

CITY OF CLINTON, IOWA

FINANCIAL STATEMENTS

June 30, 2009

## INTRODUCTORY SECTION

CITY OF CLINTON, IOWA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2009

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents ..... 1  
City Organizational Chart ..... 3  
List of Principal Officials ..... 4

FINANCIAL SECTION

Independent Auditor's Report ..... 5  
Management's Discussion and Analysis ..... 7  
Basic Financial Statements:  
    Government-wide Financial Statements:  
        Statement of Net Assets ..... 17  
        Statement of Activities ..... 18  
    Fund Financial Statements:  
        Balance Sheet - Governmental Funds ..... 20  
        Reconciliation of the Governmental Funds Balance Sheet to the Statement  
            of Net Assets ..... 22  
        Statement of Revenues, Expenditures and Changes in  
            Fund Balances - Governmental Funds ..... 23  
        Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
            and Changes in Fund Balances to the Statement of Activities ..... 25  
        Statement of Net Assets - Proprietary Funds ..... 26  
        Statement of Revenues, Expenses and Changes in Fund Net Assets -  
            Proprietary Funds ..... 28  
        Statement of Cash Flows - Proprietary Funds ..... 30  
        Statement of Fiduciary Net Assets and Liabilities - Fiduciary Funds ..... 32  
    Notes to Financial Statements ..... 33  
Required Supplementary Information:  
    Budgetary Comparison Schedule of Revenues, Expenditures  
        and Changes in Balances - Budget and Actual -  
        Budgetary Basis - Governmental Funds and Proprietary Funds ..... 52  
    Note to Required Supplementary Information - Budgetary Reporting ..... 54  
    Schedule of Funding Progress for the Retiree Health Plan ..... 55  
Combining Fund Statements and Schedules:  
    Combining Balance Sheet - Nonmajor Governmental Funds ..... 56  
    Combining Statement of Revenues, Expenditures and  
        Changes in Fund Balances - Nonmajor Governmental Funds ..... 58  
    Combining Statement of Net Assets - Nonmajor Enterprise Funds ..... 60  
    Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -  
        Nonmajor Enterprise Funds ..... 61  
    Combining Statement of Cash Flows - Nonmajor Enterprise Funds ..... 62  
    Combining Statement of Fiduciary Assets and Liabilities - Agency Funds ..... 63  
    Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds ..... 64  
    Schedule of Revenues By Source and Expenditures By Function - All Governmental  
        Fund Types ..... 65

**OTHER INFORMATION SECTION**

Actual Property Valuation Comparison (Unaudited)..... 66  
Taxable Property Valuation Comparison (Unaudited) ..... 67  
General Obligation Bond Maturities ..... 68  
Computation of Legal Debt Margin (Unaudited) ..... 73  
Summary of Taxes and Intergovernmental Revenues (Unaudited) ..... 74  
Miscellaneous Statistics (Unaudited)..... 75

**COMPLIANCE SECTION**

Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*..... 76

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 ..... 78

Schedule of Expenditures of Federal Awards ..... 80

Notes to the Schedule of Expenditures of Federal Awards..... 81

Schedule of Findings and Questioned Costs ..... 82

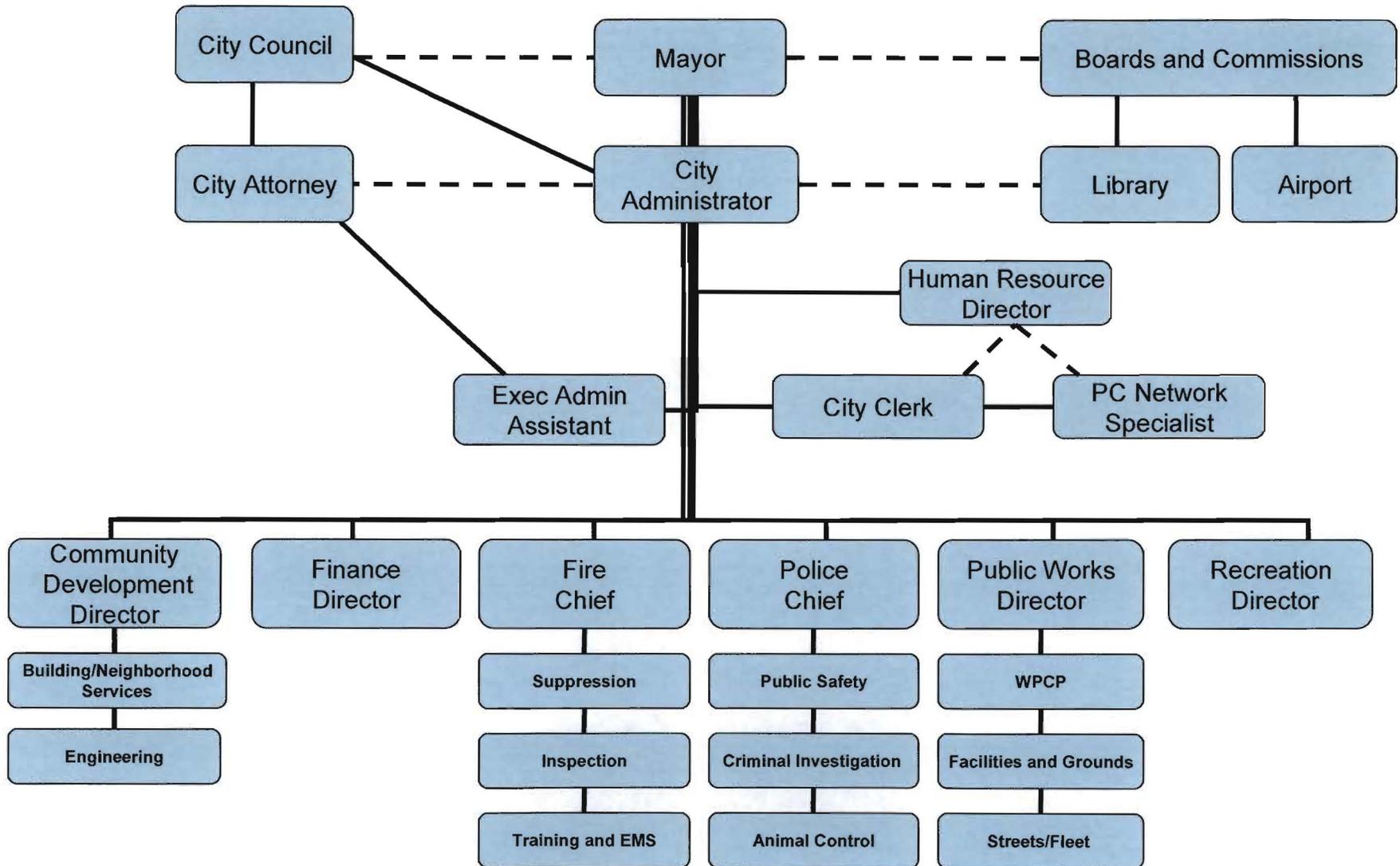
Schedule of Balance Sheet Accounts Required by  
Revenue Bond Ordinance - Enterprise Funds..... 88

Schedule of Revenues, Expenses and Changes in Retained Earnings  
Required by Revenue Bond Ordinance - Enterprise Funds ..... 90

Summary Schedule of Prior Federal Audit Findings ..... 92

Corrective Action Plan for Federal Audit Findings ..... 93

# City Organizational Chart



# CITY OF CLINTON, IOWA

List of Principal Officials  
June 30, 2009

## 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
Community Development Director	Michael H. Reynolds

## **FINANCIAL SECTION**

## 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, 2009, 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, 2009, 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 September 2, 2010, 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 7 through 16 and 52 through 54, 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 inquires 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. The financial statements of the City of Clinton as of June 30, 2008, were audited by other auditors whose report dated June 24, 2009, expressed an unqualified opinion on those 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.

*Will, Park & Foster, CPA PC*

Clinton, Iowa  
September 2, 2010

## 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, 2009. We encourage readers to consider the information presented here in conjunction with 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, 2009 by \$133,115,043 (net assets).
- The City's total net assets decreased by \$3,740,607. This amount represents a 2.7% decrease.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$3,850,028, a decrease of \$2,550,819 in comparison with the prior year. Approximately 81% 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 \$362,723, or 2.4% of total General Fund expenditures, including transfers out.
- The City's total debt increased by \$7,877,707 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 2008/09. 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 17-19 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 20-25 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 26-31 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 32 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 33-51 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 52-54. Combining and individual fund statements and schedules can be found on pages 56-64 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 \$133,115,043 at the close of the fiscal year ended June 30, 2009. For the fiscal year ended June 30, 2008, assets had exceeded liabilities by \$136,855,650. This represents a 2.7% decrease in net assets between the two fiscal periods.

#### City of Clinton's Net Assets June 30, 2009 and 2008

	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total 2009	Total 2008
Current and other assets	\$ 29,554,199	\$ 24,694,690	\$ 7,618,761	\$ 6,968,818	\$ 37,172,960	\$ 31,663,508
Capital assets	<u>93,479,727</u>	<u>93,782,257</u>	<u>61,845,005</u>	<u>55,823,972</u>	<u>155,324,732</u>	<u>149,506,229</u>
Total assets	<u>123,033,926</u>	<u>118,476,947</u>	<u>69,463,766</u>	<u>62,692,790</u>	<u>192,497,692</u>	<u>181,169,737</u>
Current and other liabilities	24,887,938	17,306,352	1,382,761	2,022,318	26,270,699	19,328,670
Long-term liabilities						
outstanding	<u>20,472,514</u>	<u>17,305,264</u>	<u>12,639,436</u>	<u>7,680,153</u>	<u>33,111,950</u>	<u>24,985,417</u>
Total liabilities	<u>45,360,452</u>	<u>34,611,616</u>	<u>14,022,197</u>	<u>9,702,471</u>	<u>59,382,649</u>	<u>44,314,087</u>
Net assets						
Invested in capital assets, net of related debt	73,716,727	76,461,834	49,279,772	55,723,972	122,996,499	132,185,806
Restricted	634,308	1,295,791	1,194,823	1,123,964	1,829,131	2,419,755
Unrestricted	<u>3,322,439</u>	<u>6,107,706</u>	<u>4,966,974</u>	<u>(3,857,617)</u>	<u>8,289,413</u>	<u>2,250,089</u>
Total net assets	<u>\$ 77,673,474</u>	<u>\$ 83,865,331</u>	<u>\$ 55,441,569</u>	<u>\$ 52,990,319</u>	<u>\$ 133,115,043</u>	<u>\$ 136,855,650</u>

The largest portion of the City of Clinton's net assets (92.4%) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

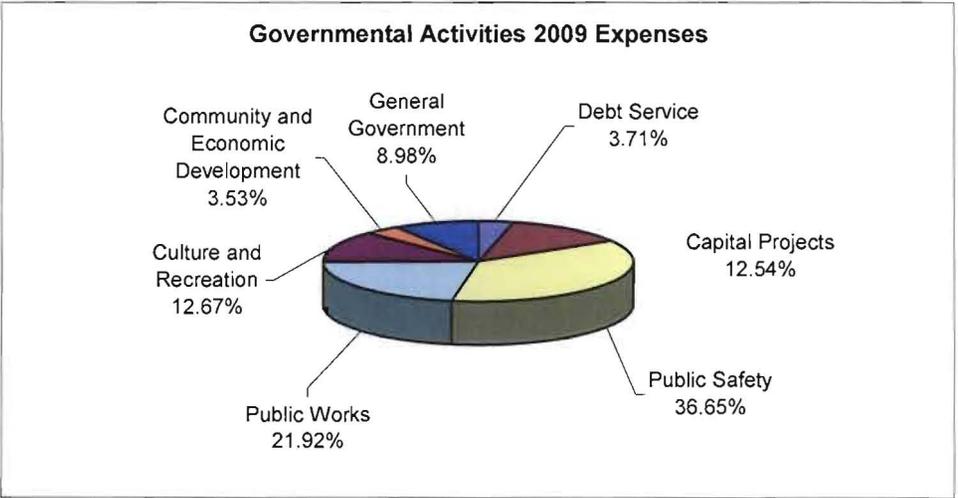
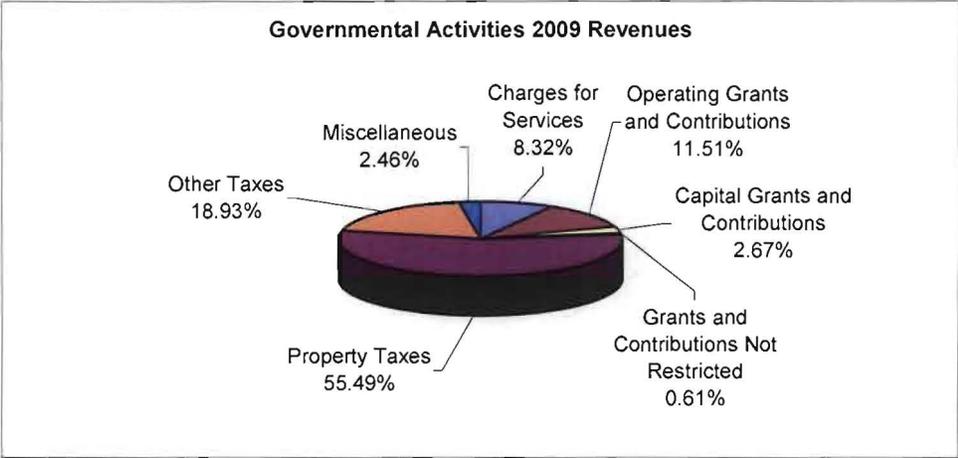
A portion of the City of Clinton's net assets (1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,289,413) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of 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 2008/09.

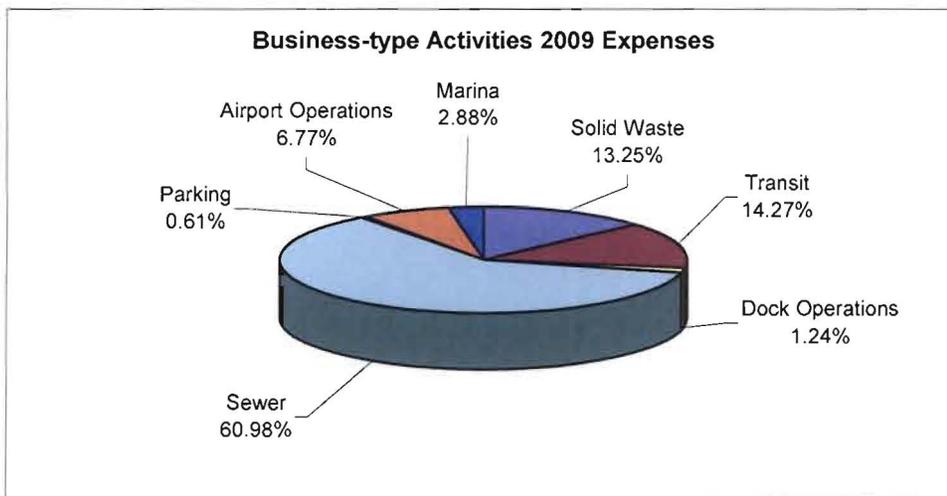
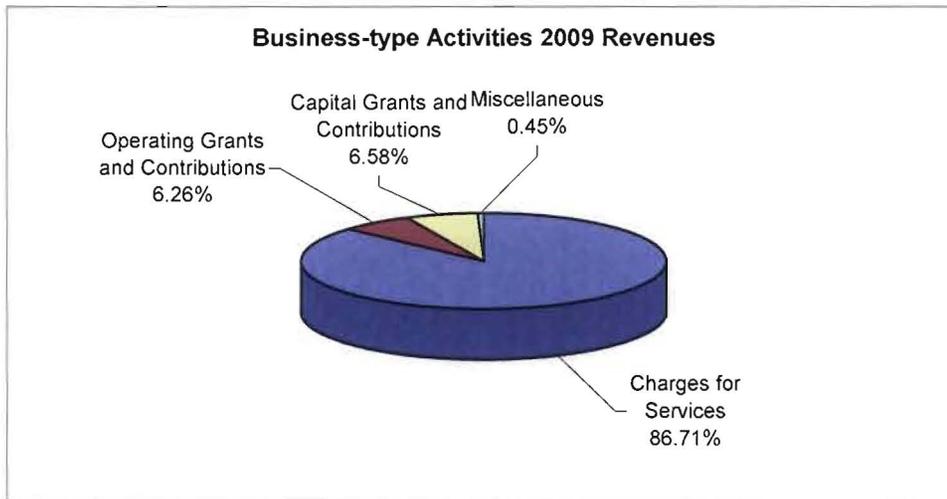
**City of Clinton's Changes in Net Assets  
June 30, 2009 and 2008**

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>	<u>Business-type Activities 2009</u>	<u>Business-type Activities 2008</u>	<u>Total 2009</u>	<u>Total 2008</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 1,960,584	\$ 2,217,534	\$ 8,919,595	\$ 7,550,487	\$ 10,880,179	\$ 9,768,021
Operating grants and contributions	2,713,248	2,947,873	643,929	648,063	3,357,177	3,595,936
Capital grants and contributions	630,303	5,879,956	676,530	931,034	1,306,833	6,810,990
General Revenues:						
Property taxes	13,074,717	12,458,935	-	-	13,074,717	12,458,935
Other taxes	4,461,022	3,952,326	-	-	4,461,022	3,952,326
Grants and contributions not restricted to specific programs	144,091	143,701	-	-	144,091	143,701
Miscellaneous	580,308	1,270,984	46,501	33,139	626,809	1,304,123
<b>Total revenues</b>	<b>23,564,273</b>	<b>28,871,309</b>	<b>10,286,555</b>	<b>9,162,723</b>	<b>33,850,828</b>	<b>38,034,032</b>
<b>Expenses:</b>						
Public safety	10,271,638	9,749,037	-	-	10,271,638	9,749,037
Public works	6,144,085	5,714,566	-	-	6,144,085	5,714,566
Culture and recreation	3,551,211	3,099,828	-	-	3,551,211	3,099,828
Community and economic development	989,356	1,336,344	-	-	989,356	1,336,344
General government	2,517,166	1,165,940	-	-	2,517,166	1,165,940
Debt service	1,039,588	839,225	-	-	1,039,588	839,225
Capital projects	3,514,977	565,241	-	-	3,514,977	565,241
Sewer	-	-	5,831,439	4,862,926	5,831,439	4,862,926
Solid waste	-	-	1,267,064	1,251,262	1,267,064	1,251,262
Transit	-	-	1,364,873	1,409,639	1,364,873	1,409,639
Dock operations	-	-	118,932	69,973	118,932	69,973
Marina	-	-	274,984	178,512	274,984	178,512
Parking system	-	-	58,212	73,567	58,212	73,567
Airport operations	-	-	647,910	629,395	647,910	629,395
<b>Total expenses</b>	<b>28,028,021</b>	<b>22,470,181</b>	<b>9,563,414</b>	<b>8,475,274</b>	<b>37,591,435</b>	<b>30,945,455</b>
Increase (decrease) in net assets before transfers	(4,463,748)	6,401,128	723,141	687,449	(3,740,607)	7,088,577
Transfers	(1,728,109)	(6,286)	1,728,109	6,286	-	-
Increase (decrease) in net assets	(6,191,857)	6,394,842	2,451,250	693,735	(3,740,607)	7,088,577
Net assets - beginning of year	83,865,331	77,470,489	52,990,319	52,296,584	136,855,650	129,767,073
<b>Net assets - end of year</b>	<b>\$ 77,673,474</b>	<b>\$ 83,865,331</b>	<b>\$ 55,441,569</b>	<b>\$ 52,990,319</b>	<b>\$ 133,115,043</b>	<b>\$ 136,855,650</b>

**Governmental activities.** Governmental activities decreased the City's net assets by \$6,191,857. This decrease combined with an increase in the business-type activities resulted in overall decrease of \$3,740,607 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 \$2,451,250. The Sewer Revenue Fund experienced an increase in net assets of \$904,228 due to an increase in sewer rental rates. The Transit System Fund and the Non Major Enterprise Funds also experienced increases in net asset totals while the Solid Waste Fund and the Airport Operations Fund 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 \$3,850,028, a decrease of \$2,550,819 in comparison with the prior year. Approximately 81.0% of this total amount or \$3,115,629 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 \$362,723. 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 2.3% of total General Fund expenditures (excluding transfers out).

The fund balance of the City's General Fund decreased by \$2,603,638 during the current fiscal year. Fund balance increased in the prior year by \$402,218. The primary reason for the decrease in fund balance was due to an increase in expenses as well as the write-off of a significant number of accounts receivable in the current year. Management continues its efforts to control budgeted expenditures in addition to enhancing revenue streams whenever possible.

The Road Use Tax Fund experienced a decrease in fund balance of \$882,532. The fund balance for this fund is \$1,150,298. 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 2008/09.

The Employee Benefits Fund had a decrease in fund balance of \$21,643 and ended the year with a fund balance of \$537,780.

The Debt Service Fund ended fiscal year 2009 with a with a fund balance of \$379,287 compared to a beginning fund balance of \$701,333. Principal and interest payments increased compared to the prior year by \$304,778.

Fund balance for the Capital Projects Fund increased by \$516,440 compared to a prior year decrease of \$2,994,822. The City received \$6,815,000 in bond proceeds in the current year to eliminate the deficit fund balance and to finance on-going capital improvement projects.

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

Total net assets for the City's enterprise funds as of June 30, 2009 were \$55,441,569, an increase of \$2,451,250 from the previous fiscal year. This is primarily due to additional sewer revenue charges accounted for in the Sewer Revenue Fund as a result of a rate increase implemented in the prior year. The rate increase was needed in order to fund sanitary sewer improvements. Of the net assets of the enterprise funds, \$49,279,772 is invested in capital assets, net of related debt. Unrestricted net assets amounted to \$4,966,974.

The Solid Waste Collection Fund ended fiscal year 2009 with a net asset balance of \$1,344,149 compared to the prior year ending net asset balance of \$1,513,096. Overall, the fund experienced a net loss of \$168,947.

The Transit System Fund ended fiscal year 2009 with a net asset balance of \$2,972,039 compared to the prior year ending net asset balance of \$ 2,296,840. The change in net assets for fiscal year 2009 was \$675,199.

The Airport Operations Fund ended fiscal year 2009 with a net asset balance of \$3,034,295 compared to the prior year ending net asset balance of \$3,070,480.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$713,737, a decrease of \$141,995 from the prior year.

### General Fund Budgetary Highlights

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

- The original operating revenue budget of \$41,619,154 was decreased to \$40,168,066, a decrease of \$1,451,088. Major decreases were related to intergovernmental revenue and charges for services. The City did however increase the amount budgeted for bond proceeds from \$0 to \$12,689,600.
- The original operating expenditure budget of \$41,444,500 was increased to \$51,658,461, an increase of \$10,213,961. The majority of the expenditure increase was distributed between the capital projects and business-type activities functions.
- Even with the budget amendments, the City exceeded the budgeted amount in the public safety, culture and recreation, general government, and debt service functions.

A schedule detailing budgetary information can be found on pages 52-54 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, 2009 amounts to \$155,324,732 (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 \$5,818,503 compared to the prior year. Capital assets associated with governmental activities decreased by \$302,530 while capital assets for the business-type activities increased by \$6,121,033.

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

	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total 2009	Total 2008
Land	\$ 20,746,143	\$ 21,008,898	\$ 4,311,513	\$ 2,034,013	\$ 25,057,656	\$ 23,042,911
Construction in progress	9,859,974	11,270,403	3,338,643	6,575,227	13,198,617	17,845,630
Machinery and equipment	2,423,839	2,574,478	1,666,703	1,236,720	4,090,542	3,811,198
Land improvements	1,623,330	499,451	-	-	1,623,330	499,451
Buildings	12,741,108	13,093,080	13,697,984	14,115,466	26,439,092	27,208,546
Infrastructure	46,085,333	45,335,947	38,830,162	31,762,546	84,915,495	77,098,493
Total	<u>\$ 93,479,727</u>	<u>\$ 93,782,257</u>	<u>\$ 61,845,005</u>	<u>\$ 55,723,972</u>	<u>\$ 155,324,732</u>	<u>\$ 149,506,229</u>

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

- Continued construction of a new marina facility
- Improvements to the Aquatic Center
- Additional purchases of real estate for street construction & economic development in the Liberty Square Redevelopment area
- Capital expenditures for a new wastewater treatment plant
- Runway improvements at the municipal airport

Additional information concerning the City of Clinton's capital assets can be found in Note 5 on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Clinton had total debt outstanding of \$32,302,000. Of this amount \$18,720,000 comprises debt backed by the full faith and credit of the City. The City also had an economic development note and other capital loan notes payable of \$1,148,000. The remainder of the City's debt of \$12,434,000 represents notes secured solely by revenues generated from sanitary sewer rental fees.

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

	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total 2009	Total 2008
General obligation bonds	\$ 18,615,000	\$ 16,050,000	\$ 105,000	\$ 130,000	\$ 18,720,000	\$ 16,180,000
Notes payable	1,148,000	754,000	-	-	1,148,000	754,000
Sewer revenue notes	-	-	12,434,000	7,490,293	12,434,000	7,490,293
<b>Total</b>	<b>\$ 19,763,000</b>	<b>\$ 16,804,000</b>	<b>\$ 12,539,000</b>	<b>\$ 7,620,293</b>	<b>\$ 32,302,000</b>	<b>\$ 24,424,293</b>

During the current fiscal year, the City of Clinton increased its indebtedness by \$7,877,707. The City issued new general obligation debt of \$6,270,000 and additional notes payable of \$6,115,707.

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 \$63,167,992 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 44-46 of this report.

**Economic Factors and Next Year's Budget and Rates**

The City of Clinton's taxable value was \$778,705,396 for the 2008/09 fiscal year and increased to \$832,567,004 for fiscal year 2009/10. The City will also realize a 5.07% increase for fiscal year 2010/11. 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 2009/10. After 2010/11, the balance should begin to increase as the result of major industrial expansion. The overall City tax rate decreased by 1% for fiscal year 2009/10, and continues to decrease in 2010/11. 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 2009/10. For 2010/11, 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 2009/10. A transfer in from the Hotel/Motel Tax Fund remains at a consistent level through 2009/10, but increases to \$340,000 in 2010/11. 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 Jeffrey Horne, City Administrator, City of Clinton, 611 South 3<sup>rd</sup> Street, Clinton, IA 52733-2958.

CITY OF CLINTON, IOWA  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,035,899	\$ 723,644	\$ 5,759,543
Receivables			
Taxes	13,823,095	-	13,823,095
Service fees	190,695	3,498,014	3,688,709
Intergovernmental	1,626,201	747,254	2,373,455
Loan	3,072	-	3,072
Special assessments	114,860	445,241	560,101
Other	124,456	58,963	183,419
Prepaid insurance	4,243	-	4,243
Prepaid - other	36,737	1,250	37,987
Restricted cash and investments	8,594,941	2,144,395	10,739,336
Capital assets, net of accumulated depreciation	93,479,727	61,845,005	155,324,732
Total assets	<u>123,033,926</u>	<u>69,463,766</u>	<u>192,497,692</u>
<b>LIABILITIES</b>			
Cash overdrafts	8,763,651	203,899	8,967,550
Accounts payable	1,047,072	1,017,490	2,064,562
Warrants payable	770,473	129,615	900,088
Deposits payable	26,819	-	26,819
Accrued interest payable	242,660	-	242,660
Contracts payable	354,594	26,233	380,827
Deferred revenue	13,457,572	5,524	13,463,096
Estimated payable for incurred but not reported claims	225,097	-	225,097
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	2,895,000	25,000	2,920,000
Notes payable	151,000	648,000	799,000
Compensated absences	533,046	59,358	592,404
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	15,720,000	80,000	15,800,000
Notes payable	997,000	11,786,000	12,783,000
Net OPEB Liability	176,468	41,078	217,546
Total liabilities	<u>45,360,452</u>	<u>14,022,197</u>	<u>59,382,649</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	73,716,727	49,279,772	122,996,499
Restricted for:			
Police and fire retirement	360,226	-	360,226
Employee benefits	86,141	-	86,141
Capital equipment replacement/repairs	-	1,194,823	1,194,823
Debt service	180,941	-	180,941
Endowments	7,000	-	7,000
Unrestricted			
Undesignated	3,322,439	4,966,974	8,289,413
Total net assets	<u>\$ 77,673,474</u>	<u>\$ 55,441,569</u>	<u>\$ 133,115,043</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, 2009

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities:				
Public safety	\$ 10,271,638	\$ 900,355	\$ 260,251	\$ -
Public works	6,144,085	411,890	2,373,799	-
Culture and recreation	3,551,211	586,617	73,246	50,517
Community and economic development	989,356	47,554	5,952	-
General government	2,517,166	14,168	-	-
Debt service	1,039,588	-	-	-
Capital projects	3,514,977	-	-	579,786
Total governmental activities	<u>28,028,021</u>	<u>1,960,584</u>	<u>2,713,248</u>	<u>630,303</u>
Business-type activities				
Sewer	5,831,439	6,700,427	-	-
Solid waste	1,267,064	1,093,222	-	-
Transit	1,364,873	231,560	629,170	534,520
Dock operations	118,932	316,466	-	-
Marina	274,984	160,712	-	-
Parking system	58,212	19,628	96	-
Airport operations	647,910	397,580	14,663	142,010
Total business-type activities	<u>9,563,414</u>	<u>8,919,595</u>	<u>643,929</u>	<u>676,530</u>
<b>Total</b>	<u>\$ 37,591,435</u>	<u>\$ 10,880,179</u>	<u>\$ 3,357,177</u>	<u>\$ 1,306,833</u>

**GENERAL REVENUES**

General property tax
Delinquent tax
Tax increment financing
Mobile home tax
Hotel/motel tax
Local option sales tax
Franchise tax
Excise tax
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**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (9,111,032)	\$ -	\$ (9,111,032)
(3,358,396)	-	(3,358,396)
(2,840,831)	-	(2,840,831)
(935,850)	-	(935,850)
(2,502,998)	-	(2,502,998)
(1,039,588)	-	(1,039,588)
(2,935,191)	-	(2,935,191)
<u>(22,723,886)</u>	<u>-</u>	<u>(22,723,886)</u>
-	868,988	868,988
-	(173,842)	(173,842)
-	30,377	30,377
-	197,534	197,534
-	(114,272)	(114,272)
-	(38,488)	(38,488)
-	(93,657)	(93,657)
<u>-</u>	<u>676,640</u>	<u>676,640</u>
<u>(22,723,886)</u>	<u>676,640</u>	<u>(22,047,246)</u>
11,765,054	-	11,765,054
14,295	-	14,295
1,287,824	-	1,287,824
7,544	-	7,544
348,364	-	348,364
3,412,843	-	3,412,843
144,091	-	144,091
699,815	-	699,815
63,847	46,501	110,348
516,461	-	516,461
<u>(1,728,109)</u>	<u>1,728,109</u>	<u>-</u>
<u>16,532,029</u>	<u>1,774,610</u>	<u>18,306,639</u>
(6,191,857)	2,451,250	(3,740,607)
<u>83,865,331</u>	<u>52,990,319</u>	<u>136,855,650</u>
<u>\$ 77,673,474</u>	<u>\$ 55,441,569</u>	<u>\$ 133,115,043</u>

CITY OF CLINTON, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
<b>ASSETS</b>			
Cash and investments	\$ 517,900	\$ 1,065,130	\$ 563,215
Receivables			
Taxes	7,660,275	188,006	483,690
Service fees	189,891	-	-
Intergovernmental	4,877	21,204	-
Loan	-	-	-
Special assessments	23,065	-	-
Other	68,364	2,548	238
Prepaid insurance	543	-	-
Prepaid - other	25,002	-	-
Restricted cash and investments	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,489,917</b>	<b>\$ 1,276,888</b>	<b>\$ 1,047,143</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Cash overdrafts	\$ -	\$ -	\$ -
Accounts payable	386,340	58,970	-
Warrants payable	152,372	40,801	-
Deposits payable	-	26,819	-
Contracts payable	-	-	-
Accrued interest	-	-	-
Deferred revenue	7,562,937	-	-
Total liabilities	<u>8,101,649</u>	<u>126,590</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved for:			
Prepaid expenditures	25,545	-	-
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Endowments	-	-	-
Unreserved			
Designated for capital improvements	-	-	-
Undesignated			
Reported in			
General fund	362,723	-	-
Special revenue funds	-	1,150,298	1,047,143
Permanent funds	-	-	-
Total fund balances (deficit)	<u>388,268</u>	<u>1,150,298</u>	<u>1,047,143</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,489,917</b>	<b>\$ 1,276,888</b>	<b>\$ 1,047,143</b>

See notes to financial statements

<u>Special Revenue</u>				
<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 497,474	\$ 378,216	\$ -	\$ 708,694	\$ 3,730,629
3,381,026	1,656,461	-	453,637	13,823,095
-	-	-	-	189,891
-	-	1,577,365	22,755	1,626,201
-	-	-	3,072	3,072
-	-	27,198	64,597	114,860
-	-	4,611	48,695	124,456
-	-	-	3,700	4,243
-	-	-	9,021	34,023
-	-	8,594,941	-	8,594,941
<u>\$ 3,878,500</u>	<u>\$ 2,034,677</u>	<u>\$ 10,204,115</u>	<u>\$ 1,314,171</u>	<u>\$ 28,245,411</u>
\$ -	\$ -	\$ 8,763,651	\$ -	\$ 8,763,651
9,361	-	209,689	16,214	680,574
7,812	-	335,237	230,795	767,017
-	-	-	-	26,819
-	-	353,774	820	354,594
-	21,350	-	-	21,350
3,323,547	1,634,040	769,698	491,156	13,781,378
<u>3,340,720</u>	<u>1,655,390</u>	<u>10,432,049</u>	<u>738,985</u>	<u>24,395,383</u>
-	-	-	12,721	38,266
350,046	-	-	-	350,046
187,734	-	-	-	187,734
-	379,287	-	-	379,287
-	-	-	7,000	7,000
-	-	(227,934)	-	(227,934)
-	-	-	-	362,723
-	-	-	554,225	2,751,666
-	-	-	1,240	1,240
<u>537,780</u>	<u>379,287</u>	<u>(227,934)</u>	<u>575,186</u>	<u>3,850,028</u>
<u>\$ 3,878,500</u>	<u>\$ 2,034,677</u>	<u>\$ 10,204,115</u>	<u>\$ 1,314,171</u>	<u>\$ 28,245,411</u>

CITY OF CLINTON, IOWA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

Total governmental fund balances (page 21) \$ 3,850,028

*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 \$159,230,401  
and the accumulated depreciation is \$65,750,674. 93,479,727

Other long-term assets are not available to pay for current period expenditures and  
therefore are deferred in the funds. 323,806

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

- Compensated absences (533,046)
- Bonds and notes payable (19,612,000)
- Notes payable (151,000)
- Accrued interest payable (221,310)
- Other postemployment benefits (176,468)

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. 713,737

**Net assets of governmental activities (page 17) \$ 77,673,474**

See notes to financial statements

CITY OF CLINTON, IOWA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
<b>REVENUES</b>			
Taxes	\$ 7,737,301	\$ -	\$ 3,412,843
Licenses and permits	246,619	31,415	-
Use of money and property	155,195	8,957	14,076
Intergovernmental	190,559	2,373,599	-
Charges for services	1,042,244	175,217	-
Miscellaneous	110,317	3,193	-
<b>Total revenues</b>	<u>9,482,235</u>	<u>2,592,381</u>	<u>3,426,919</u>
<b>EXPENDITURES</b>			
Current			
Public safety	9,437,902	-	-
Public works	80,200	3,024,782	-
Culture and recreation	2,403,406	-	-
Community and economic development	185,260	-	-
General government	2,114,976	-	-
Capital projects	86,905	199,589	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<u>14,308,649</u>	<u>3,224,371</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,826,414)</u>	<u>(631,990)</u>	<u>3,426,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of bonds	-	-	-
Bond discount	-	-	-
Operating transfers in	3,810,644	9,406	-
Operating transfers out	(1,587,868)	(259,948)	(2,770,401)
<b>Total other financing sources (uses)</b>	<u>2,222,776</u>	<u>(250,542)</u>	<u>(2,770,401)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,603,638)	(882,532)	656,518
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>2,991,906</u>	<u>2,032,830</u>	<u>390,625</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 388,268</u>	<u>\$ 1,150,298</u>	<u>\$ 1,047,143</u>

See notes to financial statements

<u>Special Revenue</u>				
<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 3,460,286	\$ 1,369,889	\$ -	\$ 1,705,293	\$ 17,685,612
-	-	-	-	278,034
2,710	15,912	15,113	255,647	467,610
-	-	573,593	149,282	3,287,033
-	-	-	13,067	1,230,528
-	-	53,548	391,282	558,340
<u>3,462,996</u>	<u>1,385,801</u>	<u>642,254</u>	<u>2,514,571</u>	<u>23,507,157</u>
-	-	125,044	69,991	9,632,937
-	-	186,585	158,350	3,449,917
-	-	172,321	306,473	2,882,200
-	-	-	781,543	966,803
26,537	3,649	-	287,598	2,432,760
-	-	6,386,861	312,845	6,986,200
-	3,856,000	-	-	3,856,000
-	894,160	-	-	894,160
<u>26,537</u>	<u>4,753,809</u>	<u>6,870,811</u>	<u>1,916,800</u>	<u>31,100,977</u>
<u>3,436,459</u>	<u>(3,368,008)</u>	<u>(6,228,557)</u>	<u>597,771</u>	<u>(7,593,820)</u>
-	-	6,815,000	-	6,815,000
-	-	(43,890)	-	(43,890)
-	3,076,162	1,332,392	708,136	8,936,740
<u>(3,458,102)</u>	<u>(30,200)</u>	<u>(1,358,505)</u>	<u>(1,199,825)</u>	<u>(10,664,849)</u>
<u>(3,458,102)</u>	<u>3,045,962</u>	<u>6,744,997</u>	<u>(491,689)</u>	<u>5,043,001</u>
(21,643)	(322,046)	516,440	106,082	(2,550,819)
<u>559,423</u>	<u>701,333</u>	<u>(744,374)</u>	<u>469,104</u>	<u>6,400,847</u>
<u>\$ 537,780</u>	<u>\$ 379,287</u>	<u>\$ (227,934)</u>	<u>\$ 575,186</u>	<u>\$ 3,850,028</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, 2009

Net change in fund balances - total governmental funds (page 24) \$ (2,550,819)

***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	3,474,011
Depreciation expense	(3,758,893)
Loss on disposal of fixed assets	(2,489)

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. 101,006

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. (141,995)

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	(31,782)
Other postemployment benefits	(176,468)
Interest on long-term debt	(145,428)

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. (2,959,000)

**Change in net assets of governmental activities (page 19) \$ (6,191,857)**

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 597,693	\$ -
Receivables			
Service fees	2,891,712	606,302	-
Intergovernmental	36	-	747,218
Special assessments	440,676	4,565	-
Other	813	-	33,758
Prepaid - other	-	-	-
Restricted cash and investments	2,144,395	-	-
Capital assets, net of accumulated depreciation	51,793,213	190,826	2,460,771
Total assets	<u>57,270,845</u>	<u>1,399,386</u>	<u>3,241,747</u>
<b>LIABILITIES</b>			
Cash overdrafts	-	-	203,039
Accounts payable	910,890	30,324	6,131
Warrants payable	91,564	10,124	27,397
Contracts payable	26,233	-	-
Compensated absences payable	28,025	8,919	18,816
Notes payable	12,434,000	-	-
General obligation bonds payable	-	-	-
Deferred revenue	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Net OPEB liability	19,059	5,870	14,325
Total liabilities	<u>13,509,771</u>	<u>55,237</u>	<u>269,708</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,332,980	190,826	2,460,771
Restricted for:			
Capital equipment replacement/repairs	-	989,433	205,390
Unrestricted	4,428,094	163,890	305,878
Total net assets	<u>\$ 43,761,074</u>	<u>\$ 1,344,149</u>	<u>\$ 2,972,039</u>

See notes to financial statements

Airport Operations	Enterprise		Internal Service Health Insurance
	Nonmajor Enterprise	Total	
\$ 94,117	\$ 31,834	\$ 723,644	\$ 1,305,270
-	-	3,498,014	804
-	-	747,254	-
-	-	445,241	-
17,241	7,151	58,963	-
-	1,250	1,250	2,714
-	-	2,144,395	-
3,082,506	4,317,689	61,845,005	-
<u>3,193,864</u>	<u>4,357,924</u>	<u>69,463,766</u>	<u>1,308,788</u>
-	860	203,899	-
43,960	26,185	1,017,490	366,498
152	378	129,615	3,456
-	-	26,233	-
3,598	-	59,358	-
-	-	12,434,000	-
105,000	-	105,000	-
5,524	-	5,524	-
-	-	-	225,097
1,335	489	41,078	-
<u>159,569</u>	<u>27,912</u>	<u>14,022,197</u>	<u>595,051</u>
2,977,506	4,317,689	49,279,772	-
-	-	1,194,823	-
56,789	12,323	4,966,974	713,737
<u>\$ 3,034,295</u>	<u>\$ 4,330,012</u>	<u>\$ 55,441,569</u>	<u>\$ 713,737</u>

**CITY OF CLINTON, IOWA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2009**

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,700,427	\$ 1,063,587	\$ 226,961
Property rental	-	-	4,000
Miscellaneous	-	29,635	599
Total operating revenues	<u>6,700,427</u>	<u>1,093,222</u>	<u>231,560</u>
<b>OPERATING EXPENSES</b>			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,352,909	407,143	939,154
Commodities	589,293	116,600	206,274
Contractual services	1,938,251	661,202	125,415
Depreciation	1,643,215	82,119	94,030
Total operating expenses	<u>5,523,668</u>	<u>1,267,064</u>	<u>1,364,873</u>
Operating income (loss)	<u>1,176,759</u>	<u>(173,842)</u>	<u>(1,133,313)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	39,456	4,895	1,707
Intergovernmental	-	-	1,163,690
Interest expense	(307,771)	-	-
Total non-operating revenues (expenses)	<u>(268,315)</u>	<u>4,895</u>	<u>1,165,397</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	908,444	(168,947)	32,084
Operating transfers in	7,399,456	100,000	693,115
Operating transfers out	<u>(7,403,672)</u>	<u>(100,000)</u>	<u>(50,000)</u>
<b>CHANGE IN NET ASSETS</b>	904,228	(168,947)	675,199
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>42,856,846</u>	<u>1,513,096</u>	<u>2,296,840</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 43,761,074</u>	<u>\$ 1,344,149</u>	<u>\$ 2,972,039</u>

See notes to financial statements

Airport Operations	Enterprise		Internal Service Health Insurance
	Nonmajor Enterprise	Total	
\$ -	\$ 79,263	\$ 8,070,238	\$ 2,762,428
87,264	401,919	493,183	-
310,316	15,624	356,174	-
<u>397,580</u>	<u>496,806</u>	<u>8,919,595</u>	<u>2,762,428</u>
-	-	-	2,909,923
90,285	31,191	2,820,682	-
290,267	40,248	1,242,682	-
52,725	281,665	3,059,258	-
209,433	99,024	2,127,821	-
<u>642,710</u>	<u>452,128</u>	<u>9,250,443</u>	<u>2,909,923</u>
(245,130)	44,678	(330,848)	(147,495)
172	271	46,501	5,500
156,673	96	1,320,459	-
(5,200)	-	(312,971)	-
<u>151,645</u>	<u>367</u>	<u>1,053,989</u>	<u>5,500</u>
(93,485)	45,045	723,141	(141,995)
87,500	1,168,910	9,448,981	-
(30,200)	(137,000)	(7,720,872)	-
(36,185)	1,076,955	2,451,250	(141,995)
<u>3,070,480</u>	<u>3,253,057</u>	<u>52,990,319</u>	<u>855,732</u>
<u>\$ 3,034,295</u>	<u>\$ 4,330,012</u>	<u>\$ 55,441,569</u>	<u>\$ 713,737</u>

CITY OF CLINTON, IOWA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 6,353,033	\$ 1,105,379	\$ (377,787)
Cash paid to suppliers	(2,954,010)	(754,558)	(388,726)
Cash paid to employees	(1,332,101)	(401,245)	(927,922)
Net cash provided by (used in) operating activities	<u>2,066,922</u>	<u>(50,424)</u>	<u>(1,694,435)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental	-	-	-
Operating transfers in	7,399,456	100,000	693,115
Operating transfers out	(7,403,672)	(100,000)	(50,000)
Net cash provided by (used in) non-capital financing activities	<u>(4,216)</u>	<u>-</u>	<u>643,115</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(5,987,868)	-	(691,852)
Proceeds from sale of property	-	-	800
Intergovernmental	-	-	1,163,690
Increase in long-term debt	5,570,707	-	-
Principal payments on long-term debt	(627,000)	-	-
Lease payment	-	-	-
Interest expense	(307,771)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(1,351,932)</u>	<u>-</u>	<u>472,638</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	39,456	4,895	1,707
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	750,230	(45,529)	(576,975)
<b>CASH AND INVESTMENTS, JULY 1</b>	1,394,165	643,222	373,936
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ 2,144,395</u>	<u>\$ 597,693</u>	<u>\$ (203,039)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,176,759	\$ (173,842)	\$ (1,133,313)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,643,215	82,119	94,030
Changes in assets and liabilities:			
(Increase) decrease in receivables	(347,394)	12,157	(609,347)
(Increase) decrease in prepaid - other	-	-	-
Increase (decrease) in accounts payable	(47,788)	13,120	(78,833)
Increase (decrease) in warrants payable	(101,177)	10,124	21,796
Increase (decrease) in contracts payable	(277,501)	-	-
Increase (decrease) in compensated absences payable	1,749	28	(3,093)
Decrease in deferred revenue	-	-	-
Decrease in estimated payable for incurred but not reported claims	-	-	-
Increase (decrease) in postemployment benefits	19,059	5,870	14,325
Net cash flows provided by (used in) operating activities	<u>\$ 2,066,922</u>	<u>\$ (50,424)</u>	<u>\$ (1,694,435)</u>

See notes to financial statements

Airport Operations	Enterprise		Internal Service
	Nonmajor Enterprise	Total	Health Insurance
\$ 971,141	\$ 521,422	\$ 8,573,188	\$ 2,761,624
(386,785)	(315,116)	(4,799,195)	(2,844,194)
(88,136)	(30,702)	(2,780,106)	-
<u>496,220</u>	<u>175,604</u>	<u>993,887</u>	<u>(82,570)</u>
-	96	96	-
87,500	1,168,910	9,448,981	-
(30,200)	(137,000)	(7,720,872)	-
<u>57,300</u>	<u>1,032,006</u>	<u>1,728,205</u>	<u>-</u>
(283,524)	(1,286,410)	(8,249,654)	-
-	-	800	-
156,673	-	1,320,363	-
-	-	5,570,707	-
(25,000)	-	(652,000)	-
-	-	-	-
(5,200)	-	(312,971)	-
<u>(157,051)</u>	<u>(1,286,410)</u>	<u>(2,322,755)</u>	<u>-</u>
172	271	46,501	5,500
396,641	(78,529)	445,838	(77,070)
(302,524)	109,503	2,218,302	1,382,340
<u>\$ 94,117</u>	<u>\$ 30,974</u>	<u>\$ 2,664,140</u>	<u>\$ 1,305,270</u>
\$ (245,130)	\$ 44,678	\$ (330,848)	\$ (147,495)
209,433	99,024	2,127,821	-
571,234	24,616	(348,734)	(804)
250	45,000	45,250	(240)
(6,731)	20,237	(99,995)	23,459
(37,312)	(58,440)	(165,009)	927
-	-	(277,501)	-
814	-	(502)	-
2,327	-	2,327	-
-	-	-	41,583
1,335	489	41,078	-
<u>\$ 496,220</u>	<u>\$ 175,604</u>	<u>\$ 993,887</u>	<u>\$ (82,570)</u>

CITY OF CLINTON, IOWA  
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
June 30, 2009

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 423,630
Receivables	
Other	1,501
Prepaid insurance	47,746
Total assets	472,877
<b>LIABILITIES</b>	
Accounts payable	186,756
Warrants payable	286,121
Total liabilities	472,877
<b>NET ASSETS</b>	\$ -

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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. Other Postemployment Benefits (OPEB)
12. Industrial Development Revenue Bonds
13. Litigation
14. Subsequent Events
15. New Pronouncements

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**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, 2009, 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, 2009.

### *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.

### *Subsequent Events*

Management has evaluated subsequent events through September 2, 2010, the date the financial statements were available to be issued.

## **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, 2009, the budget was amended twice.

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	\$ 9,506,300	\$ 9,632,937	\$ (126,637)
Public Works	3,966,000	3,449,917	516,083
Culture and Recreation	2,877,500	2,882,200	(4,700)
Community and Economic Development	1,446,535	966,803	479,732
General Government	1,668,126	2,432,760	(764,634)
Debt Service	4,741,900	4,750,160	(8,260)
Capital Projects	9,278,400	6,986,200	2,292,200
Business-type Activities	18,173,700	9,563,414	8,610,286
<b>Total</b>	<u>\$ 51,658,461</u>	<u>\$ 40,664,391</u>	<u>\$ 10,994,070</u>

### NOTE 3 - DEPOSITS AND INVESTMENTS

**Deposits.** At year end, the City's carrying amount of deposits with financial institutions was \$ 2,969,577 and the bank balance was \$2,967,282. 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 \$4,985,372 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	\$ 2,969,577
Carrying amount of investments	4,985,372
<b>Total</b>	<u>\$ 7,954,949</u>
Cash and investments	\$ (3,208,007)
Cash and investments - Agency Funds	423,630
Restricted cash and investments	10,739,336
<b>Total</b>	<u>\$ 7,954,949</u>

#### NOTE 4 - FUND TRANSFER RECONCILIATION

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,810,644	\$ 1,587,868
Road Use Tax	9,406	259,948
Local Option Sales Tax	-	2,770,401
Employee Benefits	-	3,458,102
Debt Service	3,076,162	30,200
Capital Projects	1,332,392	1,358,505
Other Nonmajor Governmental Funds	708,136	1,199,825
Sewer Revenue	7,399,456	7,403,672
Solid Waste Collection	100,000	100,000
Transit System	693,115	50,000
Airport Operations	87,500	30,200
Other Nonmajor Proprietary Funds	1,168,910	137,000
	<u>\$ 18,385,721</u>	<u>\$ 18,385,721</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, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$21,008,898	\$ 1,791,260	\$ 2,054,015	\$20,746,143
Construction in progress	<u>11,270,403</u>	<u>4,103,947</u>	<u>5,514,376</u>	<u>9,859,974</u>
Total capital assets, not being depreciated	<u>32,279,301</u>	<u>5,895,207</u>	<u>7,568,391</u>	<u>30,606,117</u>
Capital assets, being depreciated				
Machinery and equipment	13,808,658	493,266	66,677	14,235,247
Land improvements	2,224,802	1,277,364	-	3,502,166
Buildings	18,112,525	200,646	-	18,313,171
Infrastructure	<u>89,412,940</u>	<u>3,160,760</u>	<u>-</u>	<u>92,573,700</u>
Total capital assets, being depreciated	<u>123,558,925</u>	<u>5,132,036</u>	<u>66,677</u>	<u>128,624,284</u>
Less accumulated depreciation for:				
Machinery and equipment	11,234,180	641,416	64,188	11,811,408
Land improvements	1,725,351	153,485	-	1,878,836
Buildings	5,019,445	552,618	-	5,572,063
Infrastructure	<u>44,076,993</u>	<u>2,411,374</u>	<u>-</u>	<u>46,488,367</u>
Total accumulated depreciation	<u>62,055,969</u>	<u>3,758,893</u>	<u>64,188</u>	<u>65,750,674</u>
Total capital assets, being depreciated, net	<u>61,502,956</u>	<u>1,373,143</u>	<u>2,489</u>	<u>62,873,610</u>
<b>Governmental activities capital assets, net</b>	<u>\$93,782,257</u>	<u>\$ 7,268,350</u>	<u>\$ 7,570,880</u>	<u>\$93,479,727</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 2,641,693
Public safety	437,747
Culture and recreation	632,613
General government	46,840
	<u>\$ 3,758,893</u>

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,034,013	\$ 2,277,500	\$ -	\$ 4,311,513
Construction in progress	6,575,227	4,064,009	7,300,593	3,338,643
Total capital assets, not being depreciated	<u>8,609,240</u>	<u>6,341,509</u>	<u>7,300,593</u>	<u>7,650,156</u>
Capital assets, being depreciated				
Machinery and equipment	6,836,992	710,856	800	7,547,048
Land improvements	319,900	-	-	319,900
Buildings	26,033,192	88,379	-	26,121,571
Infrastructure	75,029,904	8,409,503	-	83,439,407
Total capital assets, being depreciated	<u>108,219,988</u>	<u>9,208,738</u>	<u>800</u>	<u>117,427,926</u>
Less accumulated depreciation for:				
Machinery and equipment	5,600,272	280,073	-	5,880,345
Land improvements	319,900	-	-	319,900
Buildings	11,917,726	505,861	-	12,423,587
Infrastructure	43,267,358	1,341,887	-	44,609,245
Total accumulated depreciation	<u>61,105,256</u>	<u>2,127,821</u>	<u>-</u>	<u>63,233,077</u>
Total capital assets, being depreciated, net	<u>47,114,732</u>	<u>7,080,917</u>	<u>800</u>	<u>54,194,849</u>
<b>Business-type activities capital assets, net</b>	<u>\$55,723,972</u>	<u>\$13,422,426</u>	<u>\$ 7,301,393</u>	<u>\$61,845,005</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,643,215
Solid waste	82,119
Transit	94,030
Airport operations	209,433
Other business-type funds	99,024
	<u>\$ 2,127,821</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due One Year</u>
<b>Governmental activities</b>					
General obligation	\$ 16,050,000	\$ 6,270,000	\$ 3,705,000	\$ 18,615,000	\$ 2,895,000
Notes payable	754,000	545,000	151,000	1,148,000	151,000
Accrued compensated absences	501,264	753,063	721,281	533,046	533,046
Net OPEB liability	-	176,468	-	176,468	-
<b>Governmental activities, long-term liabilities</b>	<u>\$ 17,305,264</u>	<u>\$ 7,744,531</u>	<u>\$ 4,577,281</u>	<u>\$ 20,472,514</u>	<u>\$ 3,579,046</u>
<b>Business-type activities</b>					
General obligation	\$ 130,000	\$ -	\$ 25,000	\$ 105,000	\$ 25,000
Sewer revenue capital notes	7,490,293	5,570,707	627,000	12,434,000	648,000
Accrued compensated absences	59,860	108,369	108,871	59,358	59,358
Net OPEB liability	-	41,078	-	41,078	-
<b>Business-type activities, long-term liabilities</b>	<u>\$ 7,680,153</u>	<u>\$ 5,720,154</u>	<u>\$ 760,871</u>	<u>\$ 12,639,436</u>	<u>\$ 732,358</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, 2009 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	\$ 1,105,000
Refunding	05/01/01	3.35-4.50	5,575,000	1,125,000
Corporate purpose	11/01/03	3.00-5.00	630,000	180,000
Corporate purpose	11/01/03	1.75-3.75	2,800,000	2,190,000
Corporate purpose	05/01/06	5.40-5.70	7,620,000	4,715,000
Corporate purpose	05/01/06	4.00-4.25	3,470,000	3,135,000
Corporate purpose	09/01/08	3.25-4.75	6,270,000	6,270,000
			<u>\$29,780,000</u>	<u>\$18,720,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$4,417,106, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 2,920,000	\$ 790,406	\$ 3,710,406
2011	1,985,000	666,297	2,651,297
2012	1,665,000	583,552	2,248,552
2013	1,905,000	513,551	2,418,551
2014	1,770,000	434,104	2,204,104
2015-2019	6,670,000	1,123,266	7,793,266
2020-2024	1,405,000	258,980	1,663,980
2025-2028	400,000	46,950	446,950
<b>Total</b>	<b><u>\$ 18,720,000</u></b>	<b><u>\$ 4,417,106</u></b>	<b><u>\$ 23,137,106</u></b>

**Notes Payable.** Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2009 are as follows:

<b>Purpose</b>	<b>Date of Issue</b>	<b>Interest Rates</b>	<b>Amount Originally Issued</b>	<b>Amount Outstanding End of Year</b>
Economic Development	07/01	6.00%	\$ 800,000	\$ 754,000
Sewer plant improvements	11/11/93	4.62%	2,564,000	733,000
Sewer separation project	08/03/06	3.00%	2,804,000	2,171,000
Sewer system project	12/11/07	3.00%	9,898,000	9,530,000
Capital loan note, Series 2009	03/05/09	3.25%	315,000	210,000
Capital loan note, Series 2009	04/03/09	4.85%	230,000	184,000
			<b><u>\$16,611,000</u></b>	<b><u>\$13,582,000</u></b>

Debt service requirements to maturity, including interest of \$3,866,127 on notes payable, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 799,000	\$ 400,644	\$ 1,199,644
2011	822,000	372,790	1,194,790
2012	739,000	344,117	1,083,117
2013	765,000	318,066	1,083,066
2014	1,292,000	291,090	1,583,090
2015-2019	2,947,000	1,203,210	4,150,210
2020-2024	3,424,000	733,470	4,157,470
2025-2028	2,794,000	202,740	2,996,740
<b>Total</b>	<b><u>\$ 13,582,000</u></b>	<b><u>\$ 3,866,127</u></b>	<b><u>\$ 17,448,127</u></b>

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 2028. Total principal and interest remaining to be paid on the notes is \$16,267,579. For the current year, principal and interest paid and total customer net revenues were \$934,771 and \$1,235,295, 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 \$62,875 for the year ended June 30, 2009.

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 \$5,319.

#### **NOTE 7 - DEFICIT FUND BALANCE**

At June 30, 2009, the Capital Projects Fund had a deficit balance of \$227,934. The deficit fund balance is a result of project costs in excess of available funds. The deficit will be eliminated upon the collection of future revenues.

#### **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 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, 2009, 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, 2009 are summarized as follows:

Liability at June 30, 2008	\$ 183,514
Claims and changes in estimates during fiscal year 2009	2,424,923
Claim payments	<u>(2,383,340)</u>
<b>Liability at June 30, 2009</b>	<b><u>\$ 225,097</u></b>

Settled claims have not exceeded commercial coverage 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, 2009.

### **Construction Contracts**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2009. The City has additional commitments for signed construction contracts of approximately \$11,481,390 as of June 30, 2009. 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, 2009, 2008, and 2007, were \$892,079, \$1,179,239, and \$1,246,446, 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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008, and 2007 were \$300,464, \$280,456, and \$259,922, respectively, equal to the required contributions for each year.

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 209 active and 25 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 298,843
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>298,843</u>
Contributions made	<u>(83,963)</u>
Increase in net OPEB obligation	217,546
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 217,546</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the City contributed \$83,963 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 298,843	22.5%	\$ 217,546

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2.587 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.587 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,100,000, and the ratio of the UAAL to covered payroll was 16.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy.

Mortality rates are from the GRP 2000 Annuity Mortality Table. Annual retirement and termination probabilities were developed from IPERS formulas.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **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 - LITIGATION**

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal council, the potential loss on all claims and lawsuits will not materially effect the City's financial position.

#### **NOTE 14 - SUBSEQUENT EVENTS**

The City Council approved the issuance of the Series 2009A Taxable General Obligation Bonds in the amount of \$4,600,000. The bonds were dated August 26, 2009 with interest rates ranging from 1.75% to 5.00% and a final maturity on June 1, 2021. Proceeds from the bonds will be used to pay costs of street improvements, improvements to City parks, acquisition of an ambulance, Fire department building improvements, pool improvements, equipping City Hall and City Facility, and essential and general corporate purpose.

The City Council approved the issuance of the Series 2008 Sewer Revenue Capital Loan Anticipation Note in the amount of \$2,000,000. The agreement was dated December 17, 2008 with a 0% interest rate and a final maturity on December 17, 2011. At June 30, 2009 the balance of the note was \$0. The full amount of \$2,000,000 was drawn on April 2, 2010. Proceeds from the note will be used to pay costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing, and equipping all or part of the Municipal Sewer System, including the construction of a new sewer plant.

## NOTE 15 - NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board had issued the following statements not yet implemented by the City. The Statements, which might impact the City, are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the City beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the City beginning with its year ending June 30, 2010. This statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

The City's management has not yet determined the effect these Statements will have on the District's 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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>REVENUES</b>			
Taxes	\$ 17,685,612	\$ -	\$ 17,685,612
Licenses and permits	278,034	-	278,034
Use of money and property	467,610	46,501	514,111
Intergovernmental	3,287,033	1,320,459	4,607,492
Charges for services	1,230,528	8,070,238	9,300,766
Property rental	-	493,183	493,183
Special assessments	-	-	-
Miscellaneous	558,340	356,174	914,514
Total revenues	<u>23,507,157</u>	<u>10,286,555</u>	<u>33,793,712</u>
<b>EXPENDITURES</b>			
Current			
Public safety	9,632,937	-	9,632,937
Public works	3,449,917	-	3,449,917
Culture and recreation	2,882,200	-	2,882,200
Community and economic development	966,803	-	966,803
General government	2,432,760	-	2,432,760
Debt service	4,750,160	-	4,750,160
Capital projects	6,986,200	-	6,986,200
Business-type activities	-	9,563,414	9,563,414
Total expenditures	<u>31,100,977</u>	<u>9,563,414</u>	<u>40,664,391</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(7,593,820)</u>	<u>723,141</u>	<u>(6,870,679)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	6,771,110	-	6,771,110
Operating transfers in	8,936,740	9,448,981	18,385,721
Operating transfers out	(10,664,849)	(7,720,872)	(18,385,721)
Total other financing sources (uses)	<u>5,043,001</u>	<u>1,728,109</u>	<u>6,771,110</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(2,550,819)</u>	<u>2,451,250</u>	<u>(99,569)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>6,400,847</u>	<u>52,990,319</u>	<u>59,391,166</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,850,028</u>	<u>\$ 55,441,569</u>	<u>\$ 59,291,597</u>

Budgeted Amounts		Variance with Final Budget
Original	Final	Positive (Negative)
\$ 17,061,354	\$ 17,728,366	\$ (42,754)
437,000	284,000	(5,966)
992,500	858,600	(344,489)
8,096,200	6,778,600	(2,171,108)
10,599,400	10,131,000	(830,234)
-	-	493,183
-	183,800	(183,800)
4,432,700	4,203,700	(3,289,186)
<u>41,619,154</u>	<u>40,168,066</u>	<u>(6,374,354)</u>
9,400,200	9,506,300	(126,637)
2,738,700	3,966,000	516,083
2,842,700	2,877,500	(4,700)
1,453,500	1,446,535	479,732
1,413,500	1,668,126	(764,634)
4,564,700	4,741,900	(8,260)
5,040,700	9,278,400	2,292,200
<u>13,990,500</u>	<u>18,173,700</u>	<u>8,610,286</u>
<u>41,444,500</u>	<u>51,658,461</u>	<u>10,994,070</u>
174,654	(11,490,395)	4,619,716
-	12,689,600	(5,918,490)
13,366,473	11,012,009	7,373,712
(13,366,473)	(11,012,009)	(7,373,712)
<u>-</u>	<u>12,689,600</u>	<u>(5,918,490)</u>
174,654	1,199,205	(1,298,774)
<u>14,763,259</u>	<u>10,912,817</u>	<u>48,478,349</u>
<u>\$ 14,937,913</u>	<u>\$ 12,112,022</u>	<u>\$ 47,179,575</u>

**CITY OF CLINTON, IOWA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**June 30, 2009**

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 \$10,213,961. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements in the public safety, culture and recreation, general government and debt service functions exceeded the amount budgeted.

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
(In Thousands)  
**REQUIRED SUPPLEMENTARY INFORMATION**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UALL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2008	-	\$ 2,587	\$ 2,587	0.00%	\$ 10,100	25.6%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF CLINTON, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
<b>ASSETS</b>			
Cash and investments	\$ 158,925	\$ 243,906	\$ 53,881
Receivables			
Taxes	-	-	-
Intergovernmental	-	-	-
Loan	-	3,072	-
Special assessments	-	-	-
Other	48,573	-	2,600
Prepaid - other	9,021	-	-
Prepaid insurance	-	-	3,700
<b>TOTAL ASSETS</b>	<b>\$ 216,519</b>	<b>\$ 246,978</b>	<b>\$ 60,181</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,080	\$ 1,570	\$ 1,000
Warrants payable	101,783	2,762	900
Contracts payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>103,863</u>	<u>4,332</u>	<u>1,900</u>
<b>FUND BALANCES</b>			
Fund balance			
Reserved for prepaid expenditures	9,021	-	3,700
Reserved for endowments	-	-	-
Unreserved			
Undesignated			
Reported in			
Special revenue funds	103,635	242,646	54,581
Permanent funds	-	-	-
Total fund balances	<u>112,656</u>	<u>242,646</u>	<u>58,281</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 216,519</b>	<b>\$ 246,978</b>	<b>\$ 60,181</b>

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>
\$ 243,742	\$ 3,554	\$ 4,686	\$ 708,694
453,637	-	-	453,637
22,755	-	-	22,755
-	-	-	3,072
64,597	-	-	64,597
(2,478)	-	-	48,695
-	-	-	9,021
-	-	-	3,700
<u>\$ 782,253</u>	<u>\$ 3,554</u>	<u>\$ 4,686</u>	<u>\$ 1,314,171</u>
\$ 11,564	\$ -	\$ -	\$ 16,214
125,350	-	-	230,795
820	-	-	820
491,156	-	-	491,156
<u>628,890</u>	<u>-</u>	<u>-</u>	<u>738,985</u>
-	-	-	12,721
-	3,000	4,000	7,000
153,363	-	-	554,225
-	554	686	1,240
<u>153,363</u>	<u>3,554</u>	<u>4,686</u>	<u>575,186</u>
<u>\$ 782,253</u>	<u>\$ 3,554</u>	<u>\$ 4,686</u>	<u>\$ 1,314,171</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	251,389	1,173	-
Intergovernmental	76,217	-	-
Charges for services	13,067	-	-
Miscellaneous	258,800	2,876	33,337
Total revenues	<u>599,473</u>	<u>4,049</u>	<u>33,337</u>
<b>EXPENDITURES</b>			
Current			
Public safety	5,296	-	-
Public works	-	-	-
Culture and recreation	281,003	-	-
Community and economic development	88,955	38,911	-
General government	-	-	287,598
Capital projects	289,345	-	-
Total expenditures	<u>664,599</u>	<u>38,911</u>	<u>287,598</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(65,126)</u>	<u>(34,862)</u>	<u>(254,261)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	415,651	27,203	265,282
Operating transfers out	(275,659)	(7,651)	-
Total other financing sources (uses)	<u>139,992</u>	<u>19,552</u>	<u>265,282</u>
<b>NET CHANGE IN FUND BALANCES</b>	74,866	(15,310)	11,021
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>37,790</u>	<u>257,956</u>	<u>47,260</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 112,656</u>	<u>\$ 242,646</u>	<u>\$ 58,281</u>

<u>Special Revenue</u>	<u>Permanent</u>			
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>	
\$ 1,705,293	\$ -	\$ -	\$ 1,705,293	
3,046	17	22	255,647	
73,065	-	-	149,282	
-	-	-	13,067	
96,269	-	-	391,282	
<u>1,877,673</u>	<u>17</u>	<u>22</u>	<u>2,514,571</u>	
64,695	-	-	69,991	
158,350	-	-	158,350	
25,470	-	-	306,473	
653,677	-	-	781,543	
-	-	-	287,598	
23,500	-	-	312,845	
<u>925,692</u>	<u>-</u>	<u>-</u>	<u>1,916,800</u>	
<u>951,981</u>	<u>17</u>	<u>22</u>	<u>597,771</u>	
-	-	-	708,136	
<u>(916,515)</u>	<u>-</u>	<u>-</u>	<u>(1,199,825)</u>	
<u>(916,515)</u>	<u>-</u>	<u>-</u>	<u>(491,689)</u>	
35,466	17	22	106,082	
<u>117,897</u>	<u>3,537</u>	<u>4,664</u>	<u>469,104</u>	
<u>\$ 153,363</u>	<u>\$ 3,554</u>	<u>\$ 4,686</u>	<u>\$ 575,186</u>	

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2009

	Dock Operations	Marina	Parking System	Total
<b>ASSETS</b>				
Cash and investments	\$ 17,190	\$ -	\$ 14,644	\$ 31,834
Receivables				
Other	10,701	81	(3,631)	7,151
Prepaid - other	-	1,250	-	1,250
Capital assets, net of accumulated depreciation	2,497,320	1,597,375	222,994	4,317,689
Total assets	<u>2,525,211</u>	<u>1,598,706</u>	<u>234,007</u>	<u>4,357,924</u>
<b>LIABILITIES</b>				
Cash overdrafts	-	860	-	860
Accounts payable	-	25,797	388	26,185
Warrants payable	-	199	179	378
Net OPEB liability	-	-	489	489
Total liabilities	<u>-</u>	<u>26,856</u>	<u>1,056</u>	<u>27,912</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,497,320	1,597,375	222,994	4,317,689
Unrestricted	27,891	(25,525)	9,957	12,323
Total net assets	<u>\$ 2,525,211</u>	<u>\$ 1,571,850</u>	<u>\$ 232,951</u>	<u>\$ 4,330,012</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2009

	Dock Operations	Marina	Parking System	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 62,465	\$ -	\$ 16,798	\$ 79,263
Property rental	253,500	145,589	2,830	401,919
Miscellaneous	501	15,123	-	15,624
Total operating revenues	<u>316,466</u>	<u>160,712</u>	<u>19,628</u>	<u>496,806</u>
<b>OPERATING EXPENSES</b>				
Business-type/enterprise				
Personal services	-	-	31,191	31,191
Commodities	-	38,979	1,269	40,248
Contractual services	55,707	202,685	23,273	281,665
Depreciation	63,225	33,320	2,479	99,024
Total operating expenses	<u>118,932</u>	<u>274,984</u>	<u>58,212</u>	<u>452,128</u>
Operating income (loss)	<u>197,534</u>	<u>(114,272)</u>	<u>(38,584)</u>	<u>44,678</u>
<b>NON-OPERATING REVENUES</b>				
Interest revenue	118	-	153	271
Intergovernmental	-	-	96	96
Total non-operating revenues	<u>118</u>	<u>-</u>	<u>249</u>	<u>367</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	197,652	(114,272)	(38,335)	45,045
Operating transfers in	-	1,168,910	-	1,168,910
Operating transfers out	<u>(137,000)</u>	<u>-</u>	<u>-</u>	<u>(137,000)</u>
<b>CHANGE IN NET ASSETS</b>	60,652	1,054,638	(38,335)	1,076,955
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,464,559</u>	<u>517,212</u>	<u>271,286</u>	<u>3,253,057</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,525,211</u>	<u>\$ 1,571,850</u>	<u>\$ 232,951</u>	<u>\$ 4,330,012</u>

CITY OF CLINTON, IOWA  
COMBINING STATEMENT OF CASH FLOWS -  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2009

	Dock Operations	Marina	Parking System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 326,212	\$ 174,420	\$ 20,790	\$ 521,422
Cash paid to suppliers	(55,983)	(234,526)	(24,607)	(315,116)
Cash paid to employees	-	-	(30,702)	(30,702)
Net cash provided by (used in) operating activities	<u>270,229</u>	<u>(60,106)</u>	<u>(34,519)</u>	<u>175,604</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental	-	-	96	96
Operating transfers in	-	1,168,910	-	1,168,910
Operating transfers out	(137,000)	-	-	(137,000)
Net cash provided by (used in) non-capital financing activities	<u>(137,000)</u>	<u>1,168,910</u>	<u>96</u>	<u>1,032,006</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	<u>(177,500)</u>	<u>(1,108,910)</u>	<u>-</u>	<u>(1,286,410)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest revenue	<u>118</u>	<u>-</u>	<u>153</u>	<u>271</u>
<b>NET DECREASE IN CASH AND INVESTMENTS</b>	<u>(44,153)</u>	<u>(106)</u>	<u>(34,270)</u>	<u>(78,529)</u>
<b>CASH AND INVESTMENTS, JULY 1</b>	<u>61,343</u>	<u>(754)</u>	<u>48,914</u>	<u>109,503</u>
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ 17,190</u>	<u>\$ (860)</u>	<u>\$ 14,644</u>	<u>\$ 30,974</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 197,534	\$ (114,272)	\$ (38,584)	\$ 44,678
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	63,225	33,320	2,479	99,024
Changes in assets and liabilities:				
(Increase) decrease in receivables	9,746	13,708	1,162	24,616
(Increase) decrease in prepaid - other	-	45,000	-	45,000
Increase (decrease) in accounts payable	(276)	20,575	(62)	20,237
Increase (decrease) in warrants payable	-	(58,437)	(3)	(58,440)
Increase (decrease) in postemployment benefits	-	-	489	489
Net cash flows provided by (used in) operating activities	<u>\$ 270,229</u>	<u>\$ (60,106)</u>	<u>\$ (34,519)</u>	<u>\$ 175,604</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2009

	Payroll Clearing Fund	Miscellaneous Clearing Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 422,570	\$ 1,060	\$ 423,630
Receivables			
Other	-	1,501	1,501
Prepaid insurance	47,746	-	47,746
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 470,316</u>	<u>\$ 2,561</u>	<u>\$ 472,877</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 186,756	\$ -	\$ 186,756
Warrants payable	283,560	2,561	286,121
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>\$ 470,316</u>	<u>\$ 2,561</u>	<u>\$ 472,877</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2009

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<b>Payroll Clearing Fund</b>				
Assets:				
Cash and investments	\$ 436,731	\$ 12,226,001	\$ 12,240,162	\$ 422,570
Prepaid insurance	-	47,746	-	47,746
<b>Total assets</b>	<u>\$ 436,731</u>	<u>\$ 12,273,747</u>	<u>\$ 12,240,162</u>	<u>\$ 470,316</u>
Liabilities:				
Accounts payable	\$ 128,674	\$ 5,501,153	\$ 5,443,071	\$ 186,756
Warrants payable	308,057	9,740,057	9,764,554	283,560
<b>Total liabilities</b>	<u>\$ 436,731</u>	<u>\$ 15,241,210</u>	<u>\$ 15,207,625</u>	<u>\$ 470,316</u>
<b>Miscellaneous Clearing Fund</b>				
Assets:				
Cash and investments	\$ 651	\$ 30,991	\$ 30,582	\$ 1,060
Receivables				
Other	1,910	1,501	1,910	1,501
<b>Total assets</b>	<u>\$ 2,561</u>	<u>\$ 32,492</u>	<u>\$ 32,492</u>	<u>\$ 2,561</u>
Liabilities:				
Accounts payable	\$ -	\$ 4,430	\$ 4,430	\$ -
Warrants payable	2,561	-	-	2,561
<b>Total liabilities</b>	<u>\$ 2,561</u>	<u>\$ 4,430</u>	<u>\$ 4,430</u>	<u>\$ 2,561</u>
<b>Total All Funds</b>				
Assets:				
Cash and investments	\$ 437,382	\$ 12,256,992	\$ 12,270,744	\$ 423,630
Receivables				
Other	1,910	1,501	1,910	1,501
Prepaid insurance	-	47,746	-	47,746
<b>Total assets</b>	<u>\$ 439,292</u>	<u>\$ 12,306,239</u>	<u>\$ 12,272,654</u>	<u>\$ 472,877</u>
Liabilities:				
Accounts payable	\$ 128,674	\$ 5,505,583	\$ 5,447,501	\$ 186,756
Warrants payable	310,618	9,740,057	9,764,554	286,121
<b>Total liabilities</b>	<u>\$ 439,292</u>	<u>\$ 15,245,640</u>	<u>\$ 15,212,055</u>	<u>\$ 472,877</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>						
Taxes	\$ 17,685,612	\$ 16,696,773	\$ 16,356,349	\$ 15,093,950	\$ 14,569,285	\$ 13,209,020
Licenses and permits	278,034	302,729	271,733	192,010	247,289	183,969
Use of money and property	467,610	505,698	533,043	509,542	407,488	413,213
Intergovernmental	3,287,033	6,943,004	8,325,118	6,926,122	4,384,103	5,324,550
Charges for services	1,230,528	1,566,224	1,518,430	1,363,812	1,338,684	1,104,422
Miscellaneous	558,340	723,501	938,498	970,657	309,536	349,131
<b>TOTAL REVENUES</b>	<b><u>\$ 23,507,157</u></b>	<b><u>\$ 26,737,929</u></b>	<b><u>\$ 27,943,171</u></b>	<b><u>\$ 25,056,093</u></b>	<b><u>\$ 21,256,385</u></b>	<b><u>\$ 20,584,305</u></b>
<b>EXPENDITURES</b>						
Current						
Public safety	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919	\$ 8,118,198	\$ 7,773,283
Public works	3,449,917	3,147,176	2,819,417	2,689,177	2,680,519	2,371,651
Culture and recreation	2,882,200	2,560,291	2,525,097	2,443,820	2,468,359	2,291,667
Community and economic development	966,803	1,346,733	1,175,920	1,356,850	1,718,548	737,029
General government	2,432,760	1,128,739	1,047,609	1,050,086	972,907	1,039,592
Debt service	4,750,160	4,445,382	4,755,246	8,379,435	4,140,643	12,068,982
Capital projects	6,986,200	7,915,554	7,553,288	12,522,925	4,852,235	4,907,607
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 31,100,977</u></b>	<b><u>\$ 29,958,648</u></b>	<b><u>\$ 28,979,766</u></b>	<b><u>\$ 37,147,212</u></b>	<b><u>\$ 24,951,409</u></b>	<b><u>\$ 31,189,811</u></b>

## OTHER INFORMATION SECTION

CITY OF CLINTON, IOWA  
ACTUAL PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2004/05	2005/06	2006/07	2007/08	2008/09
<u>January 1 Valuation</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential property	\$ 620,381,886	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206
Commercial property	213,052,556	212,733,005	239,709,838	254,475,073	258,943,100
Industrial property	97,047,192	90,567,968	92,280,556	103,889,045	113,859,248
Utilities	79,872,814	85,108,878	87,104,661	86,562,503	84,928,187
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	1,010,801,198	1,040,774,106	1,100,532,053	1,163,025,557	1,252,731,491
Agricultural land	<u>10,210,421</u>	<u>10,420,888</u>	<u>10,961,103</u>	<u>10,898,984</u>	<u>10,628,345</u>
<b>TOTAL</b>	<u><u>\$ 1,021,011,619</u></u>	<u><u>\$ 1,051,194,994</u></u>	<u><u>\$ 1,111,493,156</u></u>	<u><u>\$ 1,173,924,541</u></u>	<u><u>\$ 1,263,359,836</u></u>

CITY OF CLINTON, IOWA  
TAXABLE PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2004/05	2005/06	2006/07	2007/08	2008/09
<u>January 1 Valuation</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential property	\$ 300,611,316	\$ 312,687,063	\$ 310,556,419	\$ 323,640,980	\$ 345,681,673
Commercial property	211,469,613	212,733,005	237,440,179	254,475,073	258,177,965
Industrial property	97,047,192	90,567,968	92,280,556	103,889,045	113,859,248
Utilities	68,461,470	65,735,002	65,194,081	62,171,994	64,187,274
Other	446,750	446,750	446,750	446,750	446,750
Subtotal	678,036,341	682,169,788	705,917,985	744,623,842	782,352,910
Less military exemptions	4,106,810	4,004,950	3,851,234	3,817,898	3,647,514
<b>TOTAL</b>	<u>\$ 673,929,531</u>	<u>\$ 678,164,838</u>	<u>\$ 702,066,751</u>	<u>\$ 740,805,944</u>	<u>\$ 778,705,396</u>
Agricultural land	<u>\$ 12,295,305</u>	<u>\$ 10,210,421</u>	<u>\$ 10,420,888</u>	<u>\$ 10,961,103</u>	<u>\$ 9,576,396</u>

CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2009

SUMMARY

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,920,000	\$ 790,406	\$ 3,710,406
2011	1,985,000	666,297	2,651,297
2012	1,665,000	583,552	2,248,552
2013	1,905,000	513,551	2,418,551
2014	1,770,000	434,104	2,204,104
2015	1,845,000	364,691	2,209,691
2016	1,650,000	289,767	1,939,767
2017	1,405,000	220,225	1,625,225
2018	1,475,000	157,563	1,632,563
2019	295,000	91,020	386,020
2020	305,000	78,925	383,925
2021	320,000	66,115	386,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 18,720,000</u>	<u>\$ 4,417,106</u>	<u>\$ 23,137,106</u>

CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2009

General Corporate Purpose Bonds  
Dated March 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,105,000</u>	<u>\$ 120,488</u>	<u>\$ 1,225,488</u>

General Obligation Refunding Bonds  
Dated May 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 825,000	\$ 49,800	\$ 874,800
2011	300,000	13,500	313,500
	<u>\$ 1,125,000</u>	<u>\$ 63,300</u>	<u>\$ 1,188,300</u>

CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2009

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 180,000</u>	<u>\$ 21,765</u>	<u>\$ 201,765</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,190,000</u>	<u>\$ 267,128</u>	<u>\$ 2,457,128</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND MATURITIES**  
**June 30, 2009**

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 4,715,000</u>	<u>\$ 795,775</u>	<u>\$ 5,510,775</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,135,000</u>	<u>\$ 878,755</u>	<u>\$ 4,013,755</u>

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2009**

**General Corporate Purpose Bonds  
Taxable - Series 2008A  
Dated September 1, 2008**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 243,635	\$ 243,635
2011	-	243,635	243,635
2012	-	243,635	243,635
2013	170,000	243,635	413,635
2014	800,000	238,110	1,038,110
2015	825,000	211,310	1,036,310
2016	965,000	182,435	1,147,435
2017	690,000	146,730	836,730
2018	720,000	119,820	839,820
2019	295,000	91,020	386,020
2020	305,000	78,925	383,925
2021	320,000	66,115	386,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 6,270,000</u>	<u>\$ 2,269,895</u>	<u>\$ 8,539,895</u>

**CITY OF CLINTON, IOWA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2009**

(Unaudited)

Actual property valuations, January 1, 2007	<u>\$1,263,359,836</u>
Debt limit - 5% of total valuation	\$ 63,167,992
Amount of debt applicable to limit - general obligation debt	\$ 18,720,000
economic development note	<u>1,148,000</u>
Total applicable debt	<u>19,868,000</u>
 <b>Legal debt margin</b>	 <u><u>\$ 43,299,992</u></u>

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

(Unaudited)

	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>	<u>2004/05</u>	<u>2003/04</u>
<b>Taxes</b>						
Property taxes	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678	\$ 10,935,516	\$ 9,701,894
Mobile home taxes	7,544	6,029	6,717	7,492	7,001	11,356
Utility excise taxes	699,751	710,877	747,851	658,333	653,610	618,326
Local option sales taxes	3,412,843	2,883,810	3,211,844	2,363,972	2,532,034	2,472,374
Hotel/motel taxes	348,364	357,639	303,726	296,306	290,812	248,276
Cable television franchise fees	144,091	143,701	143,163	143,172	138,787	145,264
Other taxes	-	-	-	-	11,508	11,529
	<u>17,674,662</u>	<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>
<b>Intergovernmental</b>						
Road use taxes	2,301,748	2,379,640	2,323,732	2,323,216	2,308,180	2,327,048
State consolidated payments	-	-	-	-	-	-
Bank franchise tax	-	-	-	-	5,886	24,730
Machinery and equipment tax replacement	-	-	-	-	16	350,166
Other federal/state revenues	3,038,439	5,411,763	6,290,529	5,264,706	2,588,722	4,026,803
County contributions	37,118	46,731	50,893	58,083	40,544	44,738
	<u>5,377,305</u>	<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>
<b>TOTAL</b>	<u><u>\$ 23,051,967</u></u>	<u><u>\$ 24,534,905</u></u>	<u><u>\$ 25,021,503</u></u>	<u><u>\$ 22,739,958</u></u>	<u><u>\$ 19,512,616</u></u>	<u><u>\$ 19,982,504</u></u>

CITY OF CLINTON, IOWA  
 MISCELLANEOUS STATISTICS  
 June 30, 2009

(Unaudited)

Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	203
Area in Square Miles	34.8
Population	27,772
City of Clinton Facilities and Services:	
Miles of Streets	185.44
Parks and Recreation:	
Parks	17
Park Acreage	476
Swimming Pool	1
Softball and Baseball Diamonds	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	\$5.22 per 100 cubic feet
Commercial Class 1	\$5.22 per 100 cubic feet
Commercial Class 2	\$5.742 per 100 cubic feet
Commercial Class 3	\$6.786 per 100 cubic feet
Commercial Class 4	\$7.830 per 100 cubic feet
Commercial Class 5	\$8.874 per 100 cubic feet
Public Transportation System:	
Buses	12
Fixed Routes Served	6
Para Transit Vehicles	6
Municipal Airport:	
Primary Runway Length (in feet)	5,204
Other Runway (in feet)	3,700

## COMPLIANCE SECTION



**Winkel, Parker  
& Foster, CPA PC**

Certified Public Accountants & Consultants

**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, 2009, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated September 2, 2010. 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 items II-A-09 and II-B-09 are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Clinton, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 a separate letter dated September 2, 2010.

Comments involving statutory and other legal matters about the City of Clinton, Iowa's operations for the year ended June 30, 2009 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.

*Walt, Park & Foster, CPA PC*

Clinton, Iowa  
September 2, 2010



**Winkel, Parker  
& Foster, CPA PC**

Certified Public Accountants & Consultants

**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, 2009. 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, 2009. 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-09.

**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.

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.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

*Walt, Park & Foster, CPA PC*

Clinton, Iowa  
September 2, 2010

CITY OF CLINTON, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing & Urban Development Office of Community Planning & Development EDI Special Project	14.251	B-06-SP-IA-0278	\$ 742,500
Department of Justice Office of Community Oriented Policing Services COPS 2006 Technology Grant	16.607	2006CKWX0540	11,171
Department of Transportation Federal Aviation Administration Airport Runway Improvements	20.106	3-19-0019-13-2008	12,711
Airport Runway Improvements Subtotal	20.106	3-19-0019-14-2009	197,594 <u>210,305</u>
Environmental Protection Agency Brownsfields Assessment & Cleanup Cooperative Agreement - Hazardous Substances	66.818	BF98798001	9,121
Cooperative Agreement - Hazardous Substances	66.818	BF98798101	6,182
Cooperative Agreement - Hazardous Substances Subtotal	66.818	BF98798201	9,124 <u>24,427</u>
Total Direct			<u>988,403</u>
Indirect:			
Department of the Interior, Fish & Wildlife Service Iowa Department of Natural Resources Tier 2 Boating Infrastructure Grant	66.605	FY00-BIG	161,162
Department of Transportation Iowa Department of Transportation SAFETEA-LU Highway Demonstration Project	20.205	HDP-1415(616)--71-23	34,260
Highway Planning and Construction	20.205	EDP-1415(615)-7Y-23	46,764
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-141-09	454,421
Capital Investment Grants Subtotal	20.500	04-913-141-08	534,520 <u>1,069,965</u>
U.S. Department of Justice Governor's Office of Drug Control Policy Project Safe Neighborhoods	16.609	07-SD09	10,231
2007 Byrne Justice Assistance Grant Program	16.609	2007-F4268-IADJ	11,069
			<u>21,300</u>
Federal Emergency Management Agency Iowa Homeland Security & Emergency Management Division Federal Disaster Grant	97.036	FEMA-1763-DR-IA	4,650
FEMA Flood Damage Subtotal	97.036	DR-1763-IA	11,737 <u>16,387</u>
Total Indirect			1,268,814
<b>TOTAL</b>			<u><u>\$ 2,257,217</u></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, 2009**

**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, 2009. 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, 2009**

**Part I: Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   x   no
- Significant deficiencies identified that are not considered to be material weaknesses?        yes   x   none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.251	EDI Special Project
20.500	Capital Investment Grant

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

Auditee qualified as low-risk auditee?        yes   x   no

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2009**

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

**SIGNIFICANT DEFICIENCIES:**

II-A-09    Financial Statement Preparation

Criteria - The City engages Winkel, Parker & Foster, CPA PC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Winkel, Parker & Foster, CPA PC cannot be considered part of the City's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the District should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the entity's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause - The City has relied on independent auditor's to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2009**

**Part II: Findings Related to the Financial Statements:** (Continued)

II-B-09    Audit Adjustments

Criteria - Auditing standards indicate that an important aspect of internal control is the adjustment and reconciliation of general ledger account balances to supporting information.

Condition - During the course of our audit, we noted accounts in which adjusting entries were required to prevent the financial statements from being materially misstated. We identified material amounts of receivables, capital asset additions, accounts payable and revenue not properly recorded in the City's financial statements.

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

Cause - The City has not implemented procedures to ensure receivables, capital asset additions, accounts payable and revenue are properly recorded.

Recommendation - We recommend that the City implement procedures to ensure that all receivables, capital asset additions, accounts payable and revenue are identified and properly included in the City's financial statements.

Response - The City will review current procedures and adjust accordingly.

Conclusion - Response accepted.

II-C-09    Journal Entries

Criteria - Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement could occur and not be detected.

Condition - The City does not have effective controls over journal entries.

Effect - As a result of this condition, there is a higher risk that account balances could be materially misstated.

Cause - The City has not implemented procedures to ensure that all journal entries are reviewed and approved by someone other than the preparer.

Recommendation - Another employee or member of management should review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

Response - The City will review current procedures and adjust accordingly.

Conclusion - Response accepted

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**Part II: Findings Related to the Financial Statements:** (Continued)

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

**SIGNIFICANT DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

**Finding No. III-A-09**

**Federal Program Name:** EDI Special Project

**Project Number:** B-06-SP-IA-0278

**CFDA Number:** 14.251

**Passed Through:** Office of Community Planning and Development

**Federal Agency:** Department of Housing and Urban Development

Criteria - The City was required to submit to the Grant Officer a progress report every six months after the effective date of the grant agreement.

Condition - The City did not submit progress reports timely.

Questioned Costs - N/A

Context - This finding represents a systematic problem. It was noted that none of the progress reports were filed timely.

Effect - Grant funding and project status can be delayed or rescinded when required reports are not submitted.

Cause - The City did not have proper controls in place to ensure that progress reports were submitted timely.

Recommendation - The City should establish controls and procedures to ensure reports are submitted in accordance with the requirements of grant agreements,

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, 2009**

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

IV-A-09      Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the public safety, culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-09      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-09      Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-D-09      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	\$ 2,906
James McGraw, City Planning Commission, Owner of Happy Joe's Pizza	Miscellaneous	643
James Connell, Clinton Police Officer, Spouse: Mary Connell, President of Air Control	Repairs and Maintenance	28,987
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	58,667

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Planning Commission do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. All transactions over \$1,500 with the Tree Commission and Clinton Police Officer were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa and do not appear to represent a conflict of interest.

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**Part IV: Other Findings Related to Required Statutory Reporting:** (Continued)

The transactions with the Zoning Board of Adjustments were not entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation - The City should comply with Chapter 362.5(4) of the Code of Iowa and file the report by the deadline.

Response - The City will comply with Chapter 362.5(4) in the future, if applicable.

Conclusion - Response accepted.

IV-E-09 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-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-09 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-H-09 Revenue Bonds - We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

IV-I-09 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-09 Financial Condition - The Capital Projects Fund had a deficit balance at June 30, 2009 of \$227,934.

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, 2009**

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve
<b>ASSETS</b>			
Receivables			
Service fees	\$ -	\$ -	\$ -
Grants	-	-	-
Special assessments	-	-	-
Other	513	-	-
Restricted cash and investments	303,508	1,051,380	691,663
Total assets	304,021	1,051,380	691,663
<b>LIABILITIES</b>			
Accounts payable	215,577	-	-
Warrants payable	88,444	-	-
Contracts payable	-	-	-
Total liabilities	304,021	-	-
<b>NET ASSETS</b>			
Restricted for:			
Capital equipment replacement/repairs	-	1,051,380	691,663
Debt service	-	-	-
Unrestricted	-	-	-
Total net assets	\$ -	\$ 1,051,380	\$ 691,663

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,891,712	\$ -	\$ 2,891,712
-	-	-	36	36
-	-	-	440,676	440,676
-	-	300	-	813
<u>272,777</u>	<u>211,993</u>	<u>(1,050,520)</u>	<u>663,594</u>	<u>2,144,395</u>
<u>272,777</u>	<u>211,993</u>	<u>1,841,492</u>	<u>1,104,306</u>	<u>5,477,632</u>
-	-	14,163	681,149	910,889
-	-	3,118	-	91,562
-	-	-	26,233	26,233
<u>-</u>	<u>-</u>	<u>17,281</u>	<u>707,382</u>	<u>1,028,684</u>
-	-	-	-	1,743,043
<u>272,777</u>	<u>211,993</u>	<u>-</u>	<u>-</u>	<u>484,770</u>
<u>-</u>	<u>-</u>	<u>1,824,211</u>	<u>396,924</u>	<u>2,221,135</u>
<u>\$ 272,777</u>	<u>\$ 211,993</u>	<u>\$ 1,824,211</u>	<u>\$ 396,924</u>	<u>\$ 4,448,948</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, 2009**

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
<b>OPERATING REVENUES</b>			
Charges for service	\$ 51,665	\$ -	\$ -
Sale of equipment/materials	-	-	-
Miscellaneous	-	-	-
Total operating revenues	<u>51,665</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Business type/enterprise			
Personal services	1,333,850	-	-
Commodities	585,512	-	-
Contractual services	1,686,658	-	-
Capital outlay/improvements	194,101	-	-
Total operating expenses	<u>3,800,121</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>(3,748,456)</u>	<u>-</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	4,695	3,095
Intergovernmental	-	-	-
State Revolving Loan Proceeds	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>-</u>	<u>4,695</u>	<u>3,095</u>
<b>INCOME (LOSS)</b>			
<b>BEFORE OPERATING TRANSFERS</b>	(3,748,456)	4,695	3,095
Operating transfers in	3,748,456	80,000	50,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	-	84,695	53,095
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>966,685</u>	<u>638,568</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,051,380</u>	<u>\$ 691,663</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 6,324,164	\$ 326,348	\$ 6,702,177
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,324,164</u>	<u>326,348</u>	<u>6,702,177</u>
-	-	-	-	1,333,850
-	-	-	3,781	589,293
-	-	-	251,593	1,938,251
627,000	-	-	5,793,766	6,614,867
<u>627,000</u>	<u>-</u>	<u>-</u>	<u>6,049,140</u>	<u>10,476,261</u>
<u>(627,000)</u>	<u>-</u>	<u>6,324,164</u>	<u>(5,722,792)</u>	<u>(3,774,084)</u>
-	985	30,682	-	39,457
-	-	-	-	-
-	-	-	5,570,707	5,570,707
<u>(307,771)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,771)</u>
<u>(307,771)</u>	<u>985</u>	<u>30,682</u>	<u>5,570,707</u>	<u>5,302,393</u>
(934,771)	985	6,354,846	(152,085)	1,528,309
1,021,000	-	-	2,500,000	7,399,456
-	-	(7,394,266)	(9,406)	(7,403,672)
86,229	985	(1,039,420)	2,338,509	1,524,093
<u>186,548</u>	<u>211,008</u>	<u>2,863,631</u>	<u>(1,941,585)</u>	<u>2,924,855</u>
<u>\$ 272,777</u>	<u>\$ 211,993</u>	<u>\$ 1,824,211</u>	<u>\$ 396,924</u>	<u>\$ 4,448,948</u>

**CITY OF CLINTON, IOWA  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2009**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
II-A-08	Financial Reporting	Not Corrected	The City does not have the proper controls in place to ensure that account balances are properly recorded.
III-A-08	Reporting	Not Corrected	The City does not have the proper controls in place to ensure reports are filed in a timely manner.
III-B-08	Grant Reporting	Not Corrected	The City does not have the proper controls in place to ensure that grant reports reconcile to the City's financial records.

**CITY OF CLINTON, IOWA  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2009**

**Finding No. III-A-09**

**Condition:**

The City did not submit progress reports timely.

**Corrective Action Plan:**

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

**Anticipated Completion Date:**

Immediately

**Contact Person Responsible for Corrective Action:**

Jeff Horne, City Administrator

September 2, 2010

To the Mayor and City Council  
City of Clinton, Iowa  
Clinton, Iowa

We have completed our audit of the City of Clinton, Iowa's financial statements as of and for the year ended June 30, 2009, and have issued our report dated September 2, 2010. In connection with our audit engagement, we noted the following matter which we would like to bring to your attention.

Employee Reimbursements

During the course of the audit engagement it was noted that the City was not following its reimbursement policy for employee meals. There were several instances in which employees were reimbursed for meals that exceeded the maximum amount to be reimbursed according to the City's policy.

We recommend that the City update its current policy for employee meal reimbursements.

This letter is intended solely for the information and use of management, the Mayor and members of the City Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
September 2, 2010