

CITY OF LECLAIRE

LeClaire, Iowa

***FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT***

June 30, 2009

CITY OF LECLAIRE, IOWA

June 30, 2009

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CITY OF LECLAIRE, IOWA

June 30, 2009

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Scannell	Mayor	Jan 2010
Ronald L. Leiby	Mayor Pro tem	Jan 2012
Lane R. Bleeker	Council Member	Jan 2010
Bruce R. Richardson	Council Member	Jan 2010
Debra D. Smith	Council Member	Jan 2010
Mary L. Farmer	Council Member	Jan 2012
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of LeClaire, Iowa

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 LeClaire, 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 financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 the 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 LeClaire as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the City of LeClaire'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 on pages 3 through 10 and budgetary comparison information on pages 42 through 43 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LeClaire's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and; in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carpentier, Mitchell, Hodsdon & Co., P.C.

Moline, Illinois
December 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of LeClaire provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

2009 FINANCIAL HIGHLIGHTS

- * Revenues of the City's governmental activities decreased 3%, or approximately \$139,000, from fiscal 2008 to fiscal 2009. Capital grants, contributions and restricted interest decreased approximately \$655,000 while tax increment financing revenues increased approximately \$361,000.
- * Revenues of the City's business-type activities decreased 24%, or approximately \$155,000, from fiscal 2008 to fiscal 2009. Capital grants, contributions and restricted interest decreased approximately \$173,000.
- * Program expenses of the City's governmental activities increased 9%, or approximately \$349,000, in fiscal 2009 from fiscal 2008.
- * Program expenses of the City's business-type activities decreased 13%, or approximately \$76,000, in fiscal 2009 from fiscal 2008.
- * The City's net assets increased 2%, or approximately \$300,000, from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities increased approximately \$328,000 and the net assets of the business-type activities decreased approximately \$28,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of LeClaire as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of LeClaire's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE FINANCIAL STATEMENTS

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- * Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- * Business-type activities includes the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental funds

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Urban Renewal Tax Increment Financing and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary funds

The proprietary fund accounts for the City's Enterprise Fund. This fund reports services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Fund is the Sewer Fund, a major fund of the City.

The financial statements required for the proprietary fund include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental and business-type activities.

NET ASSETS AT YEAR-END

June 30, 2009

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$ 4,843,363	\$ 261,526	\$ 5,104,889
Capital assets	<u>23,531,578</u>	<u>4,794,624</u>	<u>28,326,202</u>
Total assets	<u>\$28,374,941</u>	<u>\$ 5,056,150</u>	<u>\$33,431,091</u>
LIABILITIES			
Long-term liabilities	\$ 13,561,951	\$ 493,957	\$14,055,908
Other liabilities	<u>3,681,420</u>	<u>146,434</u>	<u>3,827,854</u>
Total liabilities	<u>\$ 17,243,371</u>	<u>\$ 640,391</u>	<u>\$17,883,762</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 10,020,630	\$ 4,300,668	\$14,321,331
Restricted	1,352,779	-	1,352,779
Unrestricted	<u>(241,872)</u>	<u>115,091</u>	<u>(126,781)</u>
Total net assets	<u>\$ 11,131,570</u>	<u>\$ 4,415,759</u>	<u>\$15,547,329</u>

June 30, 2008

ASSETS			
Current and other assets	\$ 3,225,386	\$ 167,627	\$ 3,393,013
Capital assets	<u>23,353,007</u>	<u>4,590,587</u>	<u>27,943,594</u>
Total assets	<u>\$26,578,393</u>	<u>\$ 4,758,214</u>	<u>\$31,336,607</u>
LIABILITIES			
Long-term liabilities	\$ 12,379,334	\$ 191,108	\$12,570,442
Other liabilities	<u>3,396,291</u>	<u>123,120</u>	<u>3,519,411</u>
Total liabilities	<u>\$ 15,775,625</u>	<u>\$ 314,228</u>	<u>\$16,089,853</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 12,290,340	\$ 4,408,748	\$16,699,088
Restricted	410,471	-	410,471
Unrestricted	<u>(1,898,043)</u>	<u>35,238</u>	<u>(1,862,805)</u>
Total net assets	<u>\$ 10,802,768</u>	<u>\$ 4,443,986</u>	<u>\$15,246,754</u>

Net assets of governmental activities increased approximately \$328,000, or 3%, from FY08. Net assets of business-type activities decreased approximately \$28,000, from FY08. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, for governmental activities is approximately (\$241,000) at the end of this year. The governmental activities deficit has decreased from FY08 to FY09 by approximately \$1,657,000, due primarily to the issuance of general obligation debt for non-capital purposes.

CHANGES IN NET ASSETS

Year Ended June 30, 2009

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
REVENUES			
Program revenues:			
Charges for services	\$ 403,247	\$ 502,514	\$ 905,761
Operating grants, contributions and restricted interest	364,942	- - - -	364,942
Capital grants, contributions and restricted interest	51,250	- - - -	51,250
General revenues:			
Property tax levies for:			
General purposes	993,182	- - - -	993,182
Debt service	176,438	- - - -	176,438
Tax increment financing	2,020,568	- - - -	2,020,568
Hotel/motel tax	167,998	- - - -	167,998
Local option sales tax	387,500	- - - -	387,500
Unrestricted investment earnings	1,805	795	2,600
Gain on sale of capital assets	<u>1,400</u>	<u>- - - -</u>	<u>1,400</u>
 Total revenues	 <u>\$ 4,568,330</u>	 <u>\$ 503,309</u>	 <u>\$ 5,071,639</u>
EXPENSES			
Program expenses:			
Public safety	\$ 910,279	\$ - - - -	\$ 910,279
Public works	1,119,103	- - - -	1,119,103
Culture and recreation	482,708	- - - -	482,708
Community and economic development	768,333	- - - -	768,333
General government	343,595	- - - -	343,595
Debt service	643,721	- - - -	643,721
Sewer	<u>- - - -</u>	<u>503,325</u>	<u>503,325</u>
 Total expenses	 <u>\$ 4,267,739</u>	 <u>\$ 503,325</u>	 <u>\$ 4,771,064</u>
 Increase (decrease) in net assets before transfers	 <u>\$ 300,591</u>	 <u>\$ (16)</u>	 <u>\$ 300,575</u>
Transfers	<u>28,211</u>	<u>(28,211)</u>	<u>- - - -</u>
 Increase (decrease) in net assets	 <u>\$ 328,802</u>	 <u>\$ (28,227)</u>	 <u>\$ 300,575</u>
Net assets, beginning of year	<u>10,802,768</u>	<u>4,443,986</u>	<u>15,246,754</u>
Net assets, end of year	<u>\$11,131,570</u>	<u>\$ 4,415,759</u>	<u>\$15,547,329</u>

CHANGES IN NET ASSETS (Cont'd)

Year Ended June 30, 2008

<u>REVENUES</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 304,404	\$ 484,075	\$ 788,479
Operating grants, contributions and restricted interest	419,846	- - - -	419,846
Capital grants, contributions and restricted interest	706,264	173,564	879,828
General revenues:			
Property tax levies for:			
General purposes	865,253	- - - -	865,253
Debt service	91,693	- - - -	91,693
Tax increment financing	1,659,131	- - - -	1,659,131
Hotel/motel tax	172,264	- - - -	172,264
Local option sales tax	405,210	- - - -	405,210
Unrestricted investment earnings	3,792	802	4,594
Gain on sale of capital assets	- - - -	- - - -	- - - -
Miscellaneous	<u>79,915</u>	<u>6,158</u>	<u>86,073</u>
 Total revenues	 <u>\$ 4,707,772</u>	 <u>\$ 664,599</u>	 <u>\$ 5,372,371</u>
 <u>EXPENSES</u>			
Program expenses:			
Public safety	\$ 914,395	\$ - - - -	\$ 914,395
Public works	1,043,433	- - - -	1,043,433
Culture and recreation	434,801	- - - -	434,801
Community and economic development	650,652	- - - -	650,652
General government	303,598	- - - -	303,598
Debt service	571,727	- - - -	571,727
Sewer	<u>- - - -</u>	<u>579,576</u>	<u>579,576</u>
 Total expenses	 <u>\$ 3,918,606</u>	 <u>\$ 579,576</u>	 <u>\$ 4,498,182</u>
 Increase (decrease) in net assets before transfers	 <u>\$ 789,166</u>	 <u>\$ 85,023</u>	 <u>\$ 874,189</u>
 Transfers	 <u>(44,828)</u>	 <u>44,828</u>	 <u>- - - -</u>
 Increase (decrease) in net assets	 <u>\$ 744,338</u>	 <u>\$ 129,851</u>	 <u>\$ 874,189</u>
Net assets, beginning of year	<u>10,058,430</u>	<u>4,314,135</u>	<u>14,372,565</u>
Net assets, end of year	<u>\$10,802,768</u>	<u>\$ 4,443,986</u>	<u>\$15,246,754</u>

Revenues decreased overall approximately \$300,000, or 6%, from FY08 to FY09. Capital grants, contributions and restricted interest decreased approximately \$828,000 due to a decrease in developer donated infrastructure. Tax increment financing increased approximately \$361,000 due to a combination of an increase in debt certified on the TIF debt certificate and an increase in property valuation.

Expenses increased overall approximately \$272,000, or 6%. Community and economic development expenses increased approximately \$117,000 due to more developer rebate payments. Public works expenses increased approximately \$75,000 due to increased fuel and snow removal costs and culture and recreation expenses increased approximately \$48,000 due to expenses for the Buffalo Bill Museum.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of LeClaire completed fiscal 2009, its governmental funds reported a combined fund balance of \$1,208,976, which is more than the \$(215,001) total fund balance at June 30, 2008. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund ended fiscal 2009 with a deficit balance of \$(57,018) compared to the prior year ending balance of \$(100,274), an increase of \$43,256. The increase in fund balance was achieved in part due to an increase in revenues combined with a short-term debt issuance to help fund the remaining expenditures in the General Fund.

The Special Revenue, Urban Renewal Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2009 with a balance of \$24,329 compared to the prior year ending deficit balance of \$(14,672). The increase in fund balance is a result of collecting more tax increment financing revenue than expenditures incurred.

The Debt Service Fund ended fiscal 2009 with a \$1,916 balance compared to the prior year ending balance of \$1,420. The amount of funds transferred in from other sources almost equaled the expenditures incurred.

The Capital Projects Fund ended fiscal 2009 with a balance of \$1,146,428 compared to the prior year ending balance of \$(289,273). The increase is a result of the issuance of general obligation debt.

Proprietary Fund Highlights

The Enterprise Sewer Fund ended fiscal 2009 with a \$4,415,759 net asset balance compared to the prior year ending net asset balance of \$4,443,986. The decrease is primarily due to transfers to other funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of LeClaire amended its budget twice. The amendments were made in February and May 2009. These amendments were needed to cover unplanned expenditures.

The City's revenues were \$48,818 less than budgeted, a variance of 1%. The most significant variance resulted from collecting less tax increment financing revenue than budgeted.

Total expenditures were \$2,396,470 less than budgeted, due primarily to debt service and capital project costs being under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$23,531,578 (net of accumulated depreciation) at June 30, 2009. Capital assets for business-type activities totaled \$4,794,624 (net of accumulated depreciation) at June 30, 2009. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the purchase of two vehicles, various equipment and street improvements. Construction in progress at June 30, 2009 consisted of street projects.

For business-type activities, construction in progress at June 30, 2009 consisted of engineering and design costs for an expanded and upgraded sanitary sewer system.

LONG-TERM DEBT

At June 30, 2009, the City had \$13,510,915 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$493,957 at June 30, 2009. During the year ended June 30, 2009, the City issued a total of \$4,705,000 in general obligation bonds to finance street improvements, the purchase of two vehicles and fire station improvements. Additionally, the City borrowed \$312,118 on a sewer interim project note during the year ended June 30, 2009. This note was issued to finance the planning and development stage of the sewer improvement and renovation project.

The City does not have a formal bond rating issued by one of the nationally recognized bond rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the 100% assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,290,787 is below its constitutional debt limit of \$13,110,827. Additional information about the City's long-term debt is presented in Note 4 of the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2010 budget. The City of LeClaire will again issue short-term debt to assist and support the operations of General and Road-Use Tax Funds and to reduce and eliminate the deficit balances. The City's assessed valuations continue to increase and the Council continues to carefully review its options with respect to the amounts certified for TIF purposes and for use within the General (and other) funds, both for the City and the other Scott County taxing entities dependent upon the City's valuations for revenue.

The General Fund is projected to end fiscal 2010 with a deficit fund balance of approximately (\$53,000) as shown in its 2010 adopted budget summary submitted to the State.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2010 are provided below:

General	\$ 8.10000
Levy Improvement	0.06750
Insurance	1.20699
Emergency	0.27000
Employee Benefits	4.43806
Deb Service	<u>1.99918</u>
 Total Regular Tax Levy Rate	 \$ <u>16.08173</u>
 Agricultural Tax Levy Rate	 \$ <u>3.00375</u>

The City's property tax rate for fiscal 2010 is \$16.08173/\$1,000 of valuation, which is \$1.38175/\$1,000 valuation higher from the rate (\$14.69998) in fiscal 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City Administrator at (563)-289-4242, via email at echoate@leclaireiowa.gov or at P.O. Box 605, 325 Wisconsin Street, LeClaire, Iowa 52753-0605.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and pooled assets	\$ 1,090,809	\$ 30,485	\$ 1,121,294
Receivables:			
Property tax:			
Delinquent	18,080	-	18,080
Succeeding year	1,238,000	-	1,238,000
Tax increment financing:			
Delinquent	96,048	-	96,048
Succeeding year	2,179,000	-	2,179,000
Customer accounts and unbilled usage	14,541	53,079	67,620
Accounts	11,022	-	11,022
Special assessments	19,221	21,496	40,717
Due from other governments	127,846	41,949	169,795
Inventories	32,573	9,131	41,704
Prepaid expenses	16,223	3,613	19,836
Restricted assets:			
Cash and pooled investments:			
Customer deposits	-	101,773	101,773
Capital assets not being depreciated	4,534,786	586,245	5,121,031
Capital assets (net of accumulated depreciation)	18,996,792	4,208,379	23,205,171
Total assets	<u>\$ 28,374,941</u>	<u>\$ 5,056,150</u>	<u>\$ 33,431,091</u>
LIABILITIES			
Accounts payable	\$ 186,782	\$ 34,372	\$ 221,154
Accrued interest payable	47,033	-	47,033
Deferred revenue:			
Succeeding year property tax	1,238,000	-	1,238,000
Succeeding year tax increment financing	2,179,000	-	2,179,000
Other	1,186	-	1,186
Liabilities payable from restricted assets:			
Customer deposits	29,419	101,773	131,192
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	781,050	-	781,050
Urban renewal tax increment revenue bonds	131,250	-	131,250
Capital lease purchase agreement	29,305	-	29,305
Compensated absences	51,036	10,289	61,325
Portion due or payable after one year:			
General obligation bonds/notes	11,218,950	-	11,218,950
Urban renewal tax increment revenue bonds	687,500	-	687,500
Sewer interim project note	-	493,957	493,957
Capital lease purchase agreement	662,860	-	662,860
Total liabilities	<u>\$ 17,243,371</u>	<u>\$ 640,391</u>	<u>\$ 17,883,762</u>

(Continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets net of related debt	\$ 10,020,663	\$ 4,300,668	\$ 14,321,331
Restricted for:			
Local option sales tax	38,131	-	38,131
Special levies	37,473	-	37,473
Tourism	3,834	-	3,834
Park, levee and recreation	63,010	-	63,010
Capital projects	1,182,439	-	1,182,439
Other purposes	27,892	-	27,892
Unrestricted	<u>(241,872)</u>	<u>115,091</u>	<u>(126,781)</u>
Total net assets	<u>\$ 11,131,570</u>	<u>\$ 4,415,759</u>	<u>\$ 15,547,329</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LeCLAIRE, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

FUNCTION/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest
Governmental activities:				
Public safety	\$ 910,279	\$ 91,286	\$ 18,296	\$ 51,250
Public works	1,119,103	212,831	254,953	-
Culture and recreation	482,708	43,062	69,425	-
Community and economic development	768,333	23,243	19,764	-
General government	343,595	32,825	80	-
Interest on long-term debt	643,721	-	2,424	-
Total governmental activities	\$ 4,267,739	\$ 403,247	\$ 364,942	\$ 51,250
Business-Type activities:				
Sewer	503,325	502,514	-	-
Total government	\$ 4,771,064	\$ 905,761	\$ 364,942	\$ 51,250

General revenues:
Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Hotel/motel tax
Sales taxes
Unrestricted investment earnings
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net assets

NET ASSETS, Beginning

NET ASSETS, Ending

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (749,447)	\$ -	\$ (749,447)
(651,319)	-	(651,319)
(370,221)	-	(370,221)
(725,326)	-	(725,326)
(310,690)	-	(310,690)
(641,297)	-	(641,297)
<hr/>	<hr/>	<hr/>
\$ (3,448,300)	\$ -	\$ (3,448,300)
<hr/>	(811)	(811)
<hr/>	<hr/>	<hr/>
\$ (3,448,300)	\$ (811)	\$ (3,449,111)
\$ 993,182	\$ -	\$ 993,182
176,438	-	176,438
2,020,568	-	2,020,568
167,998	-	167,998
387,500	-	387,500
1,805	795	2,600
1,400	-	1,400
28,211	(28,211)	-
<hr/>	<hr/>	<hr/>
\$ 3,777,102	\$ (27,416)	\$ 3,749,686
\$ 328,802	\$ (28,227)	\$ 300,575
10,802,768	4,443,986	15,246,754
<hr/>	<hr/>	<hr/>
\$ 11,131,570	\$ 4,415,759	\$ 15,547,329

The accompanying notes are an integral part of these financial statements.

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

ASSETS	<u>General Fund</u>	<u>Special Revenue</u> <u>Urban Renewal</u> <u>Tax Increment</u> <u>Financing</u>
Cash and pooled investments	\$ 203,134	\$ -
Receivables:		
Property tax:		
Delinquent	10,219	-
Succeeding year	644,000	-
Tax increment financing:		
Delinquent	-	96,048
Succeeding year	-	2,179,000
Customer accounts	14,541	-
Accounts	10,331	691
Special assessments	1,606	-
Due from other governments	48,213	-
Due from other funds	-	-
Inventories	2,239	-
Prepaid expenditures	5,673	-
	<u>\$ 939,956</u>	<u>\$ 2,275,739</u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts payable	\$ 66,676	\$ -
Due to other funds	255,693	72,410
Deferred revenue:		
Succeeding year property tax	644,000	-
Succeeding year tax increment financing	-	2,179,000
Other	1,186	-
Payable from restricted assets:		
Customer deposits	29,419	-
	<u>\$ 996,974</u>	<u>\$ 2,251,410</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,951	\$ 840,434	\$ 45,290	\$ 1,090,809
5,129	-	2,732	18,080
270,000	-	324,000	1,238,000
-	-	-	96,048
-	-	-	2,179,000
-	-	-	14,541
-	-	-	11,022
-	17,615	-	19,221
-	-	79,633	127,846
-	391,289	8,043	399,332
-	-	30,334	32,573
-	-	10,550	16,223
<u>\$ 277,080</u>	<u>\$ 1,249,338</u>	<u>\$ 500,582</u>	<u>\$ 5,242,695</u>
\$ 5,164	\$ 102,910	\$ 12,032	\$ 186,782
-	-	71,229	399,332
270,000	-	324,000	1,238,000
-	-	-	2,179,000
-	-	-	1,186
-	-	-	29,419
<u>\$ 275,164</u>	<u>\$ 102,910</u>	<u>\$ 407,261</u>	<u>\$ 4,033,719</u>

(Continued)

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

	<u>General Fund</u>	<u>Special Revenue</u> <u>Urban Renewal</u> <u>Tax Increment</u> <u>Financing</u>
LIABILITIES AND FUND BALANCES (Continued)		
Fund balances:		
Reserved for:		
Special levies	\$ 37,473	\$ -
Inventories	2,239	-
Prepaid expenditures	5,673	-
Park, levee and recreation	63,010	-
Tourism	3,834	-
Debt service	-	-
Capital projects	36,011	-
Endowment	-	-
Unreserved:		
Reported in:		
General fund	(205,258)	-
Special revenue funds	-	24,329
Capital projects fund	-	-
Total fund balances	<u>\$ (57,018)</u>	<u>\$ 24,329</u>
Total liabilities and fund balances	<u>\$ 939,956</u>	<u>\$ 2,275,739</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 37,473
-	-	30,334	32,573
-	-	10,550	16,223
-	-	-	63,010
-	-	-	3,834
1,916	-	-	1,916
-	-	-	36,011
-	-	24,708	24,708
-	-	-	(205,258)
-	-	27,729	52,058
-	1,146,428	-	1,146,428
<u>\$ 1,916</u>	<u>\$ 1,146,428</u>	<u>\$ 93,321</u>	<u>\$ 1,208,976</u>
<u>\$ 277,080</u>	<u>\$ 1,249,338</u>	<u>\$ 500,582</u>	<u>\$ 5,242,695</u>

The accompanying notes are an integral part of these financial statements.

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

Total fund balance - governmental funds \$ 1,208,976

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

Capital assets used in governmental activities are
not financial resources and, therefore, are not
reported in the funds. 23,531,578

Long-term liabilities, including general obligation bonds/notes,
urban renewal tax increment revenue bonds, capital lease
purchase agreement, compensated absences and accrued
interest payable, are not due and payable in the current
period and, therefore, are not reported as liabilities in the funds. (13,608,984)

Net assets of governmental activities \$ 11,131,570

The accompanying notes are an integral part of these financial statements.

CITY OF LeCLAIRE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue</u>
		<u>Urban Renewal Tax Increment Financing</u>
REVENUES		
Taxes:		
Property	\$ 724,478	\$ -
Tax increment financing	-	2,020,568
Other city tax	224,617	-
Licenses and permits	8,566	-
Use of money and property	40,420	4,754
Intergovernmental	61,427	-
Charges for service	257,660	-
Special assessments	4	-
Miscellaneous	172,810	85
	<hr/>	<hr/>
Total revenues	\$ 1,489,982	\$ 2,025,407
EXPENDITURES		
Operating:		
Public safety	\$ 931,390	\$ -
Public works	349,756	-
Culture and recreation	391,181	-
Community and economic development	124,670	643,762
General government	237,423	-
Debt service	-	177,950
Capital projects	-	-
	<hr/>	<hr/>
Total expenditures	\$ 2,034,420	\$ 821,712
Excess (deficiency) of revenues over (under) expenditures	\$ (544,438)	\$ 1,203,695
OTHER FINANCING SOURCES (USES)		
Operating transfers in	\$ 103,403	\$ -
Operating transfers out	(15,669)	(1,164,694)
General obligation bonds/notes issued	498,560	-
Premium (discount) on general obligation bonds/notes	-	-
Payments to bondholders for refunded bonds	-	-
Sale of capital assets	1,400	-
	<hr/>	<hr/>
Total other financing sources (uses)	\$ 587,694	\$ (1,164,694)
Net change in fund balances	\$ 43,256	\$ 39,001
FUND BALANCES – Beginning	<hr/> (100,274)	<hr/> (14,672)
FUND BALANCES – Ending	<hr/> <u>\$ (57,018)</u>	<hr/> <u>\$ 24,329</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 173,494	\$ -	\$ 205,445	\$ 1,103,417
-	-	-	2,020,568
2,944	-	394,140	621,701
-	-	-	8,566
555	3,361	2,024	51,114
-	88,685	237,622	387,734
-	16,463	-	274,123
-	-	-	4
1,869	1,806	13,004	189,574
<u>\$ 178,862</u>	<u>\$ 110,315</u>	<u>\$ 852,235</u>	<u>\$ 4,656,801</u>
\$ -	\$ -	\$ 122,419	\$ 1,053,809
-	-	295,193	644,949
-	-	46,281	437,462
-	-	211	768,643
-	-	29,185	266,608
1,790,762	-	-	1,968,712
-	648,450	-	648,450
<u>\$ 1,790,762</u>	<u>\$ 648,450</u>	<u>\$ 493,289</u>	<u>\$ 5,788,633</u>
<u>\$ (1,611,900)</u>	<u>\$ (538,135)</u>	<u>\$ 358,946</u>	<u>\$ (1,131,832)</u>
\$ 1,596,166	\$ -	\$ -	\$ 1,699,569
-	(37,572)	(453,423)	(1,671,358)
2,210,000	1,996,440	-	4,705,000
(23,770)	14,968	-	(8,802)
(2,170,000)	-	-	(2,170,000)
-	-	-	1,400
<u>\$ 1,612,396</u>	<u>\$ 1,973,836</u>	<u>\$ (453,423)</u>	<u>\$ 2,555,809</u>
\$ 496	\$ 1,435,701	\$ (94,477)	\$ 1,423,977
1,420	(289,273)	187,798	(215,001)
<u>\$ 1,916</u>	<u>\$ 1,146,428</u>	<u>\$ 93,321</u>	<u>\$ 1,208,976</u>

(Continued)

CITY OF LeCLAIRE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year ended June 30, 2009

Net change in fund balances - governmental funds \$ 1,423,977

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 life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 876,387	
Depreciation expense	(697,816)	178,571

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds. (89,871)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(4,705,000)	
Repaid	3,524,165	(1,180,835)

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, as follows:

Compensated absences	(1,782)	
Accrued interest on long-term debt	(1,258)	(3,040)

Change in net assets of governmental activities \$ 328,802

CITY OF LeCLAIRE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	Enterprise
	Sewer
ASSETS	
Cash and pooled investments	\$ 30,485
Receivables:	
Customer accounts and unbilled usage	53,079
Special assessments	21,496
Due from other governments	41,949
Inventories	9,131
Prepaid expenses	3,613
Restricted assets:	
Cash and pooled investments:	
Customer deposits	101,773
Capital assets not being depreciated	586,245
Capital assets (net of accumulated depreciation)	4,208,379
Total assets	\$ 5,056,150
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 34,372
Compensated absences	10,289
Payable from restricted assets:	
Customer deposits	101,773
Long-term liabilities:	
Sewer interim project note	493,957
Total liabilities	\$ 640,391
NET ASSETS	
Invested in capital assets, net or related debt	\$ 4,300,668
Unrestricted	115,091
Total net assets	\$ 4,415,759

The accompanying notes are an integral part of these financial statements

CITY OF LeCLAIRE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Enterprise
	Sewer
OPERATING REVENUES	
Charges for services	\$ 497,759
Miscellaneous	4,755
	\$ 502,514
OPERATING EXPENSES	
Business type activities:	
Cost of sales and services	\$ 392,790
Depreciation	110,535
	\$ 503,325
OPERATING INCOME (LOSS)	\$ (811)
NONOPERATING REVENUES (EXPENSES)	
Investment income	795
	\$ (16)
Contributions and transfers:	
Transfers out	\$ (28,211)
	\$ (28,211)
Change in net assets	\$ (28,227)
Net assets, beginning of year	4,443,986
Net assets, end of year	\$ 4,415,759

The accompanying notes are an integral part of these financial statements

CITY OF LeCLAIRE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Enterprise Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 451,511
Cash received from other revenues	4,755
Cash paid for personal services	(210,701)
Cash paid to suppliers	(179,781)
	<u>65,784</u>
Net cash provided by operating activities	<u>\$ 65,784</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	\$ 19,508
Transfers to other funds	(28,211)
	<u>(8,703)</u>
Net cash used by noncapital financing activities	<u>\$ (8,703)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	\$ (314,574)
Sewer interim project note proceeds	312,118
	<u>(2,456)</u>
Net cash used by capital and related financing activities	<u>\$ (2,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 795
	<u>795</u>
Net increase in cash and cash equivalents	\$ 55,420
Cash and cash equivalents, beginning of year	76,838
	<u>76,838</u>
Cash and cash equivalents, end of year	<u>\$ 132,258</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (811)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	110,535
(Increase) in customer accounts, unbilled usage and other receivables	(50,230)
(Increase) in prepaid expenses	(264)
(Increase) in inventories	(7,492)
Increase in accounts payable	9,044
Increase in compensated absences	1,020
Increase in customer deposits	3,982
	<u>65,784</u>
Net cash provided by operating activities	<u>\$ 65,784</u>

The accompanying notes are an integral part of these financial statements

CITY OF LECLAIRE, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE 1 - NATURE OF OPERATIONS, REPORTING ENTITY AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS –

The City of LeClaire is a political subdivision of the State of Iowa located in Scott County. It was first incorporated in 1834 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of LeClaire provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also provides sewer utilities.

The financial statements of the City of LeClaire have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

FINANCIAL REPORTING ENTITY –

For financial reporting purposes, the City of LeClaire 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.

These financial statements present the City of LeClaire and its blended component unit. The component unit discussed below is included in the City's reporting entity because of its operational or financial relationship with the City.

Blended Component Unit – The following component unit is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

Friends of the LeClaire Community Library, Inc. (Friends of the Library) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the LeClaire Community Library. In accordance with criteria set by the Governmental Accounting Standards Board, Friends of the Library meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

Jointly Governed Organizations – The City 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 or appoint representatives to the following boards and commissions: Scott County Assessor's Conference Board, Scott County Emergency Management Commission, Scott County Area Solid Waste Management Commission, Mississippi Valley Welcome Center Board and Bi-State Regional Commission. Financial transactions of these organizations are not included in the City's financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally 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 service.

The statement of net assets presents the City's nonfiduciary 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 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items properly not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor special revenue funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION –

The government-wide and proprietary 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 tax is recognized as revenue in the year for which it is 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 City considers revenues to be available if they are collected within 60 days after year end.

Property tax, including tax increment financing, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund 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 non-operating revenues and expenses.

The City maintains its financial records on the accrual basis.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

ASSETS, LIABILITIES AND FUND EQUITY –

The following accounting policies are followed in preparing the financial statements:

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

CASH, POOLED INVESTMENTS AND CASH EQUIVALENTS –

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of money market accounts, which are stated at cost.

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

PROPERTY TAX RECEIVABLE, INCLUDING TAX INCREMENT FINANCING –

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2009 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 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 in both the government-wide and fund financial statements and will not be recognized until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2008.

CUSTOMER ACCOUNTS AND UNBILLED USAGE –

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

DUE FROM AND DUE TO OTHER FUNDS –

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

DUE FROM OTHER GOVERNMENTS –

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

INVENTORIES –

Inventories are valued at cost using the first-in/first-out method. Inventories consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

RESTRICTED ASSETS –

Restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

CAPITAL ASSETS –

Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the City), are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets and in the Proprietary Fund Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure	10,000

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Life in Years</u>
Buildings and improvements	20-50
Equipment	5-40
Vehicles	7-30
Infrastructure	20-77

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 represents 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 succeeding year property tax receivable, including tax increment financing and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

COMPENSATED ABSENCES –

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated liability attributable to the governmental activities will be paid primarily by the General and Road Use Tax Funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

LONG-TERM LIABILITIES –

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

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 are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

BUDGETS AND BUDGETARY ACCOUNTING –

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by federal 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.

The City is authorized by statute to invest in 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 670,719	\$ - - -	\$ - - -	\$ 670,719
Land, right of way	106,403	- - -	- - -	106,403
Construction in progress, infrastructure	<u>3,573,543</u>	<u>622,135</u>	<u>438,014</u>	<u>3,757,664</u>
Total capital assets, not being depreciated	<u>\$ 4,350,665</u>	<u>\$ 622,135</u>	<u>\$ 438,014</u>	<u>\$ 4,534,786</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,662,596	\$ - - -	\$ - - -	\$ 4,662,596
Equipment and vehicles	2,807,293	254,252	- - -	3,061,545
Infrastructure, road network	15,700,235	438,014	- - -	16,138,249
Infrastructure, other	<u>252,041</u>	<u>- - -</u>	<u>- - -</u>	<u>252,041</u>
Total capital assets, being depreciated	<u>\$23,422,165</u>	<u>\$ 692,266</u>	<u>\$ - - -</u>	<u>\$24,114,431</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 527,315	\$ 90,829	\$ - - -	\$ 618,144
Equipment and vehicles	1,108,432	181,704	- - -	1,290,136
Infrastructure, road network	2,763,073	416,882	- - -	3,179,955
Infrastructure, other	<u>21,003</u>	<u>8,401</u>	<u>- - -</u>	<u>29,404</u>
Total accumulated depreciation	<u>\$ 4,419,823</u>	<u>\$ 697,816</u>	<u>\$ - - -</u>	<u>\$ 5,117,639</u>
Total capital assets, being depreciated, net	<u>\$19,002,342</u>	<u>\$ (5,550)</u>	<u>\$ - - -</u>	<u>\$18,996,792</u>
Governmental activities capital assets, net	<u>\$23,353,007</u>	<u>\$ 616,585</u>	<u>\$ 438,014</u>	<u>\$23,531,578</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 85,590	\$ - - -	\$ - - -	\$ 85,590
Construction in progress - infrastructure, sewer network	<u>219,694</u>	<u>314,572</u>	<u>33,611</u>	<u>500,655</u>
Total capital assets, not being depreciated	<u>\$ 305,284</u>	<u>\$ 314,572</u>	<u>\$ 33,611</u>	<u>\$ 586,245</u>
Capital assets, being depreciated:				
Buildings	\$ 1,794,197	\$ - - -	\$ - - -	\$ 1,794,197
Equipment and vehicles	1,051,969	- - -	- - -	1,051,969
Infrastructure, sewer network	<u>4,452,021</u>	<u>33,611</u>	<u>- - -</u>	<u>4,485,632</u>
Total capital assets, being depreciated	<u>\$ 7,298,187</u>	<u>\$ 33,611</u>	<u>\$ - - -</u>	<u>\$ 7,331,798</u>
Less accumulated depreciation for:				
Buildings	\$ 1,289,733	\$ 36,746	\$ - - -	\$ 1,326,479
Equipment and vehicles	926,381	15,464	- - -	941,845
Infrastructure, sewer network	<u>796,770</u>	<u>58,325</u>	<u>- - -</u>	<u>855,095</u>
Total accumulated depreciation	<u>\$ 3,012,884</u>	<u>\$ 110,535</u>	<u>\$ - - -</u>	<u>\$ 3,123,419</u>
Total capital assets, being depreciated, net	<u>\$ 4,285,303</u>	<u>\$ (76,924)</u>	<u>\$ - - -</u>	<u>\$ 4,208,379</u>
Business-type activities capital assets, net	<u>\$ 4,590,587</u>	<u>\$ 237,648</u>	<u>\$ 33,611</u>	<u>\$ 4,794,624</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

Public safety	\$ 134,536
Public works	466,972
Culture and recreation	41,909
General government	<u>54,399</u>
 Total depreciation expense - governmental activities	 <u>\$ 697,816</u>

Business-type activities:

Sewer	\$ <u>110,535</u>
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NOTE 4 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	\$10,660,000	\$4,705,000	\$ 3,365,000	\$12,000,000	\$ 781,050
Urban renewal tax increment revenue bonds	950,000	- - -	131,250	818,750	131,250
Capital lease purchase agreement	720,080	- - -	27,915	692,165	29,305
Compensated absences	<u>49,254</u>	<u>73,116</u>	<u>71,334</u>	<u>51,036</u>	<u>51,036</u>
Governmental activity long-term liabilities	<u>\$12,379,334</u>	<u>\$4,778,116</u>	<u>\$ 3,595,499</u>	<u>\$13,561,951</u>	<u>\$ 992,641</u>
Business-type activities:					
Sewer interim project note	\$ 181,839	\$ 312,118	\$ - - -	\$ 493,957	\$ - - -
Compensated absences	<u>9,269</u>	<u>14,741</u>	<u>13,721</u>	<u>10,289</u>	<u>10,289</u>
Business-type activity long-term liabilities	<u>\$ 191,108</u>	<u>\$ 326,859</u>	<u>\$ 13,721</u>	<u>\$ 504,246</u>	<u>\$ 10,289</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

GENERAL OBLIGATION BONDS/NOTES –

Nine issues of general obligation bonds/notes totaling \$12,000,000 are outstanding at June 30, 2009. General obligation bonds/notes bear interest at rates ranging from 1.40% to 5.00% per annum and mature in varying annual amounts, ranging from \$15,000 to \$360,000, with the final maturities due in the year ending June 30, 2020.

REVENUE BONDS –

Two issues of urban renewal tax increment revenue bonds totaling \$818,750 are outstanding at June 30, 2009. Urban renewal tax increment revenue bonds bear interest at rates ranging from 3.00% to 6.40% per annum and mature in amounts of \$50,000 and \$81,250, with the final maturities due in the year ending June 30, 2016.

Details of general obligation and revenue bonds/notes payable at June 30, 2009 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2009</u>
Governmental Activities: General obliga- tion bonds/notes:						
Corporate purpose annual appropriation notes	Aug. 1, 2004	2.65-5.00%	Jun. 1, 2019	\$145,000-265,000	\$ 2,440,000	\$ 1,690,000
Refunding notes	Aug. 3, 2005	3.15-4.00	Jun. 1, 2015	15,000-75,000	570,000	405,000
Corporate purpose annual appropriation bonds	Aug. 3, 2005	3.45-4.80	Jun. 1, 2020	65,000-115,000	1,225,000	1,020,000
Corporate purpose annual appropriation bonds	Oct. 3, 2006	4.40-4.85	Jun. 1, 2018	155,000-360,000	3,155,000	2,840,000
Corporate purpose annual appropriation bonds	Oct. 17, 2007	4.75	Jun. 1, 2018	125,000-220,000	1,770,000	1,645,000
Corporate purpose annual appropriation bonds	Sept. 18, 2008	5.00	Jun. 1, 2019	150,000	1,500,000	1,500,000
Refunding bonds	Nov. 1, 2008	2.50-3.45	Jun. 1, 2013	160,000-305,000	1,285,000	980,000
Refunding bonds	June 15, 2009	1.40-2.35	Jun. 1, 2013	230,000-240,000	925,000	925,000
Corporate purpose annual appropriation bonds	June 15, 2009	4.00-5.00	Jun. 1, 2020	95,000-105,000	995,000	<u>995,000</u>
Total						<u>\$12,000,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2009</u>
Governmental activities: Revenue bonds:						
Urban renewal tax increment annual appropriation	Mar. 1, 2004	3.00-5.50%	Jun. 1, 2014	\$50,000	\$ 350,000	\$ 250,000
Urban renewal tax increment annual appropriation	Apr. 17, 2006	4.85-6.40	Jun. 1, 2016	81,250	650,000	<u>568,750</u>
Total revenue Bonds						\$ <u>818,750</u>
Total governmental activities						\$ <u>12,818,750</u>
Business-type activities: Sewer interim project note	Nov. 2, 2006	0.00	Nov. 2, 2010	N/A	\$ 493,957	\$ <u>493,957</u>

A summary of the annual general obligation and revenue bonds/notes principal and interest requirements to maturity by year is as follows:

	<u>General Obligation Bond/Notes</u>		
<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,390,000	\$ 508,218	\$ 1,898,218
2011	1,560,000	462,173	2,022,173
2012	1,495,000	404,377	1,899,377
2013	1,495,000	345,947	1,840,947
2014	1,135,000	285,623	1,420,623
2015-2019	4,705,000	684,117	5,389,117
2020	<u>220,000</u>	<u>10,770</u>	<u>230,770</u>
Total	\$ <u>12,000,000</u>	\$ <u>2,701,225</u>	\$ <u>14,701,225</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

Debt Refunding

In November 2008, the City issued General Obligation Refunding Bonds in total principal amount of \$1,285,000. The net proceeds of which totaled \$1,266,144 and were deposited in an escrow fund to defease \$1,265,000 in 2002 General Obligation Corporate Purpose and Refunding Notes. The City reduced its total debt service payments over the life of the bonds by \$10,805 and obtained an economic gain (difference between present values of the debt service payments on the old debt and the new debt) of \$10,209.

In June 2009, the City issued General Obligation Refunding Bonds in total principal amount of \$925,000. The net proceeds of which totaled \$908,563 and were deposited in an escrow fund to defease \$905,000 in 2003 General Obligation Corporate Purpose Notes. The City reduced its total debt service payments over the life of the bonds by \$23,021 and obtained an economic gain (difference between present values of the debt service payments on the old debt and the new debt) of \$22,121.

Urban Renewal Tax Increment Revenue Bonds

For the Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 131,250	\$ 42,269	\$ 173,519
2011	131,250	36,694	167,944
2012	131,250	30,625	161,875
2013	131,250	24,225	155,475
2014	131,250	17,375	148,625
2015-2019	<u>162,500</u>	<u>15,275</u>	<u>177,775</u>
Total	<u>\$ 818,750</u>	<u>\$ 166,463</u>	<u>\$ 985,213</u>

URBAN RENEWAL TAX INCREMENT FINANCING REVENUE BONDS –

The City issued urban renewal tax increment financing revenue bonds of \$350,000 in March 2004 and \$650,000 in April 2006 for the purpose of providing an economic development grant and construction of public infrastructure within the urban renewal districts. The bonds are payable solely from the TIF revenues generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF revenues are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the amount of debt payable in the succeeding year is subject to the constitutional debt limitation of the City since the bonds are annual appropriation debt. Total principal and interest remaining on the bonds is \$985,213, payable through June 2016. For the current year, total principal and interest paid and total TIF revenues were \$131,250 and \$46,700, respectively.

CAPITAL LEASE PURCHASE AGREEMENT –

The City entered into a capital purchase agreement for a fire truck. The following is a schedule of the future minimum lease payments, including interest at 4.98% per annum:

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

For the Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 29,305	\$ 34,470	\$ 63,775
2011	30,765	33,010	63,775
2012	32,297	31,478	63,775
2013	33,905	29,870	63,775
2014	35,594	28,181	63,775
2015-2019	206,389	112,487	318,876
2020-2024	263,160	55,715	318,875
2025	<u>60,750</u>	<u>3,025</u>	<u>63,775</u>
Total	<u>\$ 692,165</u>	<u>\$ 328,236</u>	<u>\$ 1,020,401</u>

Principal and interest payments under the capital lease purchase agreement totaled \$27,915 and \$35,860, respectively, during the year ended June 30, 2009.

CONTINGENT LIABILITY FOR HYDRO-ELECTRIC PROMISSORY NOTE –

On January 15, 1990, the City entered into a loan agreement with Voith Hydro, Inc., for \$700,000. The City received \$250,000 on March 14, 1990 and \$450,000 during the year ended June 30, 1991 for the purpose of paying costs related to the planning, design and development of the hydro-electric generating plant. The note bears interest payable at maturity at the rate of 7.25% per annum. The note will mature 30 days after the issuance of the notice to proceed. The outstanding balance at June 30, 2009 was \$700,000.

The Federal Energy Regulatory Commission (FERC) imposed certain restrictions upon the City's license for the development of the generating plant. If the generating plant does not proceed, any accumulated assets are sold and used to satisfy the Voith Hydro, Inc. loan. Any remaining balance on the loan is forgiven. The future development of the generating plant remains uncertain.

The note and interest payable are not general obligations of the City and are not payable from taxes or general revenues or funds of the City.

SEWER INTERIM PROJECT NOTE –

On November 2, 2006, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for issuance of an interest free interim project note \$720,000. The principal on the note is payable at maturity on November 2, 2009. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of planning and designing improvements and extensions to the sanitary sewer system. The City receives drawdowns from the Trustee for costs as they are incurred. At June 30, 2009, the City had drawn \$493,957 of the \$720,000 authorized. Wells Fargo Bank, N.A. has the funds held in trust which the City will request as the project progresses.

Subsequent to year end, the City was granted a one year extension on this note making the maturity date November 2, 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OPERATING LEASE AGREEMENT

The City entered into a lease during the fiscal year end June 30, 2007. The City is leasing information technology equipment, including a phone and security system. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenses as incurred. The lease expires during the fiscal year ending June 30, 2012.

The following is a schedule of future minimum rental payments required under the operating lease which has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 26,328
2011	26,328
2012	<u>6,582</u>
 Total	 \$ <u>59,238</u>

Rental expense for the year ended June 30, 2009 totaled \$26,328.

NOTE 6 – SHORT-TERM DEBT

In July 2008, the City entered into an agreement with a bank for a \$500,000 line of credit, and in August 2008, increased the line of credit by \$100,000 to a total of \$600,000 with an interest rate of 5.75%. The purpose of the line of credit was to meet City obligations. The line was repaid on September 18, 2008. The interest expense relating to the line of credit for the year ended June 30, 2009 was \$3,973.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Line of credit	\$ <u>---</u>	\$ <u>600,000</u>	\$ <u>600,000</u>	\$ <u>---</u>

NOTE 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ ---	\$ 15,669	\$ 15,669
Urban Renewal Tax Increment Financing	1,714	1,162,980	1,164,694
Nonmajor Governmental Funds	78,447	374,976	453,423
Capital Projects	---	37,572	37,572
Sewer	<u>23,242</u>	<u>4,969</u>	<u>28,211</u>
 Total	 \$ <u>103,403</u>	 \$ <u>1,596,166</u>	 \$ <u>1,699,569</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – (Continued)

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

NOTE 8 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2009 is as follows:

	Receivable Fund		
	Capital Projects	Nonmajor Governmental Funds	Total
Payable Fund:			
General	\$ 255,693	\$ - - -	\$ 255,693
Urban Renewal Tax Increment Financing	72,410	- - -	72,410
Nonmajor Governmental Funds	63,186	8,043	71,229
Total	\$ 391,289	\$ 8,043	\$ 399,332

These balances result from the elimination of cash deficits. Repayments will be made from future revenues.

NOTE 9 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$64,604, \$60,420, and \$58,783, respectively, equal to the required contributions for each year.

NOTE 10 – DEFICIT BALANCES

At June 30, 2009, the City had deficit unreserved balances (deficits) in the following funds:

	Unreserved Fund Balances (Deficits)
General	\$ (205,258)
Special Revenue:	
Worker's Compensation	\$ (8,043)
Road Use Tax	\$ (31,805)

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – (Continued)

The General Fund deficit is the result of expenditures exceeding revenues during the fiscal year. The deficit will be eliminated through the issuance of debt and the reduction of expenditures in subsequent fiscal years.

The Special Revenue, Worker's Compensation Fund deficit is the result of expenditures exceeding available funds. The deficit will be eliminated through the reduction of expenditures in subsequent fiscal years.

The Special Revenue, Road Use Tax Fund deficit is the result of street maintenance costs in excess of available funds. The deficit will be eliminated through the reduction of expenditures in subsequent fiscal years.

NOTE 11 – RISK MANAGEMENT

The City of LeClaire is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City's group insurance is a partial self-funded health plan. Under the partial self-funded plan, the City will reimburse an eligible employee for a portion of the deductible. The amount of the deductibles for the employees and the City are as follows:

	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 600
City	4,600	9,500

The City self funds dental coverage of eligible employees and, if elected, their spouses and dependents. The maximum annual coverage is \$1,000 per person.

The City self funds short-term disability benefits for employees. Benefits equal 100% of the employees salary for the first three working days and 75% of the employee's salary for the remaining days up to six months, at which time the City's long-term disability insurance coverage begins. The City records the plan assets and related liabilities for the self-funded plan in the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – DEVELOPMENT AND REBATE AGREEMENTS

The City has entered into seventeen development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental taxes paid by the developers in exchange for infrastructure improvements, development of commercial retail space and residential housing constructed by the developers as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period ranging from four to twenty years, beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. Certain of the agreements include provisions for payment of interest. To the extent there are insufficient tax increment revenues available to make the required schedule payment on any payment date, the unpaid amount shall be carried over to the next payment date without accruing any further interest.

During the year ended June 30, 2009, the City rebated \$638,657 of incremental taxes to the developers, paying \$595,183 of principal and \$43,474 of interest. The outstanding principal balance on the rebate agreements at June 30, 2009 is \$30,868,973.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City, as described below.

Sixteen of the seventeen agreements with outstanding principal balances at June 30, 2009 include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining agreement does not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of this agreement is subject to the constitutional debt limitation.

The City entered into a sewer installation reimbursement agreement with a developer for costs associated with installation of a sanitary sewer main extension. This reimbursement shall be made after the sanitary sewer main extension is complete, dedicated to and accepted by the City and no sooner than the time when a building permit has been issued for the "start of construction" of the development. The start of construction must begin no later than October 2010 for the developer to be reimbursed. The developer will be eligible for reimbursement of actual costs up to a maximum of \$20,000.

NOTE 13 – WASTEWATER PLANT OPERATOR

In February 2008, the City entered into a contract with Thomas and Company to provide a certified wastewater plant operator to comply with Iowa Department of Natural Resources regulations. The contractor oversees the wastewater treatment facility and manages essential City wastewater personnel and contractor personnel. The fee for these services is \$125 per hour, which is paid from the Enterprise Sewer Fund. During the year ended June 30, 2009, payments under the agreement totaled \$17,750.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – CONSTRUCTION COMMITMENTS

The City has entered into construction contracts totaling \$1,193,429 for the downtown street project, planning and design of the waste water treatment plan and a drainage project. The downtown street and drainage projects will be primarily funded through general obligation bond/note proceeds. The planning and design of the waste water treatment plant will be funded through a sewer interim project note. As of June 30, 2009, costs of \$740,235 have been incurred on the projects. The remaining \$453,194 will be paid as work on the projects progresses.

NOTE 15 – SUBSEQUENT EVENTS

Contracts

In July 2009, the City entered into a contract for the 2009 Bridgeview Place and Eagle View Court Improvement Project and the 2009 Dodge Street Sanitary Sewer Improvement Project for \$137,624.

In July 2009, the City entered into a contract for the 2009 LCFD Bunker Gear Replacement Program for \$61,825.

CITY OF LeCLAIRE, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	<u>Governmental Actual Funds</u>	<u>Proprietary Fund Actual</u>	<u>Total Actual</u>
REVENUES			
Property tax	\$ 1,103,417	\$ -	\$ 1,103,417
Tax increment financing	2,020,568	-	2,020,568
Other city tax	621,701	-	621,701
Licenses and permits	8,566	-	8,566
Use of money and property	51,114	795	51,909
Intergovernmental	387,734	-	387,734
Charges for service	274,123	497,759	771,882
Special assessments	4	-	4
Miscellaneous	189,574	4,755	194,329
	<u>\$ 4,656,801</u>	<u>\$ 503,309</u>	<u>\$ 5,160,110</u>
Total revenues			
EXPENDITURES			
Public safety	\$ 1,053,809	\$ -	\$ 1,053,809
Public works	644,949	-	644,949
Culture and recreation	437,462	-	437,462
Community and economic development	768,643	-	768,643
General government	266,608	-	266,608
Debt service	1,968,712	-	1,968,712
Capital projects	648,450	-	648,450
Business type activities	-	503,325	503,325
	<u>\$ 5,788,633</u>	<u>\$ 503,325</u>	<u>\$ 6,291,958</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	\$ (1,131,832)	\$ (16)	\$ (1,131,848)
OTHER FINANCING SOURCES (USES), net	<u>2,555,809</u>	<u>(28,211)</u>	<u>2,527,598</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	\$ 1,423,977	\$ (28,227)	\$ 1,395,750
BALANCES – Beginning of year	<u>(215,001)</u>	<u>4,443,986</u>	<u>4,228,985</u>
BALANCES – Ending of year	<u>\$ 1,208,976</u>	<u>\$ 4,415,759</u>	<u>\$ 5,624,735</u>

Less Funds Not required to be Budgeted	Budgeted Amounts			Final to Net Variance
	Net	Original	Final	
\$ -	\$ 1,103,417	\$ 1,104,324	\$ 1,104,475	\$ (1,058)
-	2,020,568	2,070,908	2,072,666	(52,098)
-	621,701	635,191	631,969	(10,268)
-	8,566	8,313	9,223	(657)
686	51,223	37,262	40,370	10,853
-	387,734	299,434	428,119	(40,385)
-	771,882	691,070	733,680	38,202
-	4	200	200	(196)
8,411	185,918	88,513	179,129	6,789
<u>\$ 9,097</u>	<u>\$ 5,151,013</u>	<u>\$ 4,935,215</u>	<u>\$ 5,199,831</u>	<u>\$ (48,818)</u>
\$ -	\$ 1,053,809	\$ 1,016,858	\$ 1,078,729	\$ 24,920
-	644,949	686,318	667,937	22,988
17,164	420,298	269,911	489,100	68,802
-	768,643	862,880	864,904	96,261
-	266,608	253,612	281,893	15,285
-	1,968,712	1,901,270	3,225,713	1,257,001
-	648,450	913,797	1,471,000	822,550
-	503,325	578,807	591,988	88,663
<u>\$ 17,164</u>	<u>\$ 6,274,794</u>	<u>\$ 6,483,453</u>	<u>\$ 8,671,264</u>	<u>\$ 2,396,470</u>
\$ (8,067)	\$ (1,123,781)	\$ (1,548,238)	\$ (3,471,433)	\$ 2,347,652
-	2,527,598	1,530,000	2,777,293	(249,695)
\$ (8,067)	\$ 1,403,817	\$ (18,238)	\$ (694,140)	\$ 2,097,957
35,959	4,193,026	4,174,692	4,193,026	-
<u>\$ 27,892</u>	<u>\$ 5,596,843</u>	<u>\$ 4,156,454</u>	<u>\$ 3,498,886</u>	<u>\$ 2,097,957</u>

CITY OF LECLAIRE, IOWA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGET COMPARISONS
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental 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.

I. BUDGETARY BASIS

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis for the governmental funds and the accrual basis for the proprietary fund following required public notice and the hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized and appropriations lapse at year end.

II. BUDGETARY INFORMATION

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions, not by fund. 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 expenditures required to be budgeted include expenditures for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted expenditures by \$2,187,811. This budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

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

	<u>Special</u>		
	<u>Road Use Tax</u>	<u>Workers' Compensation</u>	<u>Employees' Retirement FICA/IPERS</u>
ASSETS			
Cash and pooled investments	\$ 20	\$ -	\$ 13,809
Receivables:			
Property tax:			
Delinquent	-	-	2,483
Succeeding year	-	33,000	108,000
Due from other governments	19,415	-	-
Due from other funds	-	-	8,043
Inventories	30,334	-	-
Prepaid expenditures	1,459	-	-
	<u>51,228</u>	<u>33,000</u>	<u>132,335</u>
Total assets	<u>\$ 51,228</u>	<u>\$ 33,000</u>	<u>\$ 132,335</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 10,141	\$ -	\$ 715
Due to other funds	41,099	8,043	-
Deferred revenue			
Succeeding year property tax	-	33,000	108,000
	<u>51,240</u>	<u>41,043</u>	<u>108,715</u>
Total liabilities	<u>\$ 51,240</u>	<u>\$ 41,043</u>	<u>\$ 108,715</u>
FUND EQUITY			
Fund balances (deficit):			
Reserved for:			
Inventories	\$ 30,334	\$ -	\$ -
Prepaid expenditures	1,459	-	-
Endowment	-	-	-
Unreserved	(31,805)	(8,043)	23,620
	<u>(12)</u>	<u>(8,043)</u>	<u>23,620</u>
Total fund equity	<u>\$ (12)</u>	<u>\$ (8,043)</u>	<u>\$ 23,620</u>
Total liabilities and fund equity	<u>\$ 51,228</u>	<u>\$ 33,000</u>	<u>\$ 132,335</u>

Revenue

<u>Group Insurance</u>	<u>Emergency</u>	<u>Local Option Sales Tax</u>	<u>Friends of the Library</u>	<u>Totals</u>
\$ 3,569	\$ -	\$ -	\$ 27,892	\$ 45,290
-	249	-	-	2,732
164,000	19,000	-	-	324,000
-	-	60,218	-	79,633
-	-	-	-	8,043
-	-	-	-	30,334
9,091	-	-	-	10,550
<u>\$ 176,660</u>	<u>\$ 19,249</u>	<u>\$ 60,218</u>	<u>\$ 27,892</u>	<u>\$ 500,582</u>
\$ 1,176	\$ -	\$ -	\$ -	\$ 12,032
-	-	22,087	-	71,229
164,000	19,000	-	-	324,000
<u>\$ 165,176</u>	<u>\$ 19,000</u>	<u>\$ 22,087</u>	<u>\$ -</u>	<u>\$ 407,261</u>
\$ -	\$ -		\$ -	\$ 30,334
9,091	-		-	10,550
-	-		24,708	24,708
2,393	249	38,131	3,184	27,729
<u>\$ 11,484</u>	<u>\$ 249</u>	<u>\$ 38,131</u>	<u>\$ 27,892</u>	<u>\$ 93,321</u>
<u>\$ 176,660</u>	<u>\$ 19,249</u>	<u>\$ 60,218</u>	<u>\$ 27,892</u>	<u>\$ 500,582</u>

CITY OF LeCLAIRE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Special		
	Road Use Tax	Workers' Compensation	Employees' Retirement FICA/IPERS
REVENUES			
Property tax	\$ -	\$ 16,058	\$ 56,150
Other city tax	-	523	1,855
Use of money and property	-	-	205
Intergovernmental	237,622	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	\$ 237,622	\$ 16,581	\$ 58,210
EXPENDITURES			
Operating:			
Public safety	\$ -	\$ 16,030	\$ 61,374
Public works	227,697	7,998	18,441
Culture and recreation	-	2,215	15,918
Community and economic development	-	3	208
General government	-	902	13,960
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 227,697	\$ 27,148	\$ 109,901
Excess (deficiency) of revenues over (under) expenditures	\$ 9,925	\$ (10,567)	\$ (51,691)
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(9,937)	-	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (12)	\$ (10,567)	\$ (51,691)
FUND BALANCES – Beginning of year	-	2,524	75,311
	<hr/>	<hr/>	<hr/>
FUND BALANCES – End of year	\$ (12)	\$ (8,043)	\$ 23,620
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Revenue

Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Totals
\$ 114,525	\$ 18,712	\$ -	\$ -	\$ 205,445
3,657	605	387,500	-	394,140
176	64	893	686	2,024
-	-	-	-	237,622
4,593	-	-	8,411	13,004
<u>\$ 122,951</u>	<u>\$ 19,381</u>	<u>\$ 388,393</u>	<u>\$ 9,097</u>	<u>\$ 852,235</u>
\$ 45,015	\$ -	\$ -	\$ -	\$ 122,419
21,007	-	20,050	-	295,193
10,984	-	-	17,164	46,281
-	-	-	-	211
13,378	-	945	-	29,185
<u>\$ 90,384</u>	<u>\$ -</u>	<u>\$ 20,995</u>	<u>\$ 17,164</u>	<u>\$ 493,289</u>
\$ 32,567	\$ 19,381	\$ 367,398	\$ (8,067)	\$ 358,946
(59,149)	(19,298)	(365,039)	-	(453,423)
\$ (26,582)	\$ 83	\$ 2,359	\$ (8,067)	\$ (94,477)
38,066	166	35,772	35,959	187,798
<u>\$ 11,484</u>	<u>\$ 249</u>	<u>\$ 38,131</u>	<u>\$ 27,892</u>	<u>\$ 93,321</u>

CITY OF LeCLAIRE, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Seven Years

	Modified Accrual		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES:			
Property tax	\$ 1,103,417	\$ 892,042	\$ 830,379
Tax increment financing	2,020,568	1,659,131	1,444,328
Other city tax	621,701	642,378	614,850
Licenses and permits	8,566	8,576	9,215
Use of money and property	51,114	64,068	98,001
Intergovernmental	387,734	306,058	295,214
Charges for service	274,123	233,216	198,621
Special assessments	4	21	33
Miscellaneous	189,574	211,139	211,521
	<u>189,574</u>	<u>211,139</u>	<u>211,521</u>
Total	<u>\$ 4,656,801</u>	<u>\$ 4,016,629</u>	<u>\$ 3,702,162</u>
EXPENDITURES:			
Operating:			
Public safety	\$ 1,053,809	\$ 917,346	\$ 1,147,023
Public works	644,949	762,216	503,174
Culture and recreation	437,462	393,521	228,034
Community and economic development	768,643	591,119	136,951
General government	266,608	246,797	259,764
Debt service	4,138,712	1,721,182	1,712,708
Capital projects	648,450	2,395,749	2,181,564
	<u>648,450</u>	<u>2,395,749</u>	<u>2,181,564</u>
Total	<u>\$ 7,958,633</u>	<u>\$ 7,027,930</u>	<u>\$ 6,169,218</u>

Basis

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 821,818	\$ 792,171	\$ 684,998	\$ 719,944
1,278,321	1,191,949	991,973	773,172
560,929	504,206	496,853	477,157
6,848	4,837	5,522	4,115
75,918	54,819	47,502	43,178
288,922	522,271	353,943	298,527
172,686	180,186	180,064	164,715
125	238	49	81
<u>179,933</u>	<u>448,415</u>	<u>311,898</u>	<u>89,083</u>
<u>\$ 3,385,500</u>	<u>\$ 3,699,092</u>	<u>\$ 3,072,802</u>	<u>\$ 2,569,972</u>
\$ 1,124,582	\$ 728,325	\$ 1,392,127	\$ 572,454
510,872	533,706	736,645	408,116
270,867	186,035	266,241	157,341
232,743	180,336	156,997	96,336
274,904	204,981	143,664	130,476
1,627,005	1,391,486	1,134,384	1,241,646
<u>2,684,731</u>	<u>1,861,899</u>	<u>2,935,147</u>	<u>802,625</u>
<u>\$ 6,725,704</u>	<u>\$ 5,086,768</u>	<u>\$ 6,765,205</u>	<u>\$ 3,408,994</u>

CARPENTIER
MITCHELL · GODDARD
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**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor and
Members of the City Council
City of LeClaire, Iowa

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 LeClaire, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City of LeClaire's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 LeClaire'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 City of LeClaire's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of LeClaire'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 over financial reporting 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of LeClaire's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of LeClaire's financial statements that is more than inconsequential will not be prevented or detected by the City of LeClaire's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings 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 City of LeClaire's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LeClaire'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 noncompliance or other matters that are described in the accompanying Schedule of Findings.

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

This report is intended solely for the information of the City Council members, management, Comptroller of the State of Illinois, and the officials of applicable federal and state grantor agencies and should not be used by anyone other than these specified parties.

Carpentier, Mitchell, Woodard & Co., P.C.

Moline, Illinois
December 21, 2009

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

I. Summary of Independent Auditors' Results

Significant Deficiencies:

A. Information Systems

The City has adopted a written policy for its information system but has not developed a written disaster recovery plan.

Recommendation

The City should develop a disaster recovery plan.

Response

The City is aware of the need for this policy. This activity is still "in process" and ideally will be completed by July 1, 2010.

Conclusion

Response accepted.

B. Capital Assets

A physical observation of capital assets has not been performed periodically by an employee having no responsibility for the assets.

Recommendation

A physical observation of capital assets should be performed periodically by an employee having no responsibility for the assets.

Response

The City will try to accomplish given the limited staffing and time available.

Conclusion

Response accepted.

Instances of Noncompliance:

No matters were noted.

(Continued)

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – No expenditures during the year ended June 30, 2009 exceeded the amounts budgeted.
2. Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
4. Business Transactions – No business transactions between the City and City officials or employees were noted.
5. 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 the coverage is adequate for current operations.
6. Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
7. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
8. Financial Condition – At June 30, 2008 and 2009, the City had deficit unreserved fund balances in the following funds:

<u>Fund</u>	<u>2009</u>	<u>2008</u>
General	\$ (205,258)	\$ (374,873)
Special Revenue:		
Worker's Compensation	(8,043)	- - -
Urban Renewal Tax Increment Financing	- - -	(14,672)
Road Use Tax	(31,805)	(9,083)
Capital Projects	- - -	(289,273)

(Continued)

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Recommendation – The City should investigate alternatives to eliminate the deficits in order to return these funds to a sound financial position.

Response - The City has been and is actively taking steps and implementing measures to correct the General Fund deficit position (as noted by the improved position). The other two fund balances (Road Use Tax and Worker's Compensation) are strictly "one-time" positions occurring at the end of the fiscal year, are due to temporary inequities between revenues and expenditures, and do not routinely recur.

Conclusion - Response accepted.

9. Health Insurance Plan – The City provides employees health insurance and other benefits through a partially self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the City to obtain an actuarial opinion issued by a member of the American Academy of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan and to file an annual financial report with the Insurance Commissioner.

Recommendation – The City should obtain an actuarial opinion, issued by a member of the American Academy of Actuaries, as required. The City should also file an annual financial report with the Insurance Commissioner, as required.

Response - The City continues to maintain that, given the comparative limited nature of this benefit program and the excessive cost and limited availability of actuaries qualified to perform this analysis, this analysis is without merit and value and will continue to evaluate the merits, (financial, legal, logistical and otherwise) of this requirement.

Conclusion - Response acknowledged. The City should obtain the actuarial opinion as required.

**CITY OF LECLAIRE, IOWA
STAFF**

This audit was performed by:

James Taylor, CPA, Partner
Dave Gosse, CPA, Senior Manager
Megan Petersen, CPA, Manager
Jaymie Reel, Staff Auditor