

**CITY OF CLINTON, IOWA**  
**FINANCIAL STATEMENTS**  
**June 30, 2010**

## INTRODUCTORY SECTION

**CITY OF CLINTON, IOWA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2010**

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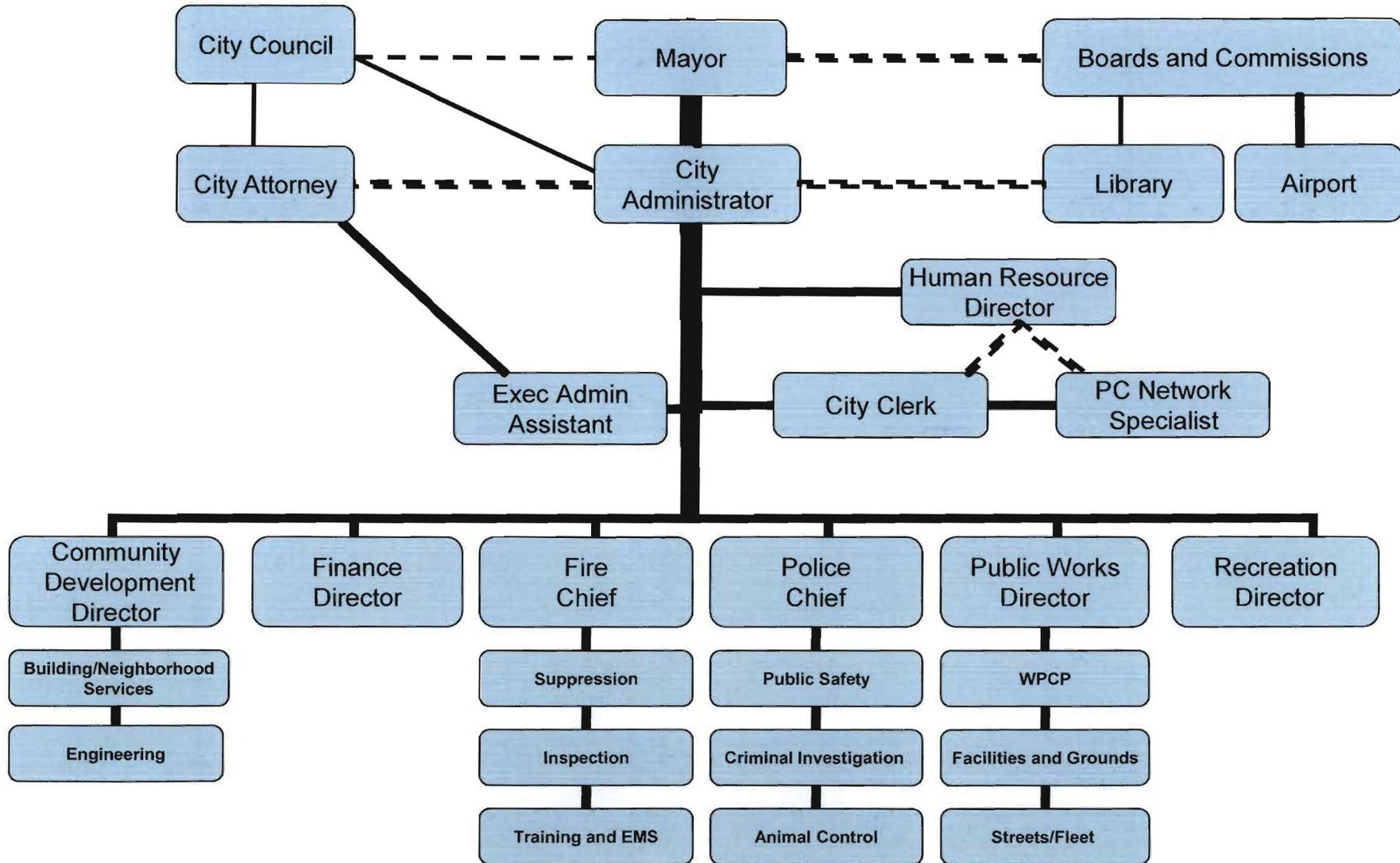
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# City Organizational Chart



# CITY OF CLINTON, IOWA

List of Principal Officials  
June 30, 2010

## ELECTED OFFICIALS

Mayor	Rodger E.J. Holm
Council Member	Paul Gassman
Council Member	Jennifer Graf
Council Member	Bev Hermann
Council Member	Mike Kearney
Council Member	Maggie Klaes
Council Member	Charlie Mulholland
Council Member	Mark S. Vulich

## APPOINTED OFFICIALS

City Administrator	Jeffrey R. Horne
City Attorney	Jeffrey L. Farwell
City Clerk	Pat Van Loo
Human Resources Director	David Geisler
Finance Director	Vacant
Airport Manager	Mike Nass
Fire Chief	Mark Regenwether
Library Director	Dan Horwath
Recreation Director	Gregg Obren
Police Chief	Brian Guy
Public Works Director	Gary Schellhorn
City Engineer	Jason Craft
City Planner	Mike Reynolds
Building & Neighborhood Official	Mike Harmon

**FINANCIAL SECTION**



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

Certified Public Accountants & Consultants

## Independent Auditor's Report

Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2010, 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 of Clinton, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2011, on our consideration of the City of Clinton, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 51 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which is not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the 5 years ended June 30, 2008, presented on page 64 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The combining and individual nonmajor fund financial statements, schedules, statistical data, and the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Wendy Palm & Foster, CPA PC*

Clinton, Iowa  
April 29, 2011

## Management's Discussion and Analysis

As management of the City of Clinton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements which follow this discussion and analysis. This report complies with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model. Accordingly, comparative information is included in the report.

### Financial Highlights

- Assets of the City of Clinton exceeded its liabilities at June 30, 2010 by \$140,575,453 (net assets).
- The City's total net assets increased by \$7,460,410. This amount represents a 5.6% increase.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$2,552,401, a decrease of \$1,297,627 in comparison with the prior year. Approximately 88.1% of the ending fund balances was identified as undesignated and available for spending at the City's discretion.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$112,996, or .74% of total General Fund expenditures, including transfers out.
- The City's total debt increased by \$2,881,000 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Clinton's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Clinton's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during fiscal year 2009/10. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Clinton that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, culture and recreation, community and economic development, and general government. The business-type activities of the City of Clinton include sewer operations, solid waste collection, dock operations, marina, municipal transportation, parking, and airport.

The government-wide financial statements can be found on pages 17-19 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Clinton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including restrictions on the use of certain monies. All of the funds of the City of Clinton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used for developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City of Clinton has seven major governmental funds: the General Fund, the Road Use Tax Fund, the Local Option Sales Tax Fund, the Miscellaneous Fund, the Employee Benefits Fund, the Debt Service Fund, and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation and are referenced under a single column as Nonmajor. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Clinton adopts an annual appropriated budget for all funds as required by state statute. The budget is prepared on a modified accrual basis of accounting. A budgetary comparison schedule has been provided for the governmental and proprietary funds to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 20-25 of this report.

**Proprietary funds.** The City of Clinton maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds serve external customers and are primarily funded through user charges. The City uses enterprise funds to account for its Sewer Revenue (Wastewater), Solid Waste Collection, Dock Operations, Marina, Transit, Parking, and Airport activities. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City of Clinton's various functions. The City uses an internal service fund to account for its employee health insurance costs. Because this activity predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. In the basic financial statements, the proprietary fund financial statements provide separate information for the Sewer Revenue (Wastewater) Fund, Solid Waste Collection Fund, Transit System Fund, and Airport Operations Fund. Individual fund data of each of the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26-31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City of Clinton's programs. The City has two agency funds. The most significant fiduciary fund maintained by the City is the Payroll Clearing Fund which records the accounting for payroll and associated liability payments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 32 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-50 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information on pages 51-54. Combining and individual fund statements and schedules can be found on pages 55-63 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City of Clinton, assets exceeded liabilities by \$140,575,453 at the close of the fiscal year ended June 30, 2010. For the fiscal year ended June 30, 2009, assets had exceeded liabilities by \$133,115,043. This represents a 5.6% increase in net assets between the two fiscal periods.

**City of Clinton's Net Assets  
June 30, 2010 and 2009**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>	<u>Business-type Activities 2010</u>	<u>Business-type Activities 2009</u>	<u>Total 2010</u>	<u>Total 2009</u>
Current and other assets	\$ 24,691,446	\$ 29,554,199	\$ 6,455,892	\$ 7,618,761	\$ 31,147,338	\$ 37,172,960
Capital assets	95,896,909	93,479,727	73,968,984	61,845,005	169,865,893	155,324,732
Total assets	<u>120,588,355</u>	<u>123,033,926</u>	<u>80,424,876</u>	<u>69,463,766</u>	<u>201,013,231</u>	<u>192,497,692</u>
Current and other liabilities	19,908,568	24,887,938	4,298,887	1,382,761	24,207,455	26,270,699
Long-term liabilities outstanding	22,220,781	20,472,514	14,009,542	12,639,436	36,230,323	33,111,950
Total liabilities	<u>42,129,349</u>	<u>45,360,452</u>	<u>18,308,429</u>	<u>14,022,197</u>	<u>60,437,778</u>	<u>59,382,649</u>
Net assets						
Invested in capital assets, net of related debt	74,579,909	73,716,727	60,102,984	49,279,772	134,682,893	122,996,499
Restricted	1,959,877	634,308	989,433	1,194,823	2,949,310	1,829,131
Unrestricted	1,919,220	3,322,439	1,024,030	4,966,974	2,943,250	8,289,413
Total net assets	<u>\$ 78,459,006</u>	<u>\$ 77,673,474</u>	<u>\$ 62,116,447</u>	<u>\$ 55,441,569</u>	<u>\$ 140,575,453</u>	<u>\$ 133,115,043</u>

The largest portion of the City of Clinton's net assets (95.8%) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

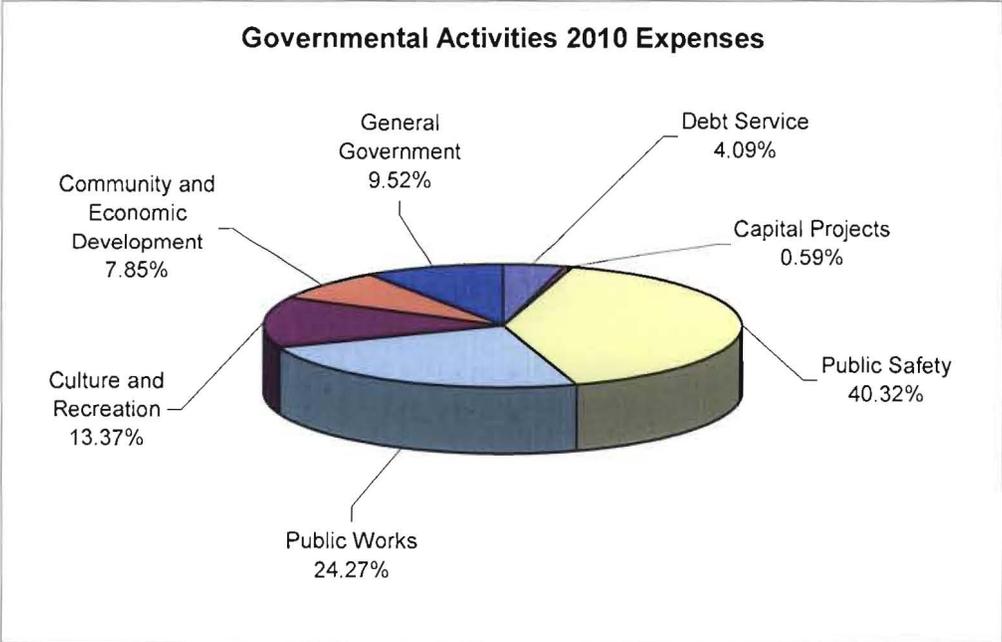
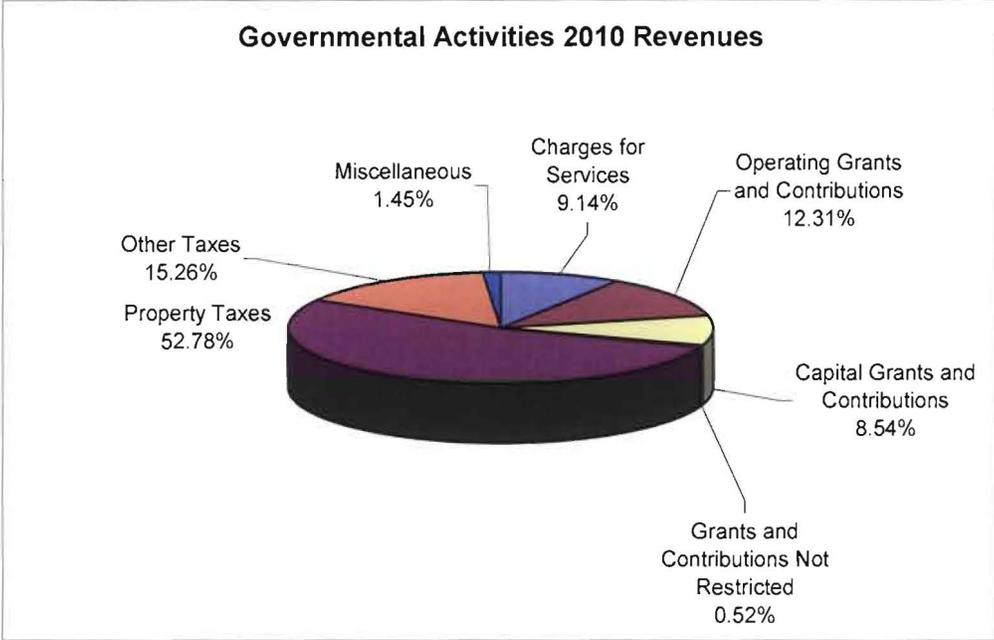
A portion of the City of Clinton's net assets (2.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$2,943,250 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following is a detailed review of the current year's operations.

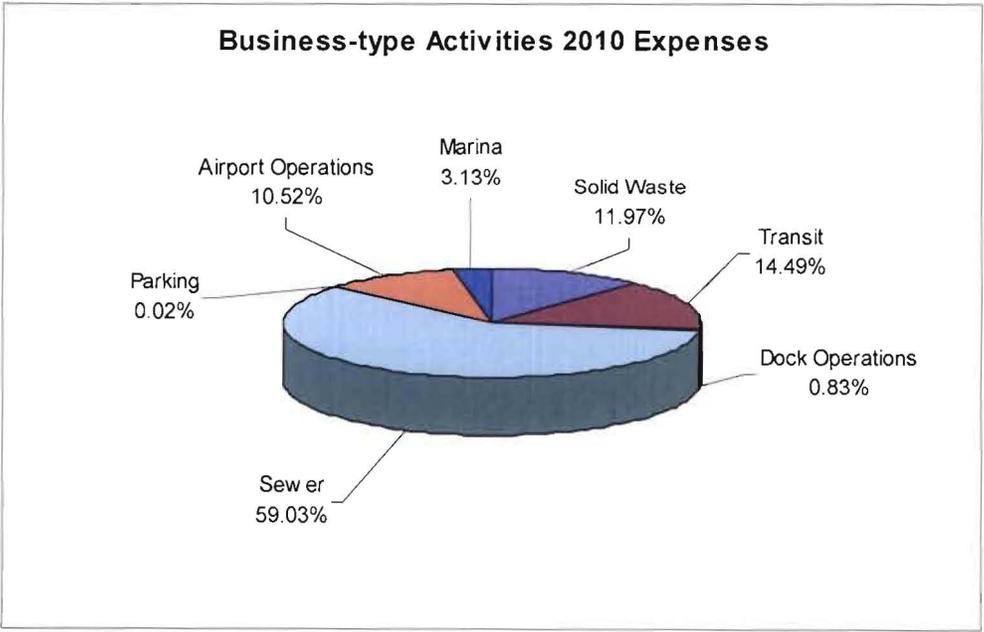
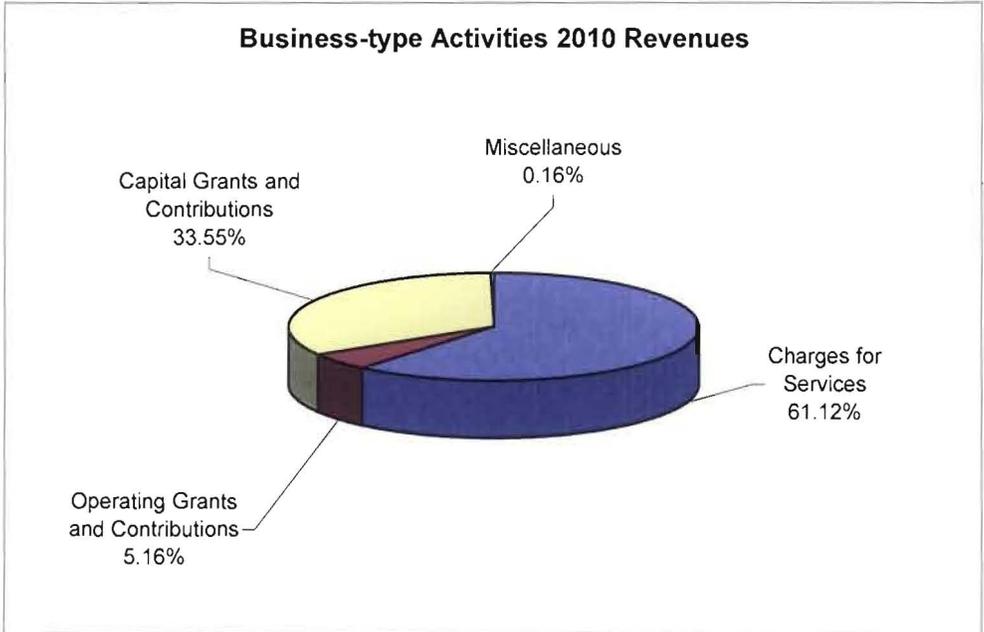
**City of Clinton's Changes in Net Assets  
June 30, 2010 and 2009**

	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009	Total 2010	Total 2009
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,526,917	\$ 1,960,584	\$ 9,099,415	\$ 8,919,595	\$ 11,626,332	\$ 10,880,179
Operating grants and contributions	3,405,869	2,713,248	768,593	643,929	4,174,462	3,357,177
Capital grants and contributions	2,362,928	630,303	4,994,757	676,530	7,357,685	1,306,833
General Revenues:						
Property taxes	14,600,240	13,074,717	-	-	14,600,240	13,074,717
Other taxes	4,220,831	4,461,022	-	-	4,220,831	4,461,022
Grants and contributions not restricted to specific programs	142,675	144,091	-	-	142,675	144,091
Miscellaneous	401,484	580,308	24,454	46,501	425,938	626,809
Total revenues	<u>27,660,944</u>	<u>23,564,273</u>	<u>14,887,219</u>	<u>10,286,555</u>	<u>42,548,163</u>	<u>33,850,828</u>
<b>Expenses:</b>						
Public safety	9,897,769	10,271,638	-	-	9,897,769	10,271,638
Public works	5,958,281	6,144,085	-	-	5,958,281	6,144,085
Culture and recreation	3,281,402	3,551,211	-	-	3,281,402	3,551,211
Community and economic development	1,926,348	989,356	-	-	1,926,348	989,356
General government	2,336,496	2,517,166	-	-	2,336,496	2,517,166
Debt service	1,004,633	1,039,588	-	-	1,004,633	1,039,588
Capital projects	143,666	3,514,977	-	-	143,666	3,514,977
Sewer	-	-	6,221,080	5,831,439	6,221,080	5,831,439
Solid waste	-	-	1,261,322	1,267,064	1,261,322	1,267,064
Transit	-	-	1,527,554	1,364,873	1,527,554	1,364,873
Dock operations	-	-	87,784	118,932	87,784	118,932
Marina	-	-	330,269	274,984	330,269	274,984
Parking system	-	-	2,481	58,212	2,481	58,212
Airport operations	-	-	1,108,668	647,910	1,108,668	647,910
Total expenses	<u>24,548,595</u>	<u>28,028,021</u>	<u>10,539,158</u>	<u>9,563,414</u>	<u>35,087,753</u>	<u>37,591,435</u>
Increase (decrease) in net assets before transfers	3,112,349	(4,463,748)	4,348,061	723,141	7,460,410	(3,740,607)
Transfers	(2,326,817)	(1,728,109)	2,326,817	1,728,109	-	-
Increase (decrease) in net assets	785,532	(6,191,857)	6,674,878	2,451,250	7,460,410	(3,740,607)
Net assets - beginning of year	<u>77,673,474</u>	<u>83,865,331</u>	<u>55,441,569</u>	<u>52,990,319</u>	<u>133,115,043</u>	<u>136,855,650</u>
Net assets - end of year	<u>\$ 78,459,006</u>	<u>\$ 77,673,474</u>	<u>\$ 62,116,447</u>	<u>\$ 55,441,569</u>	<u>\$ 140,575,453</u>	<u>\$ 133,115,043</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$785,532. This increase combined with an increase in the business-type activities resulted in an overall increase of \$7,460,410 in net assets of the City as a whole for the fiscal year. The following graphs display the percentage of governmental revenues and expenses allocated by each revenue and expense type:



**Business-type activities.** As stated earlier, business-type activities increased the City's total assets by \$6,674,878. The Sewer Revenue Fund experienced an increase in net assets of \$1,212,346. The City is increasing rates and reserves in order to pay for future sewer work on its consent order with the Iowa Department of Natural Resources. The Transit System Fund, Airport Fund and the Non Major Enterprise Funds also experienced increases in net asset totals while the Solid Waste Fund decreased its total net assets. The graphs which follow display the percentage of revenues and expenses allocated by each revenue and expense type for the business-type activities.



## Financial Analysis of the Government's Funds

As noted earlier, the City of Clinton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The financial reporting focus of the City of Clinton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$2,552,401, a decrease of \$1,297,627 in comparison with the prior year. Approximately 88.1% of this total amount or \$2,247,588 constitutes unreserved fund balance, which is available to meet the future financial needs of the City. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to fund debt service payments, employee retirement and benefit programs, and a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$112,996. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents .82% of total General Fund expenditures (excluding transfers out).

The fund balance of the City's General Fund decreased by \$269,299 during the current fiscal year. Fund balance decreased in the prior year by \$2,603,638. The primary reason for the decrease in fund balance was due to an increase in expenses as well as the write-off of a significant number of accounts receivable in the current year. The City also made some property purchases. Management continues its efforts to control budgeted expenditures in addition to enhancing revenue streams whenever possible.

The Road Use Tax Fund experienced a decrease in fund balance of \$350,760. The fund balance for this fund is \$799,538. Monies in this fund are used for maintenance of City streets, related engineering expenses and for certain capital improvement projects.

The Local Option Sales Tax Fund had a decrease in fund balance of \$255,862 and ended the year with a fund balance of \$791,281. The Local Option Sales Tax Fund collects funds from a City 1 cent sales tax. Sales tax collections are used for the retirement of debt issued for major storm sewer improvements and property tax relief. The other portion of the tax goes towards street construction and repair. Property tax relief consists of applying local option sales tax funds to debt service requirements on other City bonds.

The Miscellaneous Fund had an increase in fund balance of \$119,453 and ended the year with a fund balance of \$272,816.

The Employee Benefits Fund had a decrease in fund balance of \$159,009 and ended the year with a fund balance of \$378,771.

The Debt Service Fund ended fiscal year 2010 with a with a fund balance of \$426,676 compared to a beginning fund balance of \$379,287. Principal and interest payments decreased compared to the prior year by \$756,176.

Fund balance for the Capital Projects Fund decreased by \$289,373 compared to a prior year increase of \$516,440. The City received \$4,600,000 in bond proceeds in the current year to finance on-going capital improvement projects.

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

Total net assets for the City's enterprise funds as of June 30, 2010 were \$62,116,447, an increase of \$6,674,878 from the previous fiscal year. This is primarily due to additional sewer revenue charges accounted for in the Sewer Revenue Fund as a result of a rate increase implemented in fiscal year 2008. The rate increase was needed in order to fund sanitary sewer improvements. Of the net assets of the enterprise funds, \$60,102,984 is invested in capital assets, net of related debt. Unrestricted net assets amounted to \$1,024,030.

The Solid Waste Collection Fund ended fiscal year 2010 with a net asset balance of \$1,021,790 compared to the prior year ending net asset balance of \$1,344,149. Overall, the fund experienced a net loss of \$322,359.

The Transit System Fund ended fiscal year 2010 with a net asset balance of \$3,150,163 compared to the prior year ending net asset balance of \$2,972,039. The change in net assets for fiscal year 2010 was \$178,124.

The Airport Operations Fund ended fiscal year 2010 with a net asset balance of \$6,380,377 compared to the prior year ending net asset balance of \$3,034,295.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$943,869 at the end of the fiscal year, an increase of \$230,132 from the prior year.

### **Budgetary Highlights**

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

- The original operating revenue budget of \$46,659,680 was increased to \$46,829,560, an increase of \$169,880. Major increases were related to intergovernmental revenues.
- The original operating expenditure budget of \$53,750,100 was increased to \$69,423,050, an increase of \$15,672,950. The majority of the expenditure increase was distributed between the capital projects and business-type activities functions.
- Even with the budget amendments, the City exceeded the budgeted amount in the public safety, public works and general government functions.

A schedule detailing budgetary information can be found on pages 51-53 of this report.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$169,865,893 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park and marina facilities, streets, bridges, traffic signals, storm sewers, sanitary sewers, and sidewalks. The City's investment in capital assets for the current fiscal year increased by \$14,541,161 compared to the prior year. Capital assets associated with governmental activities increased by \$2,417,182 while capital assets for the business-type activities increased by \$12,123,979.

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

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>	<u>Business-type Activities 2010</u>	<u>Business-type Activities 2009</u>	<u>Total 2010</u>	<u>Total 2009</u>
Land	\$ 21,152,983	\$ 20,746,143	\$ 4,573,513	\$ 4,311,513	\$ 25,726,496	\$ 25,057,656
Construction in progress	10,924,164	9,859,974	13,237,498	3,338,643	24,161,662	13,198,617
Machinery and equipment	2,297,227	2,423,839	1,425,758	1,666,703	3,722,985	4,090,542
Land improvements	1,635,229	1,623,330	-	-	1,635,229	1,623,330
Buildings	12,320,664	12,741,108	13,930,003	13,697,984	26,250,667	26,439,092
Infrastructure	<u>47,566,642</u>	<u>46,085,333</u>	<u>40,802,212</u>	<u>38,830,162</u>	<u>88,368,854</u>	<u>84,915,495</u>
Total	<u>\$ 95,896,909</u>	<u>\$ 93,479,727</u>	<u>\$ 73,968,984</u>	<u>\$ 61,845,005</u>	<u>\$ 169,865,893</u>	<u>\$ 155,324,732</u>

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

- Resurfacing of 70+ blocks of city street
- Completion of Phase I of 19<sup>th</sup> Avenue North Project
- Additional purchases of real estate for street construction & economic development in the Liberty Square Redevelopment area
- Capital expenditures for a new wastewater treatment plant
- Runway improvements at the municipal airport

Additional information concerning the City of Clinton's capital assets can be found in Note 3 on pages 41-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Clinton had total debt outstanding of \$35,183,000. Of this amount \$20,400,000 comprises debt backed by the full faith and credit of the City. The City also has an economic development note and other capital loan notes payable of \$997,000. The remainder of the City's debt of \$13,786,000 represents notes secured solely by revenues generated from sanitary sewer rental fees.

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

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>	<u>Business-type Activities 2010</u>	<u>Business-type Activities 2009</u>	<u>Total 2010</u>	<u>Total 2009</u>
General obligation bonds	\$ 20,320,000	\$ 18,615,000	\$ 80,000	\$ 105,000	\$ 20,400,000	\$ 18,720,000
Notes payable	997,000	1,148,000	-	-	997,000	1,148,000
Sewer revenue notes	-	-	13,786,000	12,434,000	13,786,000	12,434,000
Total	<u>\$ 21,317,000</u>	<u>\$ 19,763,000</u>	<u>\$ 13,866,000</u>	<u>\$ 12,539,000</u>	<u>\$ 35,183,000</u>	<u>\$ 32,302,000</u>

During the current fiscal year, the City of Clinton increased its indebtedness by \$2,881,000. The City issued new general obligation debt of \$4,600,000 and additional notes payable of \$2,000,000.

The City maintains its A1 rating from Moody's Investors Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Clinton is \$65,757,044 which is in excess of the City's outstanding general obligation debt.

Additional information concerning the City of Clinton's long-term debt can be found in Note 4 on pages 43-45 of this report.

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

The City of Clinton's taxable value was \$832,567,004 for the 2009/10 fiscal year. The City continues to experience limited revenue streams as expenditures and service needs are increasing faster than increases in property values including new growth. The General Fund balance is projected to stabilize as the result of the sale of property in 2009/10. After 2010/11, the balance should begin to increase as the result of major industrial expansion. The overall City tax rate decreased by 1% for fiscal year 2009/10, and continues to decrease in 2010/11. With the casino moving to a land based facility, the City lost a fee collected for admissions. Accordingly, transfers in from the Riverboat Excursion Fund were eliminated for 2009/10. For 2010/11, gaming revenues become a direct source of funds into the General Fund; likewise, the Riverboat Excursion Fund was closed at the end of fiscal year 2009/10. A transfer in from the Hotel/Motel Tax Fund remained at a consistent level through 2009/10, but increases to \$340,000 in 2010/11. Capital equipment replacements for General Fund activities are funded from short term capital equipment notes and will continue to be in the future until such time as operating revenues are available.

Other concerns for the City include increases in employee health insurance costs, fire and police medical disability expenses and costs for providing basic services. Meanwhile, sources for funding these concerns remain limited in the immediate future without major increases in the property tax rate. The City will continue to monitor expenditure levels and pursue other revenue options, thereby avoiding major property tax increases, especially in these difficult economic times. Also, charges for utility services will remain prudent and continually be evaluated to insure that revenues are sufficient to fund federal/state mandated improvements.

## **Requests for Information**

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

CITY OF CLINTON, IOWA  
STATEMENT OF NET ASSETS  
June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 4,371,004	\$ 1,131,246	\$ 5,502,250
Receivables			
Taxes	13,721,610	-	13,721,610
Service fees	246,312	3,366,049	3,612,361
Intergovernmental	1,336,726	563,902	1,900,628
Loan	3,072	-	3,072
Special assessments	122,483	1,100,056	1,222,539
Other	220,965	264,639	485,604
Prepaid insurance	4,265	-	4,265
Prepaid - other	8,043	30,000	38,043
Restricted cash and investments	4,656,966	-	4,656,966
Capital assets, net of accumulated depreciation	95,896,909	73,968,984	169,865,893
Total assets	<u>120,588,355</u>	<u>80,424,876</u>	<u>201,013,231</u>
<b>LIABILITIES</b>			
Cash overdrafts	3,605,696	1,840,281	5,445,977
Accounts payable	2,138,597	2,043,796	4,182,393
Warrants payable	996,950	271,360	1,268,310
Deposits payable	34,082	-	34,082
Accrued interest payable	277,959	-	277,959
Contracts payable	124,684	143,450	268,134
Deferred revenue	12,507,759	-	12,507,759
Estimated payable for incurred but not reported claims	222,841	-	222,841
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	2,250,000	25,000	2,275,000
Notes payable	151,000	2,671,000	2,822,000
Compensated absences	558,368	58,913	617,281
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	18,070,000	55,000	18,125,000
Notes payable	846,000	11,115,000	11,961,000
Net OPEB Liability	345,413	84,629	430,042
Total liabilities	<u>42,129,349</u>	<u>18,308,429</u>	<u>60,437,778</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	74,579,909	60,102,984	134,682,893
Restricted for:			
Road purposes	799,538	-	799,538
Local option sales tax	791,281	-	791,281
Police and fire retirement	190,377	-	190,377
Capital equipment replacement/repairs	-	989,433	989,433
Debt service	171,681	-	171,681
Endowments	7,000	-	7,000
Unrestricted	1,919,220	1,024,030	2,943,250
Total net assets	<u>\$ 78,459,006</u>	<u>\$ 62,116,447</u>	<u>\$ 140,575,453</u>

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

CITY OF CLINTON, IOWA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 9,897,769	\$ 1,502,051	\$ 339,009	\$ -
Public works	5,958,281	427,136	2,519,506	-
Culture and recreation	3,281,402	506,449	185,931	-
Community and economic development	1,926,348	43,813	361,423	-
General government	2,336,496	47,468	-	-
Debt service	1,004,633	-	-	-
Capital projects	143,666	-	-	2,362,928
Total governmental activities	<u>24,548,595</u>	<u>2,526,917</u>	<u>3,405,869</u>	<u>2,362,928</u>
Business-type activities				
Sewer	6,221,080	7,013,978	494	844,500
Solid waste	1,261,322	938,963	-	-
Transit	1,527,554	285,370	753,369	-
Dock operations	87,784	298,065	-	-
Marina	330,269	247,087	-	-
Parking system	2,481	489	-	-
Airport operations	1,108,668	315,463	14,730	4,150,257
Total business-type activities	<u>10,539,158</u>	<u>9,099,415</u>	<u>768,593</u>	<u>4,994,757</u>
<b>Total</b>	<u>\$ 35,087,753</u>	<u>\$ 11,626,332</u>	<u>\$ 4,174,462</u>	<u>\$ 7,357,685</u>

**GENERAL REVENUES**

General property tax  
Delinquent tax  
Tax increment financing  
Mobile home tax  
Hotel/motel tax  
Local option sales tax  
Franchise tax  
Excise tax  
Unrestricted investment earnings  
Miscellaneous  
Transfers

Total general revenues

**CHANGE IN NET ASSETS**

**NET ASSETS, BEGINNING OF YEAR**

**NET ASSETS, END OF YEAR**

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

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

Governmental Activities	Business-type Activities	Total
\$ (8,056,709)	\$ -	\$ (8,056,709)
(3,011,639)	-	(3,011,639)
(2,589,022)	-	(2,589,022)
(1,521,112)	-	(1,521,112)
(2,289,028)	-	(2,289,028)
(1,004,633)	-	(1,004,633)
2,219,262	-	2,219,262
<u>(16,252,881)</u>	<u>-</u>	<u>(16,252,881)</u>
-	1,637,892	1,637,892
-	(322,359)	(322,359)
-	(488,815)	(488,815)
-	210,281	210,281
-	(83,182)	(83,182)
-	(1,992)	(1,992)
-	3,371,782	3,371,782
-	<u>4,323,607</u>	<u>4,323,607</u>
<u>(16,252,881)</u>	<u>4,323,607</u>	<u>(11,929,274)</u>
12,654,912	-	12,654,912
20,608	-	20,608
1,920,185	-	1,920,185
4,535	-	4,535
343,998	-	343,998
3,191,875	-	3,191,875
142,675	-	142,675
684,958	-	684,958
59,025	24,454	83,479
342,459	-	342,459
<u>(2,326,817)</u>	<u>2,326,817</u>	<u>-</u>
<u>17,038,413</u>	<u>2,351,271</u>	<u>19,389,684</u>
785,532	6,674,878	7,460,410
<u>77,673,474</u>	<u>55,441,569</u>	<u>133,115,043</u>
<u>\$ 78,459,006</u>	<u>\$ 62,116,447</u>	<u>\$ 140,575,453</u>

CITY OF CLINTON, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Miscellaneous
<b>ASSETS</b>				
Cash and investments	\$ 93,385	\$ 811,716	\$ 270,434	\$ 431,066
Receivables				
Taxes	7,770,523	153,766	520,847	265,653
Service fees	239,386	-	-	-
Intergovernmental	2,795	-	-	17,931
Loan	-	-	-	-
Special assessments	33,859	-	-	72,816
Other	62,376	3,256	-	-
Prepaid insurance	565	-	-	-
Prepaid - other	5,408	-	-	-
Restricted cash and investments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,208,297</b>	<b>\$ 968,738</b>	<b>\$ 791,281</b>	<b>\$ 787,466</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash overdrafts	\$ -	\$ -	\$ -	\$ -
Accounts payable	319,238	94,567	-	17,841
Warrants payable	86,624	43,114	-	202,872
Deposits payable	-	31,519	-	-
Contracts payable	-	-	-	-
Deferred revenue	7,683,466	-	-	293,937
Total liabilities	<u>8,089,328</u>	<u>169,200</u>	<u>-</u>	<u>514,650</u>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid expenditures	5,973	-	-	-
Police and fire retirement	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Unreserved				
Designated for capital improvements	-	-	-	-
Undesignated				
Reported in				
General fund	112,996	-	-	-
Special revenue funds	-	799,538	791,281	272,816
Permanent funds	-	-	-	-
Total fund balances (deficit)	<u>118,969</u>	<u>799,538</u>	<u>791,281</u>	<u>272,816</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,208,297</b>	<b>\$ 968,738</b>	<b>\$ 791,281</b>	<b>\$ 787,466</b>

See notes to financial statements

<u>Special Revenue</u>				
<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 341,761	\$ 399,772	\$ -	\$ 328,671	\$ 2,676,805
3,763,447	1,247,374	-	-	13,721,610
-	-	-	-	239,386
-	-	1,118,287	197,713	1,336,726
-	-	-	3,072	3,072
-	-	15,808	-	122,483
-	-	110,793	44,540	220,965
-	-	-	3,700	4,265
-	-	-	-	5,408
-	-	4,656,966	-	4,656,966
<u>\$ 4,105,208</u>	<u>\$ 1,647,146</u>	<u>\$ 5,901,854</u>	<u>\$ 577,696</u>	<u>\$ 22,987,686</u>
\$ -	\$ -	\$ 3,605,696	\$ -	\$ 3,605,696
9,152	-	1,295,622	58,629	1,795,049
7,812	-	423,329	39,697	803,448
-	-	2,563	-	34,082
-	-	124,684	-	124,684
3,709,473	1,220,470	967,267	197,713	14,072,326
<u>3,726,437</u>	<u>1,220,470</u>	<u>6,419,161</u>	<u>296,039</u>	<u>20,435,285</u>
-	-	-	3,700	9,673
180,197	-	-	-	180,197
198,574	-	-	-	198,574
-	426,676	-	-	426,676
-	-	-	7,000	7,000
-	-	(517,307)	-	(517,307)
-	-	-	-	112,996
-	-	-	269,423	2,133,058
-	-	-	1,534	1,534
<u>378,771</u>	<u>426,676</u>	<u>(517,307)</u>	<u>281,657</u>	<u>2,552,401</u>
<u>\$ 4,105,208</u>	<u>\$ 1,647,146</u>	<u>\$ 5,901,854</u>	<u>\$ 577,696</u>	<u>\$ 22,987,686</u>

CITY OF CLINTON, IOWA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010

Total governmental fund balances (page 21) \$ 2,552,401

*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$165,335,678 and the accumulated depreciation is \$69,438,769. 95,896,909

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 1,564,567

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

- Compensated absences (558,368)
- Bonds and notes payable (21,317,000)
- Accrued interest payable (277,959)
- Other postemployment benefits (345,413)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 943,869

**Net assets of governmental activities (page 17) \$ 78,459,006**

See notes to financial statements

CITY OF CLINTON, IOWA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Miscellaneous
<b>REVENUES</b>				
Taxes	\$ 8,301,766	\$ -	\$ 3,191,875	\$ 2,340,979
Licenses and permits	728,832	27,830	-	-
Use of money and property	190,417	1,842	1,163	12,063
Intergovernmental	196,704	2,465,294	-	56,061
Charges for services	1,160,814	188,978	-	-
Miscellaneous	119,078	5,788	-	248,638
Total revenues	<u>10,697,611</u>	<u>2,689,732</u>	<u>3,193,038</u>	<u>2,657,741</u>
<b>EXPENDITURES</b>				
Current				
Public safety	9,204,484	-	-	114,272
Public works	70,661	2,898,863	-	176,831
Culture and recreation	2,386,419	-	-	27,795
Community and economic development	221,640	-	-	1,440,243
General government	1,951,157	-	-	-
Capital projects	7,770	129,629	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>13,842,131</u>	<u>3,028,492</u>	<u>-</u>	<u>1,759,141</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,144,520)</u>	<u>(338,760)</u>	<u>3,193,038</u>	<u>898,600</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	-	-	-	-
Bond discount	-	-	-	-
Operating transfers in	4,243,071	-	-	-
Operating transfers out	(1,367,850)	(12,000)	(3,448,900)	(779,147)
Total other financing sources (uses)	<u>2,875,221</u>	<u>(12,000)</u>	<u>(3,448,900)</u>	<u>(779,147)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(269,299)	(350,760)	(255,862)	119,453
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<u>388,268</u>	<u>1,150,298</u>	<u>1,047,143</u>	<u>153,363</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 118,969</u>	<u>\$ 799,538</u>	<u>\$ 791,281</u>	<u>\$ 272,816</u>

See notes to financial statements

Special Revenue

<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 3,440,072	\$ 1,692,290	\$ -	\$ -	\$ 18,966,982
-	-	-	-	756,662
-	-	32,366	196,060	433,911
-	-	1,465,680	217,290	4,401,029
-	-	-	15,365	1,365,157
-	51,083	41,794	62,944	529,325
<u>3,440,072</u>	<u>1,743,373</u>	<u>1,539,840</u>	<u>491,659</u>	<u>26,453,066</u>
-	-	132,567	-	9,451,323
-	-	218,459	-	3,364,814
-	-	22,474	254,873	2,691,561
-	-	-	271,677	1,933,560
23,157	3,300	-	310,816	2,288,430
-	-	6,118,853	11,069	6,267,321
-	3,046,000	-	-	3,046,000
-	947,984	-	-	947,984
<u>23,157</u>	<u>3,997,284</u>	<u>6,492,353</u>	<u>848,435</u>	<u>29,990,993</u>
<u>3,416,915</u>	<u>(2,253,911)</u>	<u>(4,952,513)</u>	<u>(356,776)</u>	<u>(3,537,927)</u>
-	-	4,600,000	-	4,600,000
-	-	(32,883)	-	(32,883)
-	2,330,500	2,778,039	617,311	9,968,921
<u>(3,575,924)</u>	<u>(29,200)</u>	<u>(2,682,016)</u>	<u>(400,701)</u>	<u>(12,295,738)</u>
<u>(3,575,924)</u>	<u>2,301,300</u>	<u>4,663,140</u>	<u>216,610</u>	<u>2,240,300</u>
(159,009)	47,389	(289,373)	(140,166)	(1,297,627)
<u>537,780</u>	<u>379,287</u>	<u>(227,934)</u>	<u>421,823</u>	<u>3,850,028</u>
<u>\$ 378,771</u>	<u>\$ 426,676</u>	<u>\$ (517,307)</u>	<u>\$ 281,657</u>	<u>\$ 2,552,401</u>

CITY OF CLINTON, IOWA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2010

**Net change in fund balances - total governmental funds (page 24)** \$ (1,297,627)

***Amounts reported for governmental activities in the Statement of Activities are different because:***

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

Expenditures for capital assets	6,139,180
Depreciation expense	(3,706,473)
Loss on disposal of fixed assets	(15,525)

Because some revenues will not be collected for several months after year-end, they are not considered available revenues and are deferred in the governmental funds.

1,240,761

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

230,132

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences	(25,322)
Other postemployment benefits	(168,945)
Interest on long-term debt	(56,649)

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.

(1,554,000)

**Change in net assets of governmental activities (page 19)** \$ 785,532

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 480,537	\$ 570,376
Receivables			
Service fees	2,927,482	438,567	-
Intergovernmental	36	-	109,686
Special assessments	1,095,535	4,521	-
Other	8,319	-	224,548
Prepaid - other	-	-	-
Capital assets, net of accumulated depreciation	58,499,774	142,690	2,303,071
Total assets	<u>62,531,146</u>	<u>1,066,315</u>	<u>3,207,681</u>
<b>LIABILITIES</b>			
Cash overdrafts	1,640,548	-	-
Accounts payable	1,705,090	20,030	8,463
Warrants payable	211,367	3,758	3,621
Contracts payable	143,450	-	-
Compensated absences payable	30,721	8,262	16,940
Notes payable	13,786,000	-	-
General obligation bonds payable	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Net OPEB liability	40,550	12,475	28,494
Total liabilities	<u>17,557,726</u>	<u>44,525</u>	<u>57,518</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	44,713,774	142,690	2,303,071
Restricted for:			
Capital equipment replacement/repairs	-	989,433	-
Unrestricted	259,646	(110,333)	847,092
Total net assets	<u>\$ 44,973,420</u>	<u>\$ 1,021,790</u>	<u>\$ 3,150,163</u>

See notes to financial statements

Enterprise			Internal Service
Airport Operations	Nonmajor Enterprise	Total	Health Insurance
\$ -	\$ 80,333	\$ 1,131,246	\$ 1,694,199
-	-	3,366,049	6,926
454,180	-	563,902	-
-	-	1,100,056	-
18,594	13,178	264,639	-
30,000	-	30,000	2,635
6,492,673	6,530,776	73,968,984	-
<u>6,995,447</u>	<u>6,624,287</u>	<u>80,424,876</u>	<u>1,703,760</u>
199,733	-	1,840,281	-
288,205	22,008	2,043,796	343,548
41,032	11,582	271,360	193,502
-	-	143,450	-
2,990	-	58,913	-
-	-	13,786,000	-
80,000	-	80,000	-
-	-	-	222,841
3,110	-	84,629	-
<u>615,070</u>	<u>33,590</u>	<u>18,308,429</u>	<u>759,891</u>
6,412,673	6,530,776	60,102,984	-
-	-	989,433	-
(32,296)	59,921	1,024,030	943,869
<u>\$ 6,380,377</u>	<u>\$ 6,590,697</u>	<u>\$ 62,116,447</u>	<u>\$ 943,869</u>

CITY OF CLINTON, IOWA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,970,618	\$ 910,885	\$ 276,033
Property rental	-	-	4,000
Miscellaneous	43,360	28,078	5,337
Total operating revenues	<u>7,013,978</u>	<u>938,963</u>	<u>285,370</u>
<b>OPERATING EXPENSES</b>			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,555,831	462,103	999,980
Commodities	424,469	90,270	199,958
Contractual services	2,165,998	660,813	169,916
Depreciation	1,701,912	48,136	157,700
Total operating expenses	<u>5,848,210</u>	<u>1,261,322</u>	<u>1,527,554</u>
Operating income (loss)	<u>1,165,768</u>	<u>(322,359)</u>	<u>(1,242,184)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	24,454	-	-
Intergovernmental	844,994	-	753,369
Interest expense	(372,870)	-	-
Total non-operating revenues (expenses)	<u>496,578</u>	<u>-</u>	<u>753,369</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	1,662,346	(322,359)	(488,815)
Operating transfers in	6,051,000	-	727,939
Operating transfers out	<u>(6,501,000)</u>	<u>-</u>	<u>(61,000)</u>
<b>CHANGE IN NET ASSETS</b>	1,212,346	(322,359)	178,124
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>43,761,074</u>	<u>1,344,149</u>	<u>2,972,039</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 44,973,420</u>	<u>\$ 1,021,790</u>	<u>\$ 3,150,163</u>

See notes to financial statements

	Enterprise		Internal Service
	Airport Operations	Nonmajor Enterprise	Health Insurance
\$ -	\$ 58,065	\$ 8,215,601	\$ 3,053,789
89,813	395,835	489,648	-
225,650	91,741	394,166	-
<u>315,463</u>	<u>545,641</u>	<u>9,099,415</u>	<u>3,053,789</u>
-	-	-	2,827,198
109,132	-	3,127,046	-
181,691	73,826	970,214	-
602,771	210,718	3,810,216	-
210,874	135,990	2,254,612	-
<u>1,104,468</u>	<u>420,534</u>	<u>10,162,088</u>	<u>2,827,198</u>
(789,005)	125,107	(1,062,673)	226,591
-	-	24,454	3,541
4,164,987	-	5,763,350	-
(4,200)	-	(377,070)	-
<u>4,160,787</u>	<u>-</u>	<u>5,410,734</u>	<u>3,541</u>
3,371,782	125,107	4,348,061	230,132
86,500	2,285,578	9,151,017	-
<u>(112,200)</u>	<u>(150,000)</u>	<u>(6,824,200)</u>	<u>-</u>
3,346,082	2,260,685	6,674,878	230,132
3,034,295	4,330,012	55,441,569	713,737
<u>\$ 6,380,377</u>	<u>\$ 6,590,697</u>	<u>\$ 62,116,447</u>	<u>\$ 943,869</u>

CITY OF CLINTON, IOWA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 6,315,843	\$ 1,106,742	\$ 732,112
Cash paid to suppliers	(1,559,247)	(767,743)	(391,318)
Cash paid to employees	(1,531,644)	(456,155)	(987,687)
Net cash provided by (used in) operating activities	<u>3,224,952</u>	<u>(117,156)</u>	<u>(646,893)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental	494	-	753,369
Operating transfers in	6,051,000	-	727,939
Operating transfers out	(6,501,000)	-	(61,000)
Net cash provided by (used in) non-capital financing activities	<u>(449,506)</u>	<u>-</u>	<u>1,420,308</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(8,408,473)	-	-
Intergovernmental	844,500	-	-
Increase in long-term debt	2,000,000	-	-
Principal payments on long-term debt	(648,000)	-	-
Interest expense	(372,870)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(6,584,843)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	24,454	-	-
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<u>(3,784,943)</u>	<u>(117,156)</u>	<u>773,415</u>
<b>CASH AND INVESTMENTS, JULY 1</b>	<u>2,144,395</u>	<u>597,693</u>	<u>(203,039)</u>
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ (1,640,548)</u>	<u>\$ 480,537</u>	<u>\$ 570,376</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,165,768	\$ (322,359)	\$ (1,242,184)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,701,912	48,136	157,700
Changes in assets and liabilities:			
(Increase) decrease in receivables	(698,135)	167,779	446,742
(Increase) decrease in prepaid - other	-	-	-
Increase (decrease) in accounts payable	794,200	(10,294)	2,332
Increase (decrease) in warrants payable	119,803	(6,366)	(23,776)
Increase in contracts payable	117,217	-	-
Increase (decrease) in compensated absences payable	2,696	(657)	(1,876)
Decrease in deferred revenue	-	-	-
Decrease in estimated payable for incurred but not reported claims	-	-	-
Increase (decrease) in postemployment benefits	21,491	6,605	14,169
Net cash flows provided by (used in) operating activities	<u>\$ 3,224,952</u>	<u>\$ (117,156)</u>	<u>\$ (646,893)</u>

See notes to financial statements

Airport Operations	Enterprise Nonmajor Enterprise	Total	Internal Service Health Insurance
\$ (145,594)	\$ 539,614	\$ 8,548,717	\$ 3,047,667
(529,337)	(276,267)	(3,523,912)	(2,662,279)
(107,965)	(489)	(3,083,940)	-
<u>(782,896)</u>	<u>262,858</u>	<u>1,940,865</u>	<u>385,388</u>
14,730	-	768,593	-
86,500	2,285,578	9,151,017	-
(112,200)	(150,000)	(6,824,200)	-
<u>(10,970)</u>	<u>2,135,578</u>	<u>3,095,410</u>	<u>-</u>
(3,621,041)	(2,349,077)	(14,378,591)	-
4,150,257	-	4,994,757	-
-	-	2,000,000	-
(25,000)	-	(673,000)	-
(4,200)	-	(377,070)	-
<u>500,016</u>	<u>(2,349,077)</u>	<u>(8,433,904)</u>	<u>-</u>
-	-	24,454	3,541
(293,850)	49,359	(3,373,175)	388,929
94,117	30,974	2,664,140	1,305,270
<u>\$ (199,733)</u>	<u>\$ 80,333</u>	<u>\$ (709,035)</u>	<u>\$ 1,694,199</u>
\$ (789,005)	\$ 125,107	\$ (1,062,673)	\$ 226,591
210,874	135,990	2,254,612	-
(455,533)	(6,027)	(545,174)	(6,122)
(30,000)	1,250	(28,750)	79
244,245	(4,177)	1,026,306	(22,950)
40,880	11,204	141,745	190,046
-	-	117,217	-
(608)	-	(445)	-
(5,524)	-	(5,524)	-
-	-	-	(2,256)
1,775	(489)	43,551	-
<u>\$ (782,896)</u>	<u>\$ 262,858</u>	<u>\$ 1,940,865</u>	<u>\$ 385,388</u>

CITY OF CLINTON, IOWA  
 STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 June 30, 2010

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 382,137
Receivables	
Other	1,516
Prepaid insurance	61,206
Total assets	444,859
<b>LIABILITIES</b>	
Accounts payable	151,764
Warrants payable	293,095
Total liabilities	444,859
<b>NET ASSETS</b>	<b>\$ -</b>

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

The notes to the financial statements contain a summary of significant accounting policies and other notes considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Deposits and Investments
3. Capital Assets
4. Changes in Long-Term Liabilities
5. Fund Transfer Reconciliation
6. Employee Retirement Systems
7. Other Postemployment Benefits (OPEB)
8. Industrial Development Revenue Bonds
9. Deficit Fund Balance
10. Related Party Transactions
11. Risk Management
12. Commitments and Contingent Liabilities
13. Litigation
14. Subsequent Events
15. New Pronouncements

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Clinton was incorporated in 1857 and is a political subdivision of the State of Iowa located in Clinton County. It operates under the Home Rule provisions of the Constitution of Iowa and under a Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and solid waste utilities for its citizens, operates a transit system, marina, airport, and a parking system.

Responsibility for the City's operations is vested with the City's elected officials. Management of the City is appointed by and is accountable to the Council.

The City's financial statements are prepared in conformity with accounting principals generally accepted in the United States of America applicable to state and local governments as prescribed by the Governmental Accounting Standards Board. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

**Reporting Entity**

For financial reporting purposes, the City of Clinton has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Clinton has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

City Assessor Conference Board  
Clinton County Area Solid Waste Agency  
Clinton County Communications Commission  
East Central Intergovernmental Association

ECIA Regional Planning Affiliation  
Enhanced 911 Service Board  
Mobile Team Training Unit IV  
Resource Enhancement Protection Agency

## Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt*, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within the governmental and proprietary funds in the financial section of the basic financial statements and are detailed in the supplementary information.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The Road Use Tax Fund is used to account for state revenue allocated to the City for maintenance and improvements of City streets. This state revenue representing the City's share of state gasoline taxes is received on a per capita basis. State law requires these revenues be received and expensed in a special revenue fund.

The Local Option Sales Tax Fund is used to account for revenue from the 1% local option tax approved by the voters of the City. This revenue has been designated to finance major storm sewer projects and provide property tax relief on a 50/50% basis. This fund also pays principal and interest on bonds which were issued to finance storm sewer projects. Additionally, local option sales taxes provide property tax relief for certain other debt requirements.

The Employee Benefits Fund is used to account for the funding of employee benefits related to those City employees who are paid through the General Fund. The benefits are funded by property tax levies and public safety funds designated to be used for City retirement contributions.

The Miscellaneous Fund is used to account for a variety of special revenue and expenditure items whose classification as separate funds is deemed unnecessary.

The Debt Service Fund is used to account for the accumulation of revenues for payment of principal and interest on general obligation debt including the tax increment portion of the bonds in addition to general obligation refunding bonds.

The Capital Projects Fund is used to account for resources used for the acquisition and construction of capital facilities and certain capital purchases, with the exception of those that are financed by the Enterprise Funds.

The City reports the following major proprietary funds:

The Sewer Revenue Fund is used to account for the operation of the municipally owned sewer treatment plant which provides services to the City. Additionally, this fund accounts for plant improvements, various sewer improvement projects, and reserve requirements according to the provisions of the sewer revenue bond ordinance. Services are primarily supported from user fees.

The Solid Waste Collection Fund is used to account for the operation of the City's refuse collection services and recycling operations including capital equipment replacement. Revenues to fund the services are received from monthly service charges to residential users and the sale of garbage stickers.

The Transit System Fund is used to account for the operation of the municipal transit operations. The service is funded from user fees, grants, and property taxes from a special transit levy. The fund also includes funds for capital equipment replacement.

The Airport Operations Fund is used to account for the activities and improvements of the Municipal Airport. Hangar fees and farm land rentals support its operation in addition to an operating subsidy provided by the General Fund.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to its employees, City retirees, and two outside agencies. The City Assessor's office, Clinton Housing Authority, and certain retirees have the ability to participate in the plan, but at their cost.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds consist of:

Agency funds, which are custodial in nature, report assets and liabilities and do not involve measurement of the results of operations. These funds function primarily as a clearing mechanism for resources which are collected by the City, held for a brief period, and then disbursed to an authorized recipient.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes, intergovernmental revenue, charges for services, interest and special assessments are susceptible to accrual. The City considers property taxes as available if they are collected within sixty days after year-end. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available if the revenue has been earned by year-end and is received within sixty days after year-end.

Under the terms of grant agreements, entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The proprietary funds of the City apply 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.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statement.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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 Internal Service Fund are charges to operating activities for employee health insurance benefits. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for the internal service fund and the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **Assets, Liabilities, and Equity**

The following accounting policies are followed in preparing the combined balance sheet:

### *Cash and Investments*

The City maintains a cash and investment pool for all funds. Cash resources have been pooled in order to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Each fund's portion of total cash and investments is reported as such within this report.

State statute authorizes the City to invest public funds in obligations of the United States government and its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City invests in the Iowa Public Agency Investment Trust which is a 2a7 - like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa code law and is administered by an appointed investment management company.

Investments are stated at fair value or amortized cost. Amortized cost is used only for money market investments that have a remaining maturity at time of purchase of one year or less.

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

### *Property Tax Receivable*

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

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the budget is required to be certified in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred both in the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property taxes are levied as of July 1 on property values assessed as of January 1, of the previous year. The tax levy is divided into two installments. The first installment becomes delinquent after September 30 and the second is delinquent after March 31 of the following year. Once the installment becomes delinquent, penalties and interest may be assessed. Property taxes attach as an enforceable lien on July 1. Tax collections remitted to the City within sixty days subsequent to June 30 are recorded as property tax revenues for the year ended June 30 in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30 are delinquent and are recorded as deferred revenue in the governmental funds, but recognized as revenue in the government-wide financial statements.

### *Customer Accounts and Unbilled Usage*

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

### *Intergovernmental Receivables*

Intergovernmental receivables represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Reported prepaid items in the governmental funds are offset by fund balance reserves, which indicate that the balances are not available for appropriation.

### *Restricted Assets*

Assets within the individual funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, or other requirements are classified as restricted assets.

### *Capital Assets*

Capital assets which include land, construction in progress, machinery and equipment, land improvements, buildings and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. All land is capitalized. All other capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$25,000 for buildings and improvements and \$50,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year ended June 30, 2010, no interest expense was added to the cost of assets acquired in the business-type activities.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Machinery and equipment	5-20 years
Land improvements	20 years
Buildings and infrastructure	10-75 years

### *Impairment of Long-Lived Assets*

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

### *Deferred Revenue*

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

### *Compensated Absences*

City employees accumulate a limited amount of earned but unused vacation and compensatory time benefits payable to the employees. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010.

### *Long-Term Obligations*

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Fund Equity*

In the governmental fund financial statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance indicate management's plans for use of financial resources in a future period. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party requirements.

### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the public safety, public works and general government functions.

### **Subsequent Events**

Management has evaluated subsequent events through April 29, 2011, the date the financial statements were available to be issued.

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

At year end, the City's carrying amount of deposits with financial institutions was \$4,353,733 and the bank balance was \$4,351,342. These bank balances were fully covered by depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

Credit risk - The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$741,643 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investments in the Iowa Public Agency Investment Trust is unrated.

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

Carrying amount of deposits	\$ 4,353,733
Carrying amount of investments	741,643
<b>Total</b>	<u>\$ 5,095,376</u>
Cash and investments	\$ 56,273
Cash and investments - Agency Funds	382,137
Restricted cash and investments	4,656,966
<b>Total</b>	<u>\$ 5,095,376</u>

### NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$20,746,143	\$ 406,840	\$ -	\$21,152,983
Construction in progress	9,859,974	7,339,288	6,275,098	10,924,164
Total capital assets, not being depreciated	<u>30,606,117</u>	<u>7,746,128</u>	<u>6,275,098</u>	<u>32,077,147</u>
Capital assets, being depreciated				
Machinery and equipment	14,235,247	538,293	33,903	14,739,637
Land improvements	3,502,166	138,670	-	3,640,836
Buildings	18,313,171	133,836	-	18,447,007
Infrastructure	92,573,700	3,857,351	-	96,431,051
Total capital assets, being depreciated	<u>128,624,284</u>	<u>4,668,150</u>	<u>33,903</u>	<u>133,258,531</u>
Less accumulated depreciation for:				
Machinery and equipment	11,811,408	649,380	18,378	12,442,410
Land improvements	1,878,836	126,771	-	2,005,607
Buildings	5,572,063	554,280	-	6,126,343
Infrastructure	46,488,367	2,376,042	-	48,864,409
Total accumulated depreciation	<u>65,750,674</u>	<u>3,706,473</u>	<u>18,378</u>	<u>69,438,769</u>
Total capital assets, being depreciated, net	<u>62,873,610</u>	<u>961,677</u>	<u>15,525</u>	<u>63,819,762</u>
<b>Governmental activities capital assets, net</b>	<u>\$93,479,727</u>	<u>\$ 8,707,805</u>	<u>\$ 6,290,623</u>	<u>\$95,896,909</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 2,606,890
Public safety	439,385
Culture and recreation	608,145
General government	52,053
	<u>\$ 3,706,473</u>

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,311,513	\$ 262,000	\$ -	\$ 4,573,513
Construction in progress	<u>3,338,643</u>	<u>11,733,669</u>	<u>1,834,814</u>	<u>13,237,498</u>
Total capital assets, not being depreciated	<u>7,650,156</u>	<u>11,995,669</u>	<u>1,834,814</u>	<u>17,811,011</u>
Capital assets, being depreciated				
Machinery and equipment	7,547,048	64,162	-	7,611,210
Land improvements	319,900	-	-	319,900
Buildings	26,121,571	739,172	-	26,860,743
Infrastructure	<u>83,439,407</u>	<u>3,414,402</u>	<u>-</u>	<u>86,853,809</u>
Total capital assets, being depreciated	<u>117,427,926</u>	<u>4,217,736</u>	<u>-</u>	<u>121,645,662</u>
Less accumulated depreciation for:				
Machinery and equipment	5,880,345	305,107	-	6,185,452
Land improvements	319,900	-	-	319,900
Buildings	12,423,587	507,153	-	12,930,740
Infrastructure	<u>44,609,245</u>	<u>1,442,352</u>	<u>-</u>	<u>46,051,597</u>
Total accumulated depreciation	<u>63,233,077</u>	<u>2,254,612</u>	<u>-</u>	<u>65,487,689</u>
Total capital assets, being depreciated, net	<u>54,194,849</u>	<u>1,963,124</u>	<u>-</u>	<u>56,157,973</u>
<b>Business-type activities capital assets, net</b>	<u>\$61,845,005</u>	<u>\$13,958,793</u>	<u>\$ 1,834,814</u>	<u>\$73,968,984</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,701,912
Solid waste	48,136
Transit	157,700
Airport operations	210,874
Other business-type funds	135,990
	<u>\$ 2,254,612</u>

**NOTE 4 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due One Year</u>
<b>Governmental activities</b>					
General obligation	\$ 18,615,000	\$ 4,600,000	\$ 2,895,000	\$ 20,320,000	\$ 2,250,000
Notes payable	1,148,000	-	151,000	997,000	151,000
Accrued compensated absences	533,046	803,879	778,557	558,368	558,368
Net OPEB liability	176,468	168,945	-	345,413	-
<b>Governmental activities, long-term liabilities</b>	<u>\$ 20,472,514</u>	<u>\$ 5,572,824</u>	<u>\$ 3,824,557</u>	<u>\$ 22,220,781</u>	<u>\$ 2,959,368</u>
<b>Business-type activities</b>					
General obligation	\$ 105,000	\$ -	\$ 25,000	\$ 80,000	\$ 25,000
Sewer revenue capital notes	12,434,000	2,000,000	648,000	13,786,000	2,671,000
Accrued compensated absences	59,358	98,533	98,978	58,913	58,913
Net OPEB liability	41,078	43,551	-	84,629	-
<b>Business-type activities, long-term liabilities</b>	<u>\$ 12,639,436</u>	<u>\$ 2,142,084</u>	<u>\$ 771,978</u>	<u>\$ 14,009,542</u>	<u>\$ 2,754,913</u>

**Bonds.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and procurement of capital equipment. General obligation bonds have been issued for general government. In 2006, \$4,275,000 of bonds were issued for the purpose of refunding the 1997 and 1999 issues which contained higher interest rates. The amount refunded was \$4,205,000 and included a portion of the 1997 issue used to construct hangars at the airport. As in prior years, rental revenue from the hangars will pay the general long-term debt principal and interest associated with construction of the hangars. The liability for those bonds is included in that enterprise fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2010 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Corporate purpose	03/01/01	4.20-4.25	\$ 3,415,000	\$ 850,000
Refunding	05/01/01	3.35-4.50	5,575,000	300,000
Corporate purpose	11/01/03	3.00-5.00	630,000	140,000
Corporate purpose	11/01/03	1.75-3.75	2,800,000	1,795,000
Corporate purpose	05/01/06	5.40-5.70	7,620,000	3,830,000
Corporate purpose	05/01/06	4.00-4.25	3,470,000	2,615,000
Corporate purpose	09/01/08	3.25-4.75	6,270,000	6,270,000
Corporate purpose	08/26/09	1.75-5.00	4,600,000	4,600,000
			<u>\$34,380,000</u>	<u>\$20,400,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$5,062,731, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,275,000	\$ 857,363	\$ 3,132,363
2012	1,975,000	769,543	2,744,543
2013	2,225,000	691,405	2,916,405
2014	2,100,000	602,358	2,702,358
2015	2,185,000	520,982	2,705,982
2016-2020	7,560,000	1,365,075	8,925,075
2021-2025	1,780,000	227,705	2,007,705
2026-2028	300,000	28,300	328,300
<b>Total</b>	<b><u>\$ 20,400,000</u></b>	<b><u>\$ 5,062,731</u></b>	<b><u>\$ 25,462,731</u></b>

**Notes Payable.** Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2010 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Economic Development	07/01/01	6.00%	\$ 800,000	\$ 754,000
Sewer plant improvements	11/11/93	4.62%	2,564,000	562,000
Sewer separation project	08/03/06	3.00%	2,804,000	2,073,000
Sewer system project	12/11/07	3.00%	9,898,000	9,151,000
Sewer system project	12/17/08	0.00%	2,000,000	2,000,000
Capital loan note, Series 2009	03/05/09	3.25%	315,000	105,000
Capital loan note, Series 2009	04/03/09	4.85%	230,000	138,000
			<u>\$18,611,000</u>	<u>\$14,783,000</u>

Debt service requirements to maturity, including interest of \$3,465,483 on notes payable, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,822,000	\$ 372,790	\$ 3,194,790
2012	739,000	344,117	1,083,117
2013	765,000	318,066	1,083,066
2014	1,292,000	291,090	1,583,090
2015	555,000	274,950	829,950
2016-2020	3,036,000	1,114,800	4,150,800
2021-2025	3,529,000	630,750	4,159,750
2026-2030	2,045,000	118,920	2,163,920
<b>Total</b>	<b><u>\$ 14,783,000</u></b>	<b><u>\$ 3,465,483</u></b>	<b><u>\$ 18,248,483</u></b>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the four sewer revenue notes issued in November 1993, August 2006, December 2007, and December 2008. Proceeds from the notes provided financing for acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping the sewer system. The notes are payable solely from sewer customer net revenues and are payable through 2030. Total principal and interest remaining to be paid on the notes is \$17,234,684. For the current year, principal and interest paid and total customer net revenues were \$1,020,870 and \$2,048,501, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund for the purpose of making the note principal and interest payments when due.
- (c) All funds remaining in the sewer rental account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account. This account is restricted for the purpose of paying for any extraordinary repairs or replacements to the system or for note and interest payments which the other accounts might be unable to make.

**Operating Leases.** The City has an operating lease for occupancy of a building and parking for the police department which resulted in rent paid of \$62,876 for the year ended June 30, 2010.

The original lease agreement was signed in November, 1997 and renewed in October, 2002, February 2006, and March 2008. The term of the current lease is five years with two five year options at current monthly payments of \$5,434.

**NOTE 5 - FUND TRANSFER RECONCILIATION**

	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ 4,243,071	\$ 1,367,850
Road Use Tax	-	12,000
Local Option Sales Tax	-	3,448,900
Miscellaneous	-	779,147
Employee Benefits	-	3,575,924
Debt Service	2,330,500	29,200
Capital Projects	2,778,039	2,682,016
Other Nonmajor Governmental Funds	617,311	400,701
Sewer Revenue	6,051,000	6,501,000
Transit System	727,939	61,000
Airport Operations	86,500	112,200
Other Nonmajor Proprietary Funds	2,285,578	150,000
	<u>\$ 19,119,938</u>	<u>\$ 19,119,938</u>

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

## NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS

### MFPRSI

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, and cannot be less than 17.00% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, were \$841,035, \$892,079, and \$1,179,239, respectively, which met the required contribution for each year.

### IPERS

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$352,453, \$300,464, and \$280,456, respectively, equal to the required contributions for each year.

## NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

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

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 319,021
Interest on net OPEB obligation	5,439
Adjustment to annual required contribution	<u>(22,616)</u>
Annual OPEB cost	301,844
Contributions made	<u>(89,348)</u>
Increase in net OPEB obligation	212,496
Net OPEB obligation beginning of year	<u>217,546</u>
Net OPEB obligation end of year	<u>\$ 430,042</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$89,348 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 301,844	29.6%	\$ 430,042

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$2.616 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.616 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10,509,190, and the ratio of the UAAL to covered payroll was 24.9%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The projected annual health cost trend rate is 6%.

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

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

## **NOTE 8 - INDUSTRIAL DEVELOPMENT REVENUE BONDS**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City has issued a total of \$145,305,000 of industrial development revenue bonds.

## **NOTE 9 - DEFICIT FUND BALANCE**

At June 30, 2010, the Capital Projects Fund had a deficit balance of \$517,307. The deficit fund balance is a result of project costs in excess of available funds. The deficit will be eliminated upon the collection of future revenues.

## **NOTE 10 - RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City Officials totaling \$25,045 during the year ended June 30, 2010.

## **NOTE 11 - RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City has elected not to obtain this coverage from the Pool.

The City's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to

\$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given sixty days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a Health Insurance Fund for insuring benefits provided to City employees, covered dependents, retirees, and two outside agencies which is included in the Internal Service Fund Type. Health benefits were self-insured up to a specific stop loss amount of \$35,000, and an aggregate stop loss of approximately \$2.2 million for 2010. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate.

All funds of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims. Certain retirees and the two outside agencies make payments directly to the fund. The claims liability of \$222,841 in the Health Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimated claims liability does not include any allocated or unallocated claims adjustment expenses.

Changes in reported liabilities for the fiscal year ended June 30, 2010 are summarized as follows:

Liability at June 30, 2009	\$ 225,097
Claims and changes in estimates during fiscal year 2010	2,283,625
Claim payments	<u>(2,285,881)</u>
<b>Liability at June 30, 2010</b>	<b><u>\$ 222,841</u></b>

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

## **NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES**

### **Grants**

The City has received financial assistance from numerous federal and state agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position as of June 30, 2010.

### **Construction Contracts**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2010. The City has additional commitments for signed construction contracts of approximately \$51,420,528 as of June 30, 2010. These commitments will be funded from bond proceeds, grants, and resources already accumulated.

## **NOTE 13 - LITIGATION**

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

## **NOTE 14 - SUBSEQUENT EVENTS**

The City Council approved the issuance of the Series 2010 Sewer Revenue Capital Loan Note in the amount of \$46,660,000. The agreement was dated September 15, 2010 with a 3.00% interest rate and a final maturity on June 1, 2032. Proceeds from the note will be used to finance a portion of the costs of construction of the Wastewater Treatment System.

## **NOTE 15 - NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board had issued the following statement not yet implemented by the City. The Statement, which might impact the City, is as follows:

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

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

This information is an integral part of the accompanying financial statements.

CITY OF CLINTON, IOWA  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS -  
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>REVENUES</b>			
Taxes	\$ 18,966,982	\$ -	\$ 18,966,982
Licenses and permits	756,662	-	756,662
Use of money and property	433,911	24,454	458,365
Intergovernmental	4,401,029	5,763,350	10,164,379
Charges for services	1,365,157	8,215,601	9,580,758
Property rental	-	489,648	489,648
Special assessments	-	-	-
Miscellaneous	529,325	394,166	923,491
Total revenues	<u>26,453,066</u>	<u>14,887,219</u>	<u>41,340,285</u>
<b>EXPENDITURES</b>			
Current			
Public safety	9,451,323	-	9,451,323
Public works	3,364,814	-	3,364,814
Culture and recreation	2,691,561	-	2,691,561
Community and economic development	1,933,560	-	1,933,560
General government	2,288,430	-	2,288,430
Debt service	3,993,984	-	3,993,984
Capital projects	6,267,321	-	6,267,321
Business-type activities	-	10,539,158	10,539,158
Total expenditures	<u>29,990,993</u>	<u>10,539,158</u>	<u>40,530,151</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,537,927)</u>	<u>4,348,061</u>	<u>810,134</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	4,567,117	-	4,567,117
Operating transfers in	9,968,921	9,151,017	19,119,938
Operating transfers out	(12,295,738)	(6,824,200)	(19,119,938)
Total other financing sources (uses)	<u>2,240,300</u>	<u>2,326,817</u>	<u>4,567,117</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(1,297,627)</u>	<u>6,674,878</u>	<u>5,377,251</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>3,850,028</u>	<u>55,441,569</u>	<u>59,291,597</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,552,401</u>	<u>\$ 62,116,447</u>	<u>\$ 64,668,848</u>

Budgeted Amounts		Variance with Final Budget
Original	Final	Positive (Negative)
\$ 18,712,580	\$ 18,847,887	\$ 119,095
339,600	322,500	434,162
938,800	940,800	(482,435)
12,076,500	12,730,324	(2,565,945)
10,916,000	10,387,700	(806,942)
-	-	489,648
188,900	-	-
3,487,300	3,600,349	(2,676,858)
<u>46,659,680</u>	<u>46,829,560</u>	<u>(5,489,275)</u>
9,112,800	9,419,000	(32,323)
3,342,000	3,291,200	(73,614)
2,725,800	2,745,000	53,439
2,202,000	2,423,175	489,615
1,728,800	1,823,788	(464,642)
4,082,400	4,215,700	221,716
15,494,100	18,837,204	12,569,883
15,062,200	26,667,983	16,128,825
<u>53,750,100</u>	<u>69,423,050</u>	<u>28,892,899</u>
<u>(7,090,420)</u>	<u>(22,593,490)</u>	<u>23,403,624</u>
6,688,400	23,529,600	(18,962,483)
10,525,724	11,396,269	7,723,669
(10,525,724)	(11,396,269)	(7,723,669)
<u>6,688,400</u>	<u>23,529,600</u>	<u>(18,962,483)</u>
(402,020)	936,110	4,441,141
<u>14,935,522</u>	<u>11,220,599</u>	<u>48,070,998</u>
<u>\$ 14,533,502</u>	<u>\$ 12,156,709</u>	<u>\$ 52,512,139</u>

**CITY OF CLINTON, IOWA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**June 30, 2010**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on or before March 15 of each year which becomes effective July 1 following the required public notice and hearing for all funds except permanent and fiduciary funds. The budget may be amended during the year utilizing statutorily prescribed procedures and time limitations. Appropriations as adopted and amended lapse at the end of the fiscal year.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund or fund type. These eight functions are: Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Enterprise Funds. Although the budget document presents function disbursement by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budget disbursements by \$15,672,950. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements in the public safety, public works and general government functions exceeded the amounts budgeted.

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

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	-	\$ 2,587	\$ 2,587	0.00%	\$ 10,100	25.6%
2010	July 1, 2009	-	\$ 2,616	\$ 2,616	0.00%	\$ 10,500	24.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF CLINTON, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2010

	Special Revenue	
	Leisure/ Cultural Programs	Community and Economic Development
<b>ASSETS</b>		
Cash and investments	\$ 113,998	\$ 155,580
Receivables		
Intergovernmental	41,821	155,892
Loan	-	3,072
Other	44,540	-
Prepaid insurance	-	-
<b>TOTAL ASSETS</b>	<b>\$ 200,359</b>	<b>\$ 314,544</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 49,137	\$ 8,492
Warrants payable	2,770	33,927
Deferred revenue	41,821	155,892
Total liabilities	93,728	198,311
<b>FUND BALANCES</b>		
Fund balance		
Reserved for prepaid expenditures	-	-
Reserved for endowments	-	-
Unreserved		
Undesignated		
Reported in		
Special revenue funds	106,631	116,233
Permanent funds	-	-
Total fund balances	106,631	116,233
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 200,359</b>	<b>\$ 314,544</b>

Special Revenue	Permanent		
Tort Liability	Hayes Trust	Boyd Henningsen Trust	Total
\$ 50,559	\$ 3,681	\$ 4,853	\$ 328,671
-	-	-	197,713
-	-	-	3,072
-	-	-	44,540
3,700	-	-	3,700
<u>\$ 54,259</u>	<u>\$ 3,681</u>	<u>\$ 4,853</u>	<u>\$ 577,696</u>
\$ 1,000	\$ -	\$ -	\$ 58,629
3,000	-	-	39,697
-	-	-	197,713
<u>4,000</u>	<u>-</u>	<u>-</u>	<u>296,039</u>
3,700	-	-	3,700
-	3,000	4,000	7,000
46,559	-	-	269,423
-	681	853	1,534
<u>50,259</u>	<u>3,681</u>	<u>4,853</u>	<u>281,657</u>
<u>\$ 54,259</u>	<u>\$ 3,681</u>	<u>\$ 4,853</u>	<u>\$ 577,696</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2010

	Special Revenue	
	Leisure/ Cultural Programs	Community and Economic Development
<b>REVENUES</b>		
Use of money and property	\$ 195,766	\$ -
Intergovernmental	78,306	138,984
Charges for services	15,365	-
Miscellaneous	14,728	6,280
Total revenues	<u>304,165</u>	<u>145,264</u>
<b>EXPENDITURES</b>		
Current		
Culture and recreation	254,873	-
Community and economic development	-	271,677
General government	-	-
Capital projects	11,069	-
Total expenditures	<u>265,942</u>	<u>271,677</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>38,223</u>	<u>(126,413)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	348,253	8,200
Operating transfers out	(392,501)	(8,200)
Total other financing sources (uses)	<u>(44,248)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,025)	(126,413)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>112,656</u>	<u>242,646</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 106,631</u>	<u>\$ 116,233</u>

<u>Special Revenue</u>	<u>Permanent</u>			
<u>Tort Liability</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>	
\$ -	\$ 127	\$ 167	\$	196,060
-	-	-		217,290
-	-	-		15,365
41,936	-	-		62,944
<u>41,936</u>	<u>127</u>	<u>167</u>		<u>491,659</u>
-	-	-		254,873
-	-	-		271,677
310,816	-	-		310,816
-	-	-		11,069
<u>310,816</u>	<u>-</u>	<u>-</u>		<u>848,435</u>
<u>(268,880)</u>	<u>127</u>	<u>167</u>		<u>(356,776)</u>
260,858	-	-		617,311
-	-	-		(400,701)
<u>260,858</u>	<u>-</u>	<u>-</u>		<u>216,610</u>
(8,022)	127	167		(140,166)
<u>58,281</u>	<u>3,554</u>	<u>4,686</u>		<u>421,823</u>
<u>\$ 50,259</u>	<u>\$ 3,681</u>	<u>\$ 4,853</u>	<u>\$</u>	<u>281,657</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2010

	Dock Operations	Marina	Parking System	Total
<b>ASSETS</b>				
Cash and investments	\$ 68,349	\$ 1,649	\$ 10,335	\$ 80,333
Receivables				
Other	13,050	-	128	13,178
Capital assets, net of accumulated depreciation	2,504,093	3,806,170	220,513	6,530,776
Total assets	<u>2,585,492</u>	<u>3,807,819</u>	<u>230,976</u>	<u>6,624,287</u>
<b>LIABILITIES</b>				
Accounts payable	-	21,991	17	22,008
Warrants payable	-	11,582	-	11,582
Total liabilities	<u>-</u>	<u>33,573</u>	<u>17</u>	<u>33,590</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,504,093	3,806,170	220,513	6,530,776
Unrestricted	81,399	(31,924)	10,446	59,921
Total net assets	<u>\$ 2,585,492</u>	<u>\$ 3,774,246</u>	<u>\$ 230,959</u>	<u>\$ 6,590,697</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2010

	Dock Operations	Marina	Parking System	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 58,065	\$ -	\$ -	\$ 58,065
Property rental	240,000	155,835	-	395,835
Miscellaneous	-	91,252	489	91,741
Total operating revenues	<u>298,065</u>	<u>247,087</u>	<u>489</u>	<u>545,641</u>
<b>OPERATING EXPENSES</b>				
Business-type/enterprise				
Commodities	-	73,826	-	73,826
Contractual services	24,557	186,161	-	210,718
Depreciation	63,227	70,282	2,481	135,990
Total operating expenses	<u>87,784</u>	<u>330,269</u>	<u>2,481</u>	<u>420,534</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	210,281	(83,182)	(1,992)	125,107
Operating transfers in	-	2,285,578	-	2,285,578
Operating transfers out	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
<b>CHANGE IN NET ASSETS</b>	60,281	2,202,396	(1,992)	2,260,685
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,525,211</u>	<u>1,571,850</u>	<u>232,951</u>	<u>4,330,012</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,585,492</u>	<u>\$ 3,774,246</u>	<u>\$ 230,959</u>	<u>\$ 6,590,697</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF CASH FLOWS -  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2010

	Dock Operations	Marina	Parking System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 295,716	\$ 247,168	\$ (3,270)	\$ 539,614
Cash paid to suppliers	(24,557)	(251,160)	(550)	(276,267)
Cash paid to employees	-	-	(489)	(489)
Net cash provided by (used in) operating activities	<u>271,159</u>	<u>(3,992)</u>	<u>(4,309)</u>	<u>262,858</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in	-	2,285,578	-	2,285,578
Operating transfers out	(150,000)	-	-	(150,000)
Net cash provided by (used in) non-capital financing activities	<u>(150,000)</u>	<u>2,285,578</u>	<u>-</u>	<u>2,135,578</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(70,000)	(2,279,077)	-	(2,349,077)
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	51,159	2,509	(4,309)	49,359
<b>CASH AND INVESTMENTS, JULY 1</b>	17,190	(860)	14,644	30,974
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ 68,349</u>	<u>\$ 1,649</u>	<u>\$ 10,335</u>	<u>\$ 80,333</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 210,281	\$ (83,182)	\$ (1,992)	\$ 125,107
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	63,227	70,282	2,481	135,990
Changes in assets and liabilities:				
(Increase) decrease in receivables	(2,349)	81	(3,759)	(6,027)
(Increase) decrease in prepaid - other	-	1,250	-	1,250
Increase (decrease) in accounts payable	-	(3,806)	(371)	(4,177)
Increase (decrease) in warrants payable	-	11,383	(179)	11,204
Increase (decrease) in postemployment benefits	-	-	(489)	(489)
Net cash flows provided by (used in) operating activities	<u>\$ 271,159</u>	<u>\$ (3,992)</u>	<u>\$ (4,309)</u>	<u>\$ 262,858</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2010

	<u>Payroll Clearing Fund</u>	<u>Miscellaneous Clearing Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 379,577	\$ 2,560	\$ 382,137
Receivables			
Other	-	1,516	1,516
Prepaid insurance	61,206	-	61,206
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 440,783</u>	<u>\$ 4,076</u>	<u>\$ 444,859</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 151,764	\$ -	\$ 151,764
Warrants payable	289,019	4,076	293,095
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>\$ 440,783</u>	<u>\$ 4,076</u>	<u>\$ 444,859</u>

CITY OF CLINTON, IOWA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2010

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<b>Payroll Clearing Fund</b>				
Assets:				
Cash and investments	\$ 422,570	\$ 15,677,819	\$ 15,720,812	\$ 379,577
Prepaid insurance	47,746	61,206	47,746	61,206
<b>Total assets</b>	<b>\$ 470,316</b>	<b>\$ 15,739,025</b>	<b>\$ 15,768,558</b>	<b>\$ 440,783</b>
Liabilities:				
Accounts payable	\$ 186,756	\$ 5,510,003	\$ 5,544,995	\$ 151,764
Warrants payable	283,560	10,286,755	10,281,296	289,019
<b>Total liabilities</b>	<b>\$ 470,316</b>	<b>\$ 15,796,758</b>	<b>\$ 15,826,291</b>	<b>\$ 440,783</b>
<b>Miscellaneous Clearing Fund</b>				
Assets:				
Cash and investments	\$ 1,060	\$ 10,608	\$ 9,108	\$ 2,560
Receivables				
Other	1,501	1,516	1,501	1,516
<b>Total assets</b>	<b>\$ 2,561</b>	<b>\$ 12,124</b>	<b>\$ 10,609</b>	<b>\$ 4,076</b>
Liabilities:				
Accounts payable	\$ -	\$ 5,357	\$ 5,357	\$ -
Warrants payable	2,561	12,820	11,305	4,076
<b>Total liabilities</b>	<b>\$ 2,561</b>	<b>\$ 18,177</b>	<b>\$ 16,662</b>	<b>\$ 4,076</b>
<b>Total All Funds</b>				
Assets:				
Cash and investments	\$ 423,630	\$ 15,688,427	\$ 15,729,920	\$ 382,137
Receivables				
Other	1,501	1,516	1,501	1,516
Prepaid insurance	47,746	61,206	47,746	61,206
<b>Total assets</b>	<b>\$ 472,877</b>	<b>\$ 15,751,149</b>	<b>\$ 15,779,167</b>	<b>\$ 444,859</b>
Liabilities:				
Accounts payable	\$ 186,756	\$ 5,515,360	\$ 5,550,352	\$ 151,764
Warrants payable	286,121	10,299,575	10,292,601	293,095
<b>Total liabilities</b>	<b>\$ 472,877</b>	<b>\$ 15,814,935</b>	<b>\$ 15,842,953</b>	<b>\$ 444,859</b>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>							
Taxes	\$ 18,966,982	\$ 17,685,612	\$ 16,696,773	\$ 16,356,349	\$ 15,093,950	\$ 14,569,285	\$ 13,209,020
Licenses and permits	756,662	278,034	302,729	271,733	192,010	247,289	183,969
Use of money and property	433,911	467,610	505,698	533,043	509,542	407,488	413,213
Intergovernmental	4,401,029	3,287,033	6,943,004	8,325,118	6,926,122	4,384,103	5,324,550
Charges for services	1,365,157	1,230,528	1,566,224	1,518,430	1,363,812	1,338,684	1,104,422
Miscellaneous	529,325	558,340	723,501	938,498	970,657	309,536	349,131
<b>TOTAL REVENUES</b>	<u>\$ 26,453,066</u>	<u>\$ 23,507,157</u>	<u>\$ 26,737,929</u>	<u>\$ 27,943,171</u>	<u>\$ 25,056,093</u>	<u>\$ 21,256,385</u>	<u>\$ 20,584,305</u>
<b>EXPENDITURES</b>							
Current							
Public safety	\$ 9,451,323	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919	\$ 8,118,198	\$ 7,773,283
Public works	3,364,814	3,449,917	3,147,176	2,819,417	2,689,177	2,680,519	2,371,651
Culture and recreation	2,691,561	2,882,200	2,560,291	2,525,097	2,443,820	2,468,359	2,291,667
Community and economic development	1,933,560	966,803	1,346,733	1,175,920	1,356,850	1,718,548	737,029
General government	2,288,430	2,432,760	1,128,739	1,047,609	1,050,086	972,907	1,039,592
Debt service	3,993,984	4,750,160	4,445,382	4,755,246	8,379,435	4,140,643	12,068,982
Capital projects	6,267,321	6,986,200	7,915,554	7,553,288	12,522,925	4,852,235	4,907,607
<b>TOTAL EXPENDITURES</b>	<u>\$ 29,990,993</u>	<u>\$ 31,100,977</u>	<u>\$ 29,958,648</u>	<u>\$ 28,979,766</u>	<u>\$ 37,147,212</u>	<u>\$ 24,951,409</u>	<u>\$ 31,189,811</u>

## OTHER INFORMATION SECTION

CITY OF CLINTON, IOWA  
ACTUAL PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2005/06	2006/07	2007/08	2008/09	2009/10
<u>January 1 Valuation</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential property	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206	\$ 809,102,152
Commercial property	212,733,005	239,709,838	254,475,073	258,943,100	263,428,838
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248	144,102,110
Utilities	85,108,878	87,104,661	86,562,503	84,928,187	87,449,615
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	1,040,774,106	1,100,532,053	1,163,025,557	1,252,731,491	1,304,529,465
Agricultural land	<u>10,420,888</u>	<u>10,961,103</u>	<u>10,898,984</u>	<u>10,628,345</u>	<u>10,611,413</u>
<b>TOTAL</b>	<b><u>\$ 1,051,194,994</u></b>	<b><u>\$ 1,111,493,156</u></b>	<b><u>\$ 1,173,924,541</u></b>	<b><u>\$ 1,263,359,836</u></b>	<b><u>\$ 1,315,140,878</u></b>

CITY OF CLINTON, IOWA  
TAXABLE PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2005/06	2006/07	2007/08	2008/09	2009/10
<u>January 1 Valuation</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential property	\$ 312,687,063	\$ 310,556,419	\$ 323,640,980	\$ 345,681,673	\$ 364,473,337
Commercial property	212,733,005	237,440,179	254,475,073	258,177,965	263,428,838
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248	144,102,110
Utilities	65,735,002	65,194,081	62,171,994	64,187,274	63,694,959
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	682,169,788	705,917,985	744,623,842	782,352,910	836,145,994
Less military exemptions	<u>4,004,950</u>	<u>3,851,234</u>	<u>3,817,898</u>	<u>3,647,514</u>	<u>3,578,990</u>
<b>TOTAL</b>	<u><u>\$ 678,164,838</u></u>	<u><u>\$ 702,066,751</u></u>	<u><u>\$ 740,805,944</u></u>	<u><u>\$ 778,705,396</u></u>	<u><u>\$ 832,567,004</u></u>
 Agricultural land	 <u><u>\$ 10,210,421</u></u>	 <u><u>\$ 10,420,888</u></u>	 <u><u>\$ 10,961,103</u></u>	 <u><u>\$ 9,576,396</u></u>	 <u><u>\$ 9,955,176</u></u>

CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2010

SUMMARY

Year Ending June 30	Principal	Interest	Total
2011	\$ 2,275,000	\$ 857,363	\$ 3,132,363
2012	1,975,000	769,543	2,744,543
2013	2,225,000	691,405	2,916,405
2014	2,100,000	602,358	2,702,358
2015	2,185,000	520,982	2,705,982
2016	2,000,000	432,798	2,432,798
2017	1,765,000	348,381	2,113,381
2018	2,045,000	270,419	2,315,419
2019	870,000	176,801	1,046,801
2020	880,000	136,675	1,016,675
2021	900,000	95,115	995,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 20,400,000</u>	<u>\$ 5,062,730</u>	<u>\$ 25,462,730</u>

CITY OF CLINTON, IOWA  
 GENERAL OBLIGATION BOND MATURITIES  
 June 30, 2010

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 270,000	\$ 36,125	\$ 306,125
2012	280,000	24,650	304,650
2013	300,000	12,750	312,750
	<u>\$ 850,000</u>	<u>\$ 73,525</u>	<u>\$ 923,525</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 300,000	\$ 13,500	\$ 313,500
	<u>\$ 300,000</u>	<u>\$ 13,500</u>	<u>\$ 313,500</u>

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2010**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 45,000	\$ 6,527	\$ 51,527
2012	45,000	4,570	49,570
2013	50,000	2,500	52,500
	<u>\$ 140,000</u>	<u>\$ 13,597</u>	<u>\$ 153,597</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 405,000	\$ 63,252	\$ 468,252
2012	335,000	50,090	385,090
2013	340,000	38,533	378,533
2014	350,000	26,462	376,462
2015	365,000	13,688	378,688
	<u>\$ 1,795,000</u>	<u>\$ 192,025</u>	<u>\$ 1,987,025</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND MATURITIES**  
 June 30, 2010

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 695,000	\$ 156,613	\$ 851,613
2012	720,000	128,812	848,812
2013	745,000	100,013	845,013
2014	305,000	70,212	375,212
2015	320,000	58,013	378,013
2016	335,000	44,412	379,412
2017	345,000	30,175	375,175
2018	365,000	15,513	380,513
	<u>\$ 3,830,000</u>	<u>\$ 603,763</u>	<u>\$ 4,433,763</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 270,000	\$ 146,645	\$ 416,645
2012	285,000	131,795	416,795
2013	300,000	116,120	416,120
2014	315,000	99,320	414,320
2015	335,000	81,680	416,680
2016	350,000	62,920	412,920
2017	370,000	43,320	413,320
2018	390,000	22,230	412,230
	<u>\$ 2,615,000</u>	<u>\$ 704,030</u>	<u>\$ 3,319,030</u>

CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2010

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

Year Ending June 30	Principal	Interest	Total
2011	\$ -	\$ 243,635	\$ 243,635
2012	-	243,635	243,635
2013	170,000	243,635	413,635
2014	800,000	238,110	1,038,110
2015	825,000	211,310	1,036,310
2016	965,000	182,435	1,147,435
2017	690,000	146,730	836,730
2018	720,000	119,820	839,820
2019	295,000	91,020	386,020
2020	305,000	78,925	383,925
2021	320,000	66,115	386,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 6,270,000</u>	<u>\$ 2,026,260</u>	<u>\$ 8,296,260</u>

CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND MATURITIES  
June 30, 2010

General Corporate Purpose Bonds  
Series 2009A  
Dated August 26, 2009

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 290,000	\$ 191,066	\$ 481,066
2012	310,000	185,991	495,991
2013	320,000	177,854	497,854
2014	330,000	168,254	498,254
2015	340,000	156,291	496,291
2016	350,000	143,031	493,031
2017	360,000	128,156	488,156
2018	570,000	112,856	682,856
2019	575,000	85,781	660,781
2020	575,000	57,750	632,750
2021	580,000	29,000	609,000
	<u>\$ 4,600,000</u>	<u>\$ 1,436,030</u>	<u>\$ 6,036,030</u>

**CITY OF CLINTON, IOWA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2010**

(Unaudited)

Actual property valuations, January 1, 2008	<u>\$1,315,140,878</u>
Debt limit - 5% of total valuation	\$ 65,757,044
Amount of debt applicable to limit - general obligation debt	\$ 20,400,000
economic development note	<u>997,000</u>
Total applicable debt	<u>21,397,000</u>
 <b>Legal debt margin</b>	 <u><u>\$ 44,360,044</u></u>

CITY OF CLINTON, IOWA  
SUMMARY OF TAXES AND INTERGOVERNMENTAL REVENUES

(Unaudited)

	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>	<u>2004/05</u>
<b>Taxes</b>						
Property taxes	\$ 14,498,220	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678	\$ 10,935,516
Mobile home taxes	6,179	7,544	6,029	6,717	7,492	7,001
Utility excise taxes	684,958	699,751	710,877	747,851	658,333	653,610
Local option sales taxes	2,931,452	3,412,843	2,883,810	3,211,844	2,363,972	2,532,034
Hotel/motel taxes	252,413	348,364	357,639	303,726	296,306	290,812
Cable television franchise fees	142,675	144,091	143,701	143,163	143,172	138,787
Other taxes	-	-	-	-	-	11,508
	<u>18,515,897</u>	<u>17,674,662</u>	<u>16,696,771</u>	<u>16,356,349</u>	<u>15,093,953</u>	<u>14,569,268</u>
<b>Intergovernmental</b>						
Road use taxes	2,445,174	2,301,748	2,379,640	2,323,732	2,323,216	2,308,180
State consolidated payments	-	-	-	-	-	-
Bank franchise tax	-	-	-	-	-	5,886
Machinery and equipment tax replacement	-	-	-	-	-	16
Other federal/state revenues	7,474,466	3,038,439	5,411,763	6,290,529	5,264,706	2,588,722
County contributions	58,088	37,118	46,731	50,893	58,083	40,544
	<u>9,977,728</u>	<u>5,377,305</u>	<u>7,838,134</u>	<u>8,665,154</u>	<u>7,646,005</u>	<u>4,943,348</u>
<b>TOTAL</b>	<u>\$ 28,493,625</u>	<u>\$ 23,051,967</u>	<u>\$ 24,534,905</u>	<u>\$ 25,021,503</u>	<u>\$ 22,739,958</u>	<u>\$ 19,512,616</u>

**CITY OF CLINTON, IOWA  
MISCELLANEOUS STATISTICS  
June 30, 2010**

(Unaudited)

Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	203
Area in Square Miles	34.8
Population	26,886
City of Clinton Facilities and Services:	
Miles of Streets	121.50
Parks and Recreation:	
Parks	18
Park Acreage	496
Swimming Pool	1
Softball and Baseball Diamonds	15
Tennis Courts	10
Baseball Stadium	1
Libraries:	
Number of Registered Borrowers	12,321
Number of Items in Collection	128,538
Police Protection:	
Number of Stations	1
Number of Sworn Officers	45
Fire Protection:	
Number of Stations	3
Number of Fire Personnel	45
Sewer System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	4.5 million
Maximum Daily Capacity in Gallons	18.0 million
Number of Customers	10,313
Sewer Rate - Residential	\$5.61 per 100 cubic feet
Commercial Class 1	\$5.61 per 100 cubic feet
Commercial Class 2	\$6.171 per 100 cubic feet
Commercial Class 3	\$7.293 per 100 cubic feet
Commercial Class 4	\$8.415 per 100 cubic feet
Commercial Class 5	\$9.537 per 100 cubic feet
Public Transportation System:	
Buses	12
Fixed Routes Served	7
Para Transit Vehicles	6
Municipal Airport:	
Primary Runway Length (in feet)	5,204
Other Runway (in feet)	4,200

## COMPLIANCE SECTION



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

Certified Public Accountants & Consultants

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

Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Clinton, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency in internal control over financial reporting.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clinton, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in a separate letter dated April 29, 2011

Comments involving statutory and other legal matters about the City of Clinton, Iowa's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Clinton, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Wendy Palm & Foster, CPA PC*

Clinton, Iowa  
April 29, 2011



**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

Honorable Mayor and  
Members of the City Council

**Compliance**

We have audited the compliance of the City of Clinton, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Clinton, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Clinton's management. Our responsibility is to express an opinion on the City of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Clinton, Iowa's compliance with those requirements.

In our opinion, the City of Clinton, Iowa complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of the City of Clinton, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Clinton, Iowa's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore there can be no assurance significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Wendell Palm & Foster, CPAPC*

Clinton, Iowa  
April 29, 2011

CITY OF CLINTON, IOWA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0019-14-2009	\$ 2,971,680
Airport Improvement Program	20.106	3-19-0019-15-2010	221,586
Airport Improvement Program	20.106	3-19-0019-16-2010	204,250
Airport Improvement Program	20.106	3-19-0019-17-2010	533,690
Subtotal			3,931,206
Environmental Protection Agency			
Office of Solid Waste and Emergency Response			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798001	44,933
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798101	14,847
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798201	25,837
Subtotal			85,617
Total Direct			4,016,823
Indirect:			
Department of Housing and Urban Development			
Iowa Department of Economic Development			
Home Investment Partnerships Program	14.239	08-HSG-065	294,876
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	EDP-1415(615)-7Y-23	203,674
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-141-09	680,205
Subtotal			883,879
Department of Justice			
Bureau of Justice Assistance			
Project Safe Neighborhoods	16.609	07-SD09	2,279
ARRA-Eward Byrne Memorial Justice Assistance Grant (JAG)			
Program/Grants to States and Territories	16.803	2009-SB-B9-1971	41,821
Subtotal			44,100
Total Indirect			1,222,855
<b>TOTAL</b>			<b>\$ 5,239,678</b>

See notes to the schedule of expenditures of federal awards.

**CITY OF CLINTON, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**June 30, 2010**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clinton, Iowa for the year ended June 30, 2010. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies expended during the year is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Revenue from federal awards is recognized when the City has done everything necessary to establish its rights to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred for expenditures/expenses funded through federal awards.

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee?  yes  no

CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Financial Statement Preparation

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

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

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

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

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

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

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2010**

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

II-B-10 Audit Adjustments

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

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

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

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

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

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

Conclusion - Response accepted.

II-C-10 Journal Entries

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

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

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

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

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

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

Conclusion - Response accepted

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

IV-A-10      Certified Budget - Disbursements during the year ended June 30, 2010, exceeded the amount budgeted in the public safety, public works and general government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion - Response accepted.

IV-B-10      Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

IV-C-10      Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-D-10      Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Randy Pennock, Tree Commission, Owner of Pennock Landscaping	Trees and Plants	\$ 11,944
Lester Shields, Airport Commission, Clinton Police Officer	Services	210
James McGraw, City Planning Commission, Owner of Happy Joe's Pizza	Miscellaneous	696
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	11,347
Tom Lonergan, Planning Commission, Attorney for Mayer, Lonergan & Rolfes	Legal Services	848

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Airport Commission and Planning Commission do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. Per discussion with City personnel, the transactions with the Tree Commission and Zoning Board of Adjustments were entered into through competitive bidding in accordance with Chapter 362.5(4). However, the City was not able to provide documentation showing that competitive bids were obtained.

Recommendation - The City should comply with Chapter 362.5(4) of the Code of Iowa and obtain competitive bids for all related party transactions over \$1,500 and maintain documentation showing competitive bids were obtained.

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

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10 Revenue Bonds - We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

IV-I-10 Annual Financial Report - The Annual Financial Report was not filed by the December 1 deadline required by Chapter 384.22 of the Code of Iowa.

Recommendation - The City should comply with Chapter 384.22 of the Code of Iowa and file the report by the deadline.

Response - The City will file the report as required in the future.

Conclusion - Response accepted.

IV-J-10 Financial Condition - The Capital Projects Fund had a deficit balance at June 30, 2010 of \$517,307.

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

Response - The deficit was due to construction costs incurred prior to revenues received.

Conclusion - Response accepted.

CITY OF CLINTON, IOWA  
SCHEDULE OF BALANCE SHEET ACCOUNTS  
REQUIRED BY REVENUE BOND ORDINANCE  
ENTERPRISE FUNDS  
June 30, 2010

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve
<b>ASSETS</b>			
Receivables			
Service fees	\$ -	\$ -	\$ -
Grants	-	-	-
Special assessments	-	-	-
Other	8,319	-	-
Restricted cash and investments	(1,143,258)	1,131,380	741,663
Total assets	(1,134,939)	1,131,380	741,663
<b>LIABILITIES</b>			
Accounts payable	197,024	-	-
Warrants payable	46,346	-	-
Contracts payable	-	-	-
Total liabilities	243,370	-	-
<b>NET ASSETS</b>			
Restricted for:			
Capital equipment replacement/repairs	-	1,131,380	741,663
Debt service	-	-	-
Unrestricted	(1,378,309)	-	-
Total net assets	\$ (1,378,309)	\$ 1,131,380	\$ 741,663

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,927,482	\$ -	\$ 2,927,482
-	-	-	36	36
-	-	-	1,095,535	1,095,535
-	-	-	-	8,319
<u>272,907</u>	<u>211,993</u>	<u>(792,565)</u>	<u>(2,062,668)</u>	<u>(1,640,548)</u>
<u>272,907</u>	<u>211,993</u>	<u>2,134,917</u>	<u>(967,097)</u>	<u>2,390,824</u>
-	-	19,146	1,488,920	1,705,090
-	-	2,309	162,712	211,367
-	-	-	143,450	143,450
<u>-</u>	<u>-</u>	<u>21,455</u>	<u>1,795,082</u>	<u>2,059,907</u>
-	-	-	-	1,873,043
<u>272,907</u>	<u>211,993</u>	<u>-</u>	<u>-</u>	<u>484,900</u>
<u>-</u>	<u>-</u>	<u>2,113,462</u>	<u>(2,762,179)</u>	<u>(2,027,026)</u>
<u>\$ 272,907</u>	<u>\$ 211,993</u>	<u>\$ 2,113,462</u>	<u>\$ (2,762,179)</u>	<u>\$ 330,917</u>

CITY OF CLINTON, IOWA  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS  
REQUIRED BY REVENUE BOND ORDINANCE  
ENTERPRISE FUNDS  
Year Ended June 30, 2010

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
<b>OPERATING REVENUES</b>			
Charges for service	\$ -	\$ -	\$ -
Miscellaneous	43,235	-	-
Total operating revenues	<u>43,235</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Business type/enterprise			
Personal services	1,531,645	-	-
Commodities	424,469	-	-
Contractual services	1,448,606	-	-
Capital outlay/improvements	417,318	-	-
Total operating expenses	<u>3,822,038</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>(3,778,803)</u>	<u>-</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	-	-
Intergovernmental	494	-	-
State Revolving Loan Proceeds	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>494</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS)</b>			
<b>BEFORE OPERATING TRANSFERS</b>	(3,778,309)	-	-
Operating transfers in	2,400,000	80,000	50,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(1,378,309)	80,000	50,000
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>1,051,380</u>	<u>691,663</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ (1,378,309)</u></u>	<u><u>\$ 1,131,380</u></u>	<u><u>\$ 741,663</u></u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 6,315,757	\$ 654,861	\$ 6,970,618
-	-	40	85	43,360
<u>-</u>	<u>-</u>	<u>6,315,797</u>	<u>654,946</u>	<u>7,013,978</u>
-	-	-	-	1,531,645
-	-	-	-	424,469
-	-	-	717,392	2,165,998
648,000	-	-	7,991,157	9,056,475
<u>648,000</u>	<u>-</u>	<u>-</u>	<u>8,708,549</u>	<u>13,178,587</u>
<u>(648,000)</u>	<u>-</u>	<u>6,315,797</u>	<u>(8,053,603)</u>	<u>(6,164,609)</u>
-	-	24,454	-	24,454
-	-	-	844,500	844,994
-	-	-	2,000,000	2,000,000
<u>(372,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(372,870)</u>
<u>(372,870)</u>	<u>-</u>	<u>24,454</u>	<u>2,844,500</u>	<u>2,496,578</u>
(1,020,870)	-	6,340,251	(5,209,103)	(3,668,031)
1,021,000	-	-	2,500,000	6,051,000
<u>-</u>	<u>-</u>	<u>(6,051,000)</u>	<u>(450,000)</u>	<u>(6,501,000)</u>
130	-	289,251	(3,159,103)	(4,118,031)
<u>272,777</u>	<u>211,993</u>	<u>1,824,211</u>	<u>396,924</u>	<u>4,448,948</u>
<u>\$ 272,907</u>	<u>\$ 211,993</u>	<u>\$ 2,113,462</u>	<u>\$ (2,762,179)</u>	<u>\$ 330,917</u>

CITY OF CLINTON, IOWA  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2010

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
III-A-09	Grant Reporting	Resolved	N/A

**CITY OF CLINTON, IOWA  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2010**

There were no comments made regarding internal control deficiencies or noncompliance with federal awards.



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

Certified Public Accountants & Consultants

April 29, 2011

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

We have completed our audit of the City of Clinton, Iowa's financial statements as of and for the year ended June 30, 2010, and have issued our report dated April 29, 2011. In connection with our audit engagement, we noted the following matters which we would like to bring to your attention.

Employee Reimbursements

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

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

Invoice Review and Approval

It was noted when reviewing vendor invoices that the City overpaid an invoice by \$30,000. The amount that was written in the approval area on the invoice was \$30,000 more than the amount requested for payment on the invoice. The City was unaware that a mistake had been made, and was also not credited for the overpayment, due to invoices being prepared by a project consulting company and checks being paid to the construction contractor.

We recommend that individuals responsible for approving invoices for payment take care in documenting the amount approved to be paid. In addition, we recommend that individuals processing invoices for payment ensure that the amount approved for payment agrees to the amount requested on the invoice.

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

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
April 29, 2011