>966,685</u>	<u>638,568</u>
LIABILITIES			
Accounts payable	159,544	-	-
Warrants payable	35,191	-	-
Contracts payable	-	-	-
Total liabilities	<u>194,735</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Restricted for:			
Capital equipment replacement/repairs	-	966,685	638,568
Debt service	-	-	-
Unrestricted	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ 966,685</u>	<u>\$ 638,568</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,854,831	\$ -	\$ 2,854,831
-	-	-	119,014	119,014
-	-	3,859	-	11,998
186,548	211,008	23,628	(818,868)	1,394,165
<u>186,548</u>	<u>211,008</u>	<u>2,882,318</u>	<u>(699,854)</u>	<u>4,380,008</u>
-	-	16,137	782,997	958,678
-	-	2,550	155,000	192,741
-	-	-	303,734	303,734
<u>-</u>	<u>-</u>	<u>18,687</u>	<u>1,241,731</u>	<u>1,455,153</u>
-	-	-	-	1,605,253
186,548	211,008	-	-	397,556
-	-	2,863,631	(1,941,585)	922,046
<u>\$ 186,548</u>	<u>\$ 211,008</u>	<u>\$ 2,863,631</u>	<u>\$ (1,941,585)</u>	<u>\$ 2,924,855</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, 2008

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve
OPERATING REVENUES			
Charges for service	\$ 36,270	\$ -	\$ -
Sale of equipment/materials	1,100	-	-
Miscellaneous	11,915	-	-
Total operating revenues	<u>49,285</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Business type/enterprise			
Personal services	1,266,617	-	-
Commodities	354,018	-	-
Contractual services	1,176,082	102,663	-
Capital outlay/improvements	34,476	-	-
Total operating expenses	<u>2,831,193</u>	<u>102,663</u>	<u>-</u>
Operating income (loss)	<u>(2,781,908)</u>	<u>(102,663)</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	11,458	6,982
Intergovernmental	799	-	-
State Revolving Loan Proceeds	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>799</u>	<u>11,458</u>	<u>6,982</u>
INCOME (LOSS)			
BEFORE OPERATING TRANSFERS	(2,781,109)	(91,205)	6,982
Operating transfers in	2,781,109	80,001	50,001
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	-	(11,204)	56,983
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>977,889</u>	<u>581,585</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 966,685</u>	<u>\$ 638,568</u>

Sewer Sinking Fund	Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ -	\$ -	\$ 5,368,260	\$ -	\$ 5,404,530
-	-	-	-	1,100
-	-	36,000	-	47,915
-	-	5,404,260	-	5,453,545
-	-	-	-	1,266,617
-	-	-	-	354,018
-	-	-	316,149	1,594,894
265,000	-	-	8,059,772	8,359,248
265,000	-	-	8,375,921	11,574,777
(265,000)	-	5,404,260	(8,375,921)	(6,121,232)
-	-	1,983	-	20,423
-	-	-	393,753	394,552
-	-	-	4,327,293	4,327,293
(103,017)	-	-	-	(103,017)
(103,017)	-	1,983	4,721,046	4,639,251
(368,017)	-	5,406,243	(3,654,875)	(1,481,981)
524,100	-	-	2,275,000	5,710,211
-	-	(5,710,211)	(216,030)	(5,926,241)
156,083	-	(303,968)	(1,595,905)	(1,698,011)
30,465	211,008	3,167,599	(345,680)	4,622,866
\$ 186,548	\$ 211,008	\$ 2,863,631	\$ (1,941,585)	\$ 2,924,855

CITY OF CLINTON, IOWA
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2008

N/A

**CITY OF CLINTON, IOWA
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2008**

Finding No. II-A-08

Condition:

During the audit, we identified material amounts of receivables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Plan:

The City will continue to review grant documentation to ensure proper amounts are recorded in the future. Further, the City will no longer outsource grant services to another party. All grants will be managed by City employees.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Deborah K. Neels, Finance Director

Finding No. III-A-08

Condition:

Quarterly construction reports were due to the granting agency no later than twenty days after March 31, June 30, September 30, and December 31. Reports were prepared by an outside third party but there was no verification that the information was submitted timely.

Plan:

The City will no longer outsource grant services to another party. All grants will be managed by City employees.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Deborah K. Neels, Finance Director

Finding No. III-B-08

Condition:

The City does not have effective internal controls to ensure grant reports reconcile to the City's financial records. Reports were prepared by an outside third party but there was no verification of the information presented. Based on a review of this grant it was noted that the grant documentation did not reconcile to the City's financial records at June 30, 2008 and material adjustments were made.

Plan:

The City will no longer outsource grant services to another party. All grants will be managed by City employees.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Deborah K. Neels, Finance Director