

CITY OF CLINTON, IOWA
FINANCIAL STATEMENTS
June 30, 2011

INTRODUCTORY SECTION

CITY OF CLINTON, IOWA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

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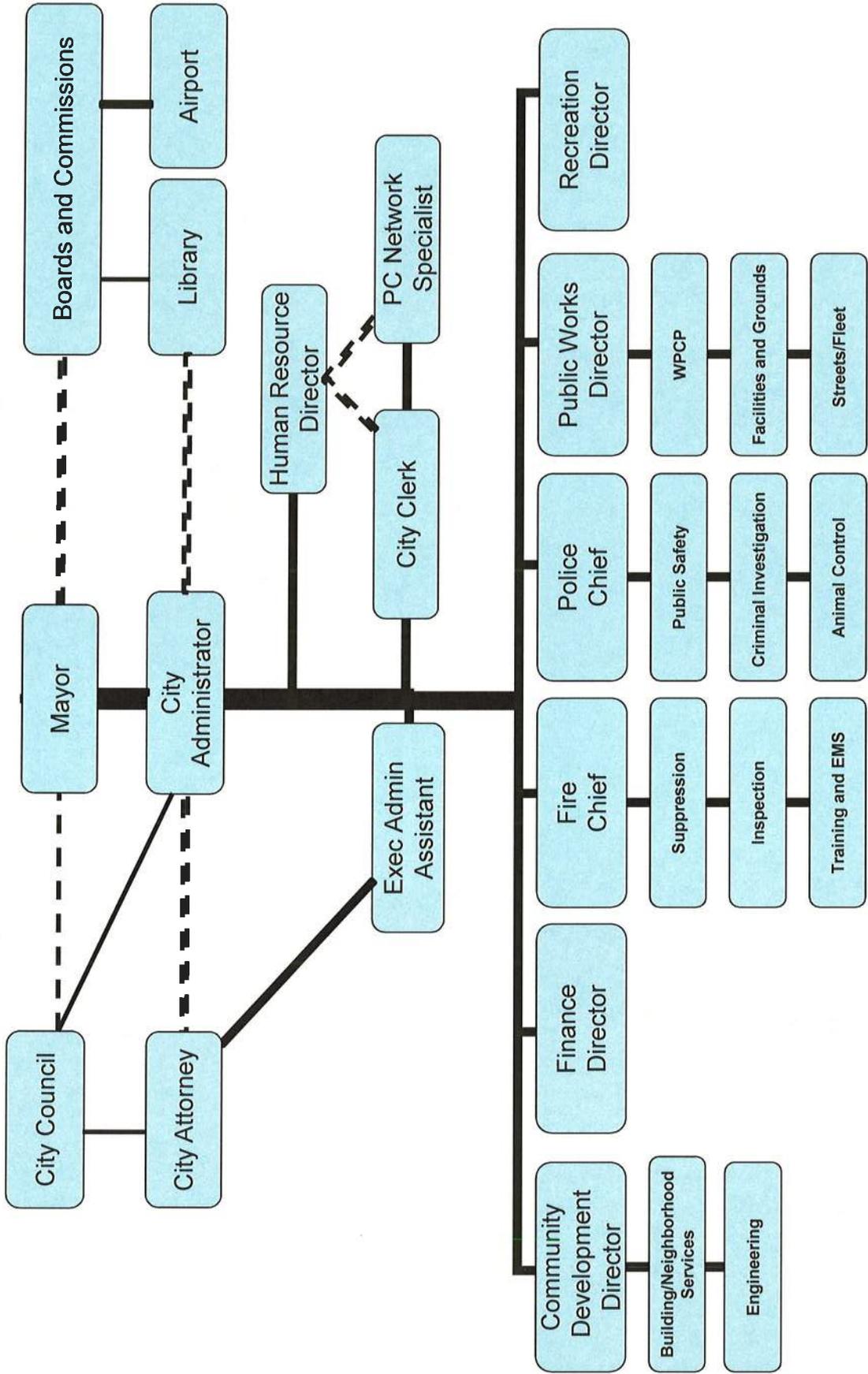
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City Organizational Chart



CITY OF CLINTON, IOWA

List of Principal Officials June 30, 2011

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

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, 2011, 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.

The City of Clinton, Iowa adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on the total amount of any of the City's governmental fund balances as of and for the year ended June 30, 2011.

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, 2011, 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 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that 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 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Iowa's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the 5 years ended June 30, 2008, presented on page 66 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical data, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements. The Combining Fund Statements and Schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
April 30, 2012

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, 2011. 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, 2011 by \$148,752,262 (net assets).
- The City's total net assets increased by \$8,176,809. This amount represents a 5.8% increase.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$(974,696), a decrease of \$3,527,097 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$(862,841).
- The City's total debt increased by \$23,971,951 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 2010/11. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-52 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 53-56. Combining and individual fund statements and schedules can be found on pages 57-65 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 \$148,752,262 at the close of the fiscal year ended June 30, 2011. For the fiscal year ended June 30, 2010, assets exceeded liabilities by \$140,575,453. This represents a 5.8% increase in net assets between the two fiscal periods.

City of Clinton's Net Assets June 30, 2011 and 2010

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Total 2011	Total 2010
Current and other assets	\$ 24,395,245	\$ 24,691,446	\$ 8,506,183	\$ 6,455,892	\$ 32,901,428	\$ 31,147,338
Capital assets	<u>101,649,905</u>	<u>95,896,909</u>	<u>109,505,330</u>	<u>73,968,984</u>	<u>211,155,235</u>	<u>169,865,893</u>
Total assets	<u>126,045,150</u>	<u>120,588,355</u>	<u>118,011,513</u>	<u>80,424,876</u>	<u>244,056,663</u>	<u>201,013,231</u>
Current and other liabilities	23,087,538	19,908,568	7,665,638	4,298,887	30,753,176	24,207,455
Long-term liabilities outstanding	<u>24,784,320</u>	<u>22,220,781</u>	<u>39,766,905</u>	<u>14,009,542</u>	<u>64,551,225</u>	<u>36,230,323</u>
Total liabilities	<u>47,871,858</u>	<u>42,129,349</u>	<u>47,432,543</u>	<u>18,308,429</u>	<u>95,304,401</u>	<u>60,437,778</u>
Net assets						
Invested in capital assets, net of related debt	82,033,905	74,579,909	72,432,979	60,102,984	154,466,884	134,682,893
Restricted	2,137,210	1,959,877	-	989,433	2,137,210	2,949,310
Unrestricted	<u>(5,997,823)</u>	<u>1,919,220</u>	<u>(1,854,009)</u>	<u>1,024,030</u>	<u>(7,851,832)</u>	<u>2,943,250</u>
Total net assets	<u>\$ 78,173,292</u>	<u>\$ 78,459,006</u>	<u>\$ 70,578,970</u>	<u>\$ 62,116,447</u>	<u>\$ 148,752,262</u>	<u>\$ 140,575,453</u>

The largest portion of the City of Clinton's net assets (103.8%) 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.

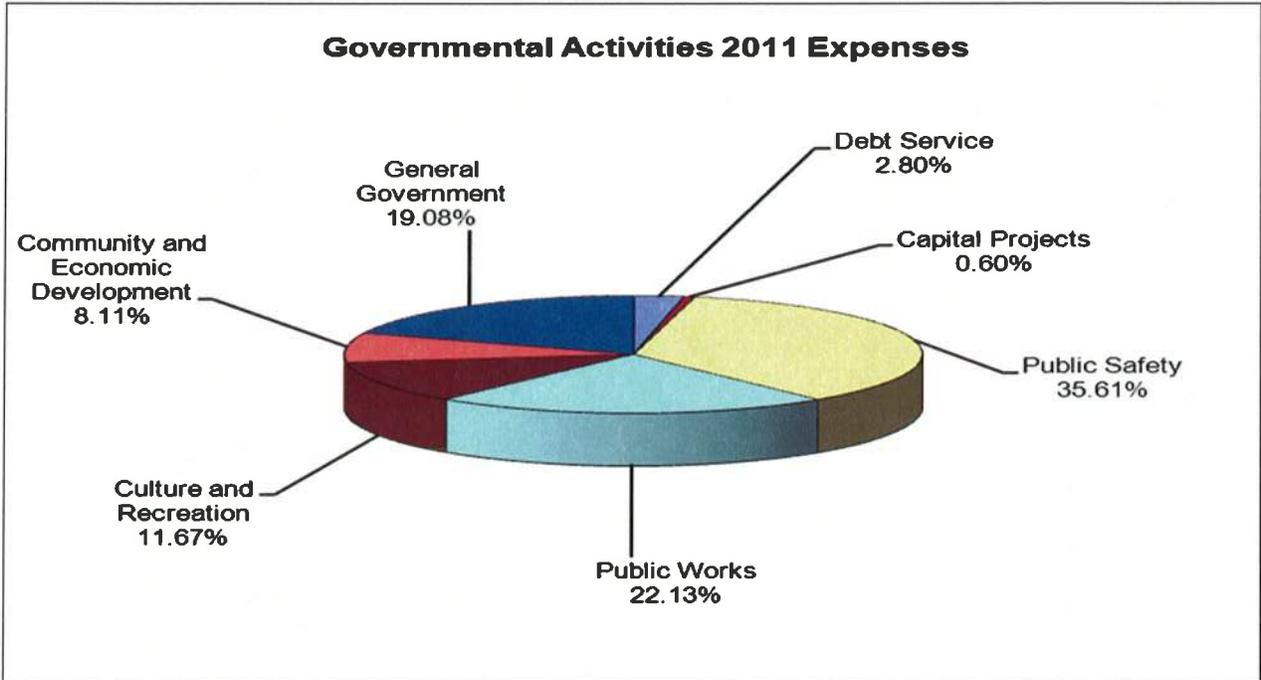
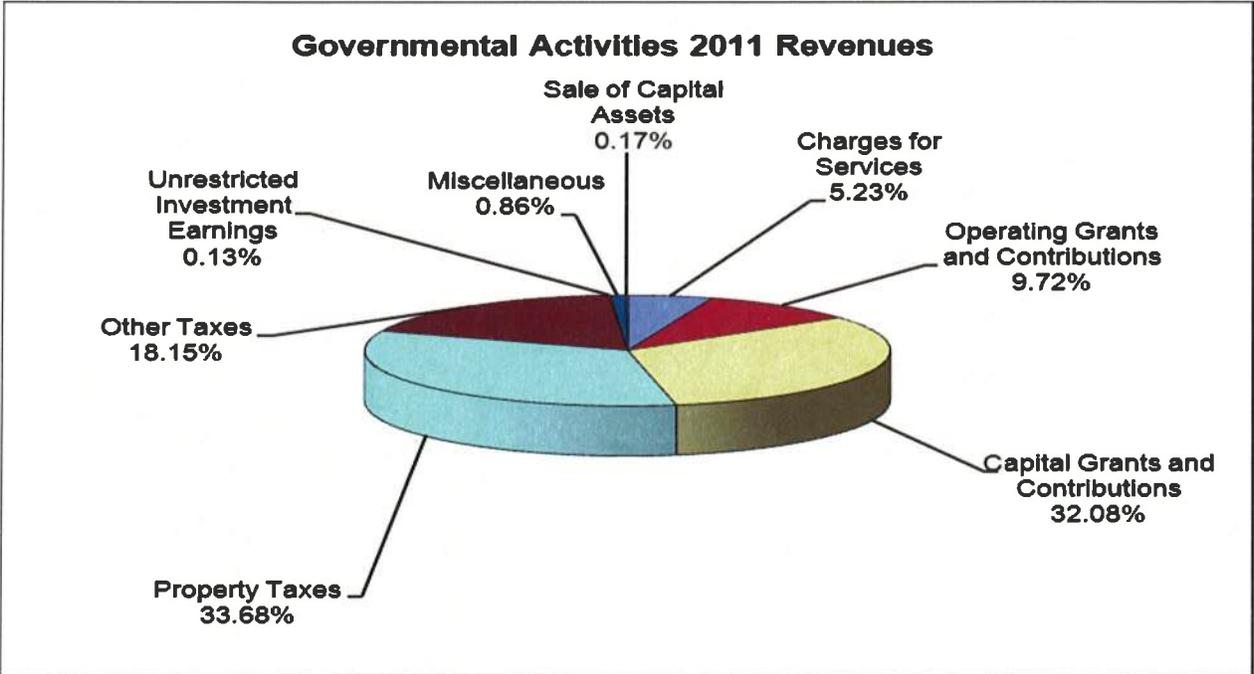
A portion of the City of Clinton's net assets (1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (-5.2%) totaled \$(7,851,832) at the end of the current fiscal year.

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

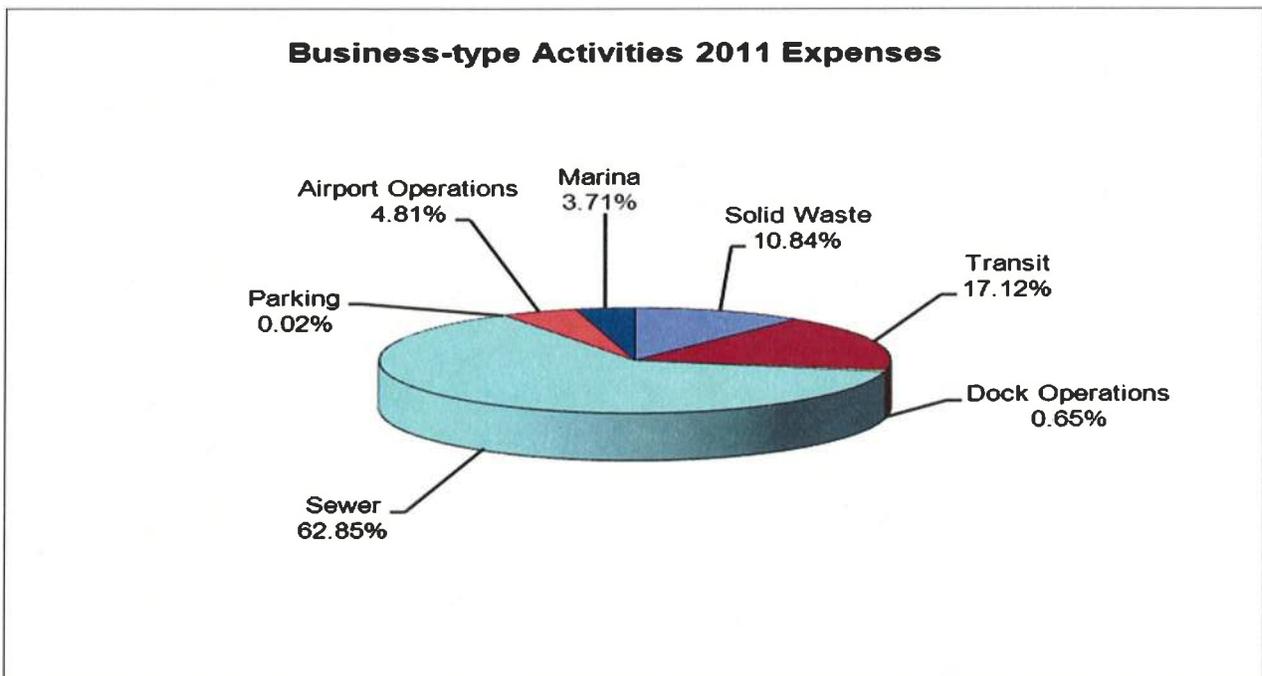
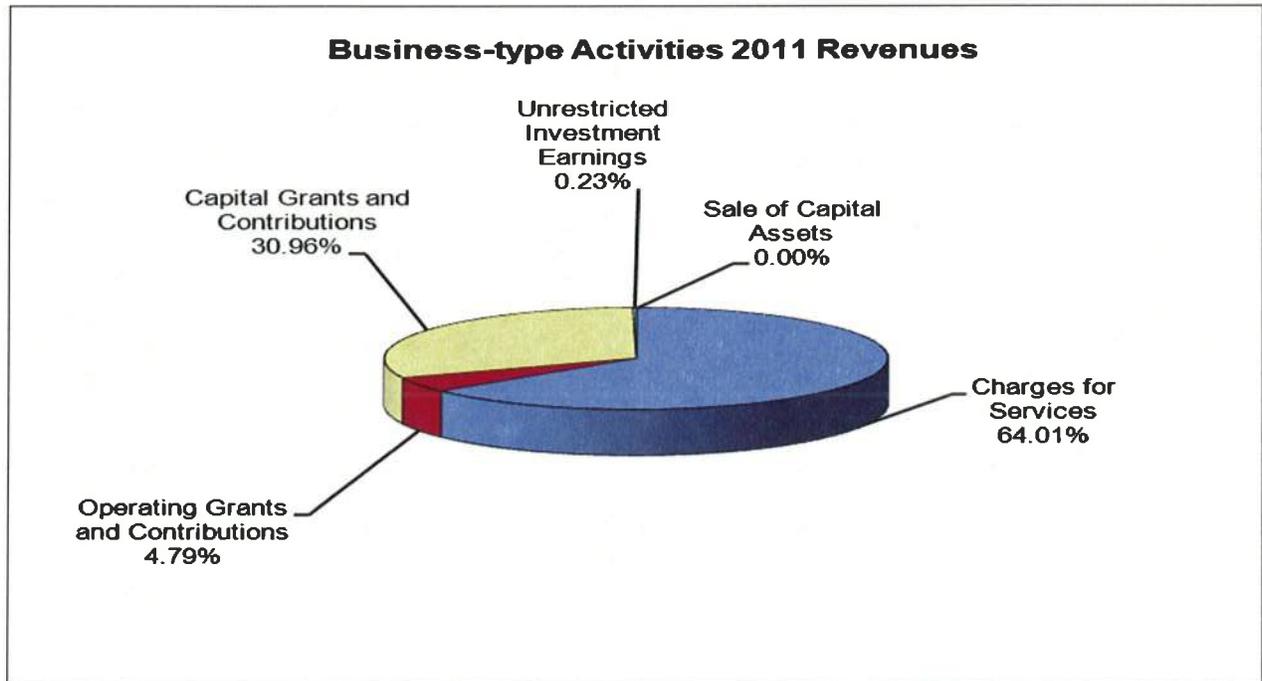
**City of Clinton's Changes in Net Assets
June 30, 2011 and 2010**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>	<u>Business-type Activities 2011</u>	<u>Business-type Activities 2010</u>	<u>Total 2011</u>	<u>Total 2010</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,960,312	\$ 2,526,917	\$ 9,124,647	\$ 9,099,415	\$ 11,084,959	\$ 11,626,332
Operating grants and contributions	3,643,667	3,405,869	683,255	768,593	4,326,922	4,174,462
Capital grants and contributions	12,030,571	2,362,928	4,414,071	4,994,757	16,444,642	7,357,685
General Revenues:						
Property taxes	12,631,310	12,675,520	-	-	12,631,310	12,675,520
Tax increment financing	1,893,996	1,920,185	-	-	1,893,996	1,920,185
Other taxes	4,911,745	4,368,041	-	-	4,911,745	4,368,041
Unrestricted investment earnings	47,985	59,025	32,534	24,454	80,519	83,479
Miscellaneous	322,203	342,459	-	-	322,203	342,459
Sale of capital assets	61,891	-	(584)	-	61,307	-
Total revenues	<u>37,503,680</u>	<u>27,660,944</u>	<u>14,253,923</u>	<u>14,887,219</u>	<u>51,757,603</u>	<u>42,548,163</u>
Expenses:						
Public safety	11,235,913	9,897,769	-	-	11,235,913	9,897,769
Public works	6,984,146	5,958,281	-	-	6,984,146	5,958,281
Culture and recreation	3,682,096	3,281,402	-	-	3,682,096	3,281,402
Community and economic development	2,557,698	1,926,348	-	-	2,557,698	1,926,348
General government	6,018,750	2,336,496	-	-	6,018,750	2,336,496
Debt service	884,248	1,004,633	-	-	884,248	1,004,633
Capital projects	190,031	143,666	-	-	190,031	143,666
Sewer	-	-	7,559,742	6,221,080	7,559,742	6,221,080
Solid waste	-	-	1,303,352	1,261,322	1,303,352	1,261,322
Transit	-	-	2,059,283	1,527,554	2,059,283	1,527,554
Dock operations	-	-	77,627	87,784	77,627	87,784
Marina	-	-	446,447	330,269	446,447	330,269
Parking system	-	-	2,588	2,481	2,588	2,481
Airport operations	-	-	578,873	1,108,668	578,873	1,108,668
Total expenses	<u>31,552,882</u>	<u>24,548,595</u>	<u>12,027,912</u>	<u>10,539,158</u>	<u>43,580,794</u>	<u>35,087,753</u>
Increase in net assets before transfers	5,950,798	3,112,349	2,226,011	4,348,061	8,176,809	7,460,410
Transfers	<u>(6,236,512)</u>	<u>(2,326,817)</u>	<u>6,236,512</u>	<u>2,326,817</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(285,714)	785,532	8,462,523	6,674,878	8,176,809	7,460,410
Net assets - beginning 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>
Net assets - end of year	<u>\$ 78,173,292</u>	<u>\$ 78,459,006</u>	<u>\$ 70,578,970</u>	<u>\$ 62,116,447</u>	<u>\$ 148,752,262</u>	<u>\$ 140,575,453</u>

Governmental activities. Governmental activities decreased the City's net assets by \$285,714. This decrease, combined with an increase in the business-type activities of \$8,462,523, resulted in an overall increase of \$8,176,809 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 \$8,462,523. The Sewer Revenue Fund experienced an increase in net assets of \$513,786. The City increased 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 Operations Fund and the Nonmajor Enterprise Funds also experienced increases in net asset totals while the Solid Waste Fund decreased its total net assets by \$257,968. 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, unassigned 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 \$(974,696) a decrease of \$3,527,097 in comparison with the prior year.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$(862,841). The fund balance of the City's General Fund decreased by \$947,632 during the current fiscal year. Fund balance decreased in the prior year by \$269,299. The primary reason for the decrease in fund balance was due to an increase in expenditures as well as unattainable revenue estimates. Management continues its efforts to control budgeted expenditures in addition to setting appropriate expectations for revenue streams.

The Road Use Tax Fund experienced a decrease in fund balance of \$622,686. The fund balance for this fund was \$799,538 and \$176,852 at the end of fiscal year 2010 and 2011, respectively. 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 an increase in fund balance of \$257,341 and ended the year with a fund balance of \$1,048,622. 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 Employee Benefits Fund had an increase in fund balance of \$144,396 and ended the year with a fund balance of \$523,167.

The Debt Service Fund ended fiscal year 2011 with a with a fund balance of \$466,873 compared to a beginning fund balance of \$426,676. Principal and interest payments decreased compared to the prior year by \$645,851.

Fund balance for the Capital Projects Fund decreased by \$2,334,506 compared to a prior year decrease of \$289,373. The City received \$700,000 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, 2011 were \$70,578,970, an increase of \$8,462,523 from the previous fiscal year. Of the net assets of the enterprise funds, \$72,432,979 is invested in capital assets, net of related debt. Unrestricted net assets amounted to \$(1,854,009).

The Sewer Revenue Fund ended fiscal year 2011 with a net asset balance of \$45,487,206 compared to the prior year ending net asset balance of \$44,973,420. Overall, the fund experienced a net gain of \$513,786. This is primarily due to additional sewer revenue charges as a result of a rate increase. The rate increase was needed in order to fund sanitary sewer improvements.

The Solid Waste Collection Fund ended fiscal year 2011 with a net asset balance of \$763,822 compared to the prior year ending net asset balance of \$1,021,790. Overall, the fund experienced a net loss of \$257,968.

The Transit System Fund ended fiscal year 2011 with a net asset balance of \$4,678,658 compared to the prior year ending net asset balance of \$3,150,163. The change in net assets for fiscal year 2011 was \$1,528,495.

The Airport Operations Fund ended fiscal year 2011 with a net asset balance of \$7,248,111 compared to the prior year ending net asset balance of \$6,380,377.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$620,642 at the end of the fiscal year, a decrease of \$323,227 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 \$45,772,598 was increased to \$46,679,288, an increase of \$906,690. Major increases were related to intergovernmental and miscellaneous revenues.
- The original operating expenditure budget of \$74,642,200 was increased to \$103,346,795, an increase of \$28,704,595. 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 works, community and economic development and general government functions.

A schedule detailing budgetary information can be found on pages 53-55 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, 2011 amounts to \$211,155,235 (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 \$41,305,198 compared to the prior year. Capital assets associated with governmental activities increased by \$5,752,996 while capital assets for the business-type activities increased by \$35,552,202.

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

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Total 2011	Total 2010
Land	\$ 21,223,991	\$ 21,152,983	\$ 4,573,513	\$ 4,573,513	\$ 25,797,504	\$ 25,726,496
Construction in progress	18,101,850	10,924,164	41,471,130	13,237,498	59,572,980	24,161,662
Intangible assets	6,921	-	3,492	-	10,413	-
Machinery and equipment	2,174,262	2,297,227	3,936,758	1,409,902	6,111,020	3,707,129
Land improvements	1,542,664	1,635,229	-	-	1,542,664	1,635,229
Buildings	11,846,682	12,320,664	13,462,360	13,930,003	25,309,042	26,250,667
Infrastructure	46,753,535	47,566,642	46,058,077	40,802,212	92,811,612	88,368,854
Total	\$ 101,649,905	\$ 95,896,909	\$ 109,505,330	\$ 73,953,128	\$ 211,155,235	\$ 169,850,037

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

- Street improvements
- New buses for the MTA
- New trucks for solid waste collection
- Capital expenditures for a new wastewater treatment plant
- Completion of various Marina improvements
- Runway improvements at the municipal airport

Additional information concerning the City of Clinton's capital assets can be found in Note 3 on pages 42-43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Clinton had total debt outstanding of \$59,154,951. Of this amount \$18,825,000 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 \$846,000. The remainder of the City's debt of \$39,483,951 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 2011</u>	<u>Governmental Activities 2010</u>	<u>Business-type Activities 2011</u>	<u>Business-type Activities 2010</u>	<u>Total 2011</u>	<u>Total 2010</u>
General obligation bonds	\$ 18,770,000	\$ 20,320,000	\$ 55,000	\$ 80,000	\$ 18,825,000	\$ 20,400,000
Notes payable	846,000	997,000	-	-	846,000	997,000
Sewer revenue notes	-	-	39,483,951	13,786,000	39,483,951	13,786,000
Total	<u>\$ 19,616,000</u>	<u>\$ 21,317,000</u>	<u>\$ 39,538,951</u>	<u>\$ 13,866,000</u>	<u>\$ 59,154,951</u>	<u>\$ 35,183,000</u>

During the current fiscal year, the City of Clinton increased its indebtedness by \$23,971,951. The City issued new general obligation debt of \$700,000 and additional sewer revenue notes of \$28,368,951.

The City has been given an A2 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 \$68,687,733 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 44-46 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Clinton's taxable value was \$854,971,453 for the 2010/11 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 2011/12. The overall City tax rate decreased by 1% for fiscal year 2010/11, and continues to decrease in 2011/12. Without increasing taxable value or the existence of viable revenue streams for the General Fund, the City will address the organizational structure and begin reorganizing in a way that reduces the overall cost of providing services. 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, worker's compensation, and retirement costs. A majority of these costs are supported by the City's tax levy and costs for providing basic services. 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 Jessica Kinser, Finance Director, City of Clinton, 611 South 3rd Street, Clinton, IA 52733-2958.

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,440,346	\$ 593,912	\$ 4,034,258
Receivables			
Taxes	15,282,310	-	15,282,310
Service fees	164,910	2,986,031	3,150,941
Intergovernmental	1,384,852	790,298	2,175,150
Loan	3,072	-	3,072
Special assessments	262,167	1,103,434	1,365,601
Other	149,794	560,797	710,591
Prepaid insurance	4,749	-	4,749
Prepaid - other	35,352	-	35,352
Restricted cash and investments	3,667,693	2,471,711	6,139,404
Capital assets, net of accumulated depreciation	101,649,905	109,505,330	211,155,235
Total assets	<u>126,045,150</u>	<u>118,011,513</u>	<u>244,056,663</u>
LIABILITIES			
Cash overdrafts	6,746,422	822,797	7,569,219
Accounts payable	1,383,097	4,690,444	6,073,541
Warrants payable	1,047,399	554,753	1,602,152
Deposits payable	34,244	-	34,244
Accrued interest payable	215,074	99,599	314,673
Contracts payable	195,677	1,498,045	1,693,722
Deferred revenue	12,940,939	-	12,940,939
Estimated payable for incurred but not reported claims	524,686	-	524,686
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	2,183,333	25,000	2,208,333
Notes payable	46,000	693,000	739,000
Litigation payable	450,000	-	450,000
Compensated absences	586,802	86,999	673,801
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds	16,586,667	30,000	16,616,667
Notes payable	800,000	38,790,951	39,590,951
Litigation payable	3,600,000	-	3,600,000
Net OPEB Liability	531,518	140,955	672,473
Total liabilities	<u>47,871,858</u>	<u>47,432,543</u>	<u>95,304,401</u>
NET ASSETS			
Invested in capital assets, net of related debt	82,033,905	72,432,979	154,466,884
Restricted:			
Nonexpendable:			
Prepaid expenditures	28,275	-	28,275
Endowments	7,000	-	7,000
Expendable:			
Debt service	211,878	-	211,878
Streets	176,852	-	176,852
Capital improvements	645,977	-	645,977
Police and fire retirement	15,448	-	15,448
Employee benefits	196,105	-	196,105
Community programs and services	108,673	-	108,673
Other purposes	747,002	-	747,002
Unrestricted	(5,997,823)	(1,854,009)	(7,851,832)
Total net assets	<u>\$ 78,173,292</u>	<u>\$ 70,578,970</u>	<u>\$ 148,752,262</u>

See notes to financial statements.

CITY OF CLINTON, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS				
Governmental activities:				
Public safety	\$ 11,235,913	\$ 915,385	\$ 323,655	\$ -
Public works	6,984,146	329,406	2,582,436	-
Culture and recreation	3,682,096	657,401	293,613	-
Community and economic development	2,557,698	19,564	443,963	-
General government	6,018,750	38,556	-	-
Debt service	884,248	-	-	-
Capital projects	190,031	-	-	12,030,571
Total governmental activities	<u>31,552,882</u>	<u>1,960,312</u>	<u>3,643,667</u>	<u>12,030,571</u>
Business-type activities				
Sewer	7,559,742	6,586,473	1,304	1,655,500
Solid waste	1,303,352	1,045,380	-	-
Transit	2,059,283	506,149	668,451	1,698,252
Dock operations	77,627	332,057	-	-
Marina	446,447	351,800	-	-
Parking system	2,588	-	-	-
Airport operations	578,873	302,788	13,500	1,060,319
Total business-type activities	<u>12,027,912</u>	<u>9,124,647</u>	<u>683,255</u>	<u>4,414,071</u>
Total	<u>\$ 43,580,794</u>	<u>\$ 11,084,959</u>	<u>\$ 4,326,922</u>	<u>\$ 16,444,642</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
Sale of capital assets
Transfers

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See notes to financial statements.

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

Governmental Activities	Business-type Activities	Total
\$ (9,996,873)	\$ -	\$ (9,996,873)
(4,072,304)	-	(4,072,304)
(2,731,082)	-	(2,731,082)
(2,094,171)	-	(2,094,171)
(5,980,194)	-	(5,980,194)
(884,248)	-	(884,248)
11,840,540	-	11,840,540
<u>(13,918,332)</u>	<u>-</u>	<u>(13,918,332)</u>
-	683,535	683,535
-	(257,972)	(257,972)
-	813,569	813,569
-	254,430	254,430
-	(94,647)	(94,647)
-	(2,588)	(2,588)
-	797,734	797,734
<u>-</u>	<u>2,194,061</u>	<u>2,194,061</u>
<u>(13,918,332)</u>	<u>2,194,061</u>	<u>(11,724,271)</u>
12,620,081	-	12,620,081
11,229	-	11,229
1,893,996	-	1,893,996
5,713	-	5,713
409,927	-	409,927
3,351,954	-	3,351,954
142,155	-	142,155
1,001,996	-	1,001,996
47,985	32,534	80,519
322,203	-	322,203
61,891	(584)	61,307
<u>(6,236,512)</u>	<u>6,236,512</u>	<u>-</u>
<u>13,632,618</u>	<u>6,268,462</u>	<u>19,901,080</u>
(285,714)	8,462,523	8,176,809
<u>78,459,006</u>	<u>62,116,447</u>	<u>140,575,453</u>
<u>\$ 78,173,292</u>	<u>\$ 70,578,970</u>	<u>\$ 148,752,262</u>

**CITY OF CLINTON, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
ASSETS			
Cash and investments	\$ -	\$ 104,328	\$ 514,349
Receivables			
Taxes	8,764,615	208,921	534,273
Service fees	164,909	-	-
Intergovernmental	3,144	-	-
Loan	-	-	-
Special assessments	38,181	-	-
Other	67,609	5	-
Prepaid insurance	979	-	-
Prepaid - other	33,199	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	\$ 9,072,636	\$ 313,254	\$ 1,048,622
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash overdrafts	\$ 846,514	\$ -	\$ -
Accounts payable	211,529	55,359	-
Warrants payable	149,338	46,799	-
Deposits payable	-	34,244	-
Contracts payable	-	-	-
Deferred revenue	8,693,918	-	-
Total liabilities	<u>9,901,299</u>	<u>136,402</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	34,178	-	-
Endowments	-	-	-
Restricted for:			
Debt service	-	-	-
Streets	-	176,852	-
Capital improvements	-	-	524,311
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Community programs and services	-	-	-
Other purposes	-	-	524,311
Unassigned	(862,841)	-	-
Total fund balances (deficit)	<u>(828,663)</u>	<u>176,852</u>	<u>1,048,622</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,072,636	\$ 313,254	\$ 1,048,622

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>
\$ 480,067	\$ 497,060	\$ -	\$ 698,442	\$ 2,294,246
4,131,557	1,379,008	-	263,936	15,282,310
-	-	-	-	164,909
-	-	1,357,997	23,712	1,384,853
-	-	-	3,072	3,072
-	173	20,767	203,046	262,167
-	33,437	-	48,743	149,794
-	-	-	3,770	4,749
-	-	-	-	33,199
-	-	3,667,693	-	3,667,693
<u>\$ 4,611,624</u>	<u>\$ 1,909,678</u>	<u>\$ 5,046,457</u>	<u>\$ 1,244,721</u>	<u>\$ 23,246,992</u>

\$ -	\$ -	\$ 5,899,907	\$ -	\$ 6,746,421
975	-	1,082,445	32,789	1,383,097
7,811	80,280	485,923	274,324	1,044,475
-	-	-	-	34,244
-	-	193,494	2,183	195,677
4,079,671	1,362,525	236,501	445,159	14,817,774
<u>4,088,457</u>	<u>1,442,805</u>	<u>7,898,270</u>	<u>754,455</u>	<u>24,221,688</u>

-	-	-	3,770	37,948
-	-	-	7,000	7,000
-	466,873	-	-	466,873
-	-	-	-	176,852
-	-	-	-	524,311
191,373	-	-	-	191,373
331,794	-	-	-	331,794
-	-	-	273,479	273,479
-	-	-	206,017	730,328
-	-	(2,851,813)	-	(3,714,654)
<u>523,167</u>	<u>466,873</u>	<u>(2,851,813)</u>	<u>490,266</u>	<u>(974,696)</u>
<u>\$ 4,611,624</u>	<u>\$ 1,909,678</u>	<u>\$ 5,046,457</u>	<u>\$ 1,244,721</u>	<u>\$ 23,246,992</u>

CITY OF CLINTON, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total governmental fund balances (page 21)	\$ (974,696)
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
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 \$174,995,028 and the accumulated depreciation is \$73,345,123.	101,649,905
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the governmental funds.	1,876,835
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated absences	(586,802)
Bonds, notes and litigation payable	(23,666,000)
Accrued interest payable	(215,074)
Other postemployment benefits	(531,518)
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.	<u>620,642</u>
Net assets of governmental activities (page 17)	<u>\$ 78,173,292</u>

See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
REVENUES			
Taxes	\$ 8,689,782	\$ -	\$ 3,351,954
Licenses and permits	251,791	28,445	-
Use of money and property	167,245	2,812	87
Intergovernmental	296,629	2,582,436	-
Charges for services	1,100,004	118,565	-
Miscellaneous	129,279	10,949	-
Total revenues	<u>10,634,730</u>	<u>2,743,207</u>	<u>3,352,041</u>
EXPENDITURES			
Current			
Public safety	10,163,864	-	-
Public works	91,842	3,175,453	-
Culture and recreation	2,752,986	-	-
Community and economic development	412,587	-	-
General government	1,553,560	-	-
Capital projects	44,780	116,340	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>15,019,619</u>	<u>3,291,793</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,384,889)</u>	<u>(548,586)</u>	<u>3,352,041</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from fixed asset sales	42,899	900	-
Proceeds from sale of bonds	-	-	-
Operating transfers in	4,797,127	-	-
Operating transfers out	(1,402,769)	(75,000)	(3,094,700)
Total other financing sources (uses)	<u>3,437,257</u>	<u>(74,100)</u>	<u>(3,094,700)</u>
NET CHANGE IN FUND BALANCES	<u>(947,632)</u>	<u>(622,686)</u>	<u>257,341</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, AS RESTATED	<u>118,969</u>	<u>799,538</u>	<u>791,281</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (828,663)</u>	<u>\$ 176,852</u>	<u>\$ 1,048,622</u>

See notes to financial statements

Special Revenue

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
\$ 3,985,674	\$ 1,301,984	\$ -	\$ 2,129,982	\$ 19,459,376
-	-	-	-	280,236
-	-	36,706	202,317	409,167
-	-	11,814,878	702,899	15,396,842
-	-	-	38,952	1,257,521
-	67,046	18,510	100,595	326,379
<u>3,985,674</u>	<u>1,369,030</u>	<u>11,870,094</u>	<u>3,174,745</u>	<u>37,129,521</u>
-	-	288,489	70,053	10,522,406
-	-	497,494	66,425	3,831,214
-	-	15,565	288,094	3,056,645
-	-	-	2,088,223	2,500,810
15,064	3,600	-	288,690	1,860,914
-	-	9,861,642	39,113	10,061,875
-	2,401,000	-	-	2,401,000
-	947,133	-	-	947,133
<u>15,064</u>	<u>3,351,733</u>	<u>10,663,190</u>	<u>2,840,598</u>	<u>35,181,997</u>
<u>3,970,610</u>	<u>(1,982,703)</u>	<u>1,206,904</u>	<u>334,147</u>	<u>1,947,524</u>
-	-	18,092	-	61,891
-	-	700,000	-	700,000
-	2,051,100	2,444,663	674,235	9,967,125
(3,826,214)	(28,200)	(6,704,165)	(1,072,589)	(16,203,637)
<u>(3,826,214)</u>	<u>2,022,900</u>	<u>(3,541,410)</u>	<u>(398,354)</u>	<u>(5,474,621)</u>
144,396	40,197	(2,334,506)	(64,207)	(3,527,097)
<u>378,771</u>	<u>426,676</u>	<u>(517,307)</u>	<u>554,473</u>	<u>2,552,401</u>
<u>\$ 523,167</u>	<u>\$ 466,873</u>	<u>\$ (2,851,813)</u>	<u>\$ 490,266</u>	<u>\$ (974,696)</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, 2011

Net change in fund balances - total governmental funds (page 24) \$ (3,527,097)

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	9,914,743
Depreciation expense	(4,118,848)
Loss on disposal of fixed assets	(42,899)

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.	312,268
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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.	(323,227)
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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	(28,434)
Other postemployment benefits	(186,105)
Interest on long-term debt	62,885

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.	<u>(2,349,000)</u>
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Change in net assets of governmental activities (page 19)	<u><u>\$ (285,714)</u></u>
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See notes to financial statements

CITY OF CLINTON, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
ASSETS			
Cash and investments	\$ -	\$ -	\$ 338,946
Receivables			
Service fees	2,528,534	451,210	6,287
Intergovernmental	36	-	109,686
Special assessments	1,099,232	4,202	-
Other	226	-	519,747
Prepaid - other	-	-	-
Restricted cash and investments	2,471,711	-	-
Capital assets, net of accumulated depreciation	84,442,653	1,193,159	3,811,841
Total assets	<u>90,542,392</u>	<u>1,648,571</u>	<u>4,786,507</u>
LIABILITIES			
Cash overdrafts	-	822,797	-
Accounts payable	3,865,286	25,687	14,198
Warrants payable	227,013	8,748	10,838
Accrued interest payable	99,599	-	-
Contracts payable	1,270,373	-	-
Compensated absences payable	46,155	7,133	29,898
Notes payable	39,483,951	-	-
General obligation bonds payable	-	-	-
Estimated payable for incurred but not reported claims	-	-	-
Net OPEB liability	62,809	20,384	52,915
Total liabilities	<u>45,055,186</u>	<u>884,749</u>	<u>107,849</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,425,302	1,193,159	3,811,841
Unrestricted	(1,938,096)	(429,337)	866,817
Total net assets	<u>\$ 45,487,206</u>	<u>\$ 763,822</u>	<u>\$ 4,678,658</u>

See notes to financial statements

Enterprise			Internal Service
Airport Operations	Nonmajor Enterprise	Total	Health Insurance
\$ 121,000	\$ 133,966	\$ 593,912	\$ 1,146,099
-	-	2,986,031	-
680,576	-	790,298	-
-	-	1,103,434	-
16,672	24,152	560,797	-
-	-	-	2,153
-	-	2,471,711	-
7,767,580	12,290,097	109,505,330	-
<u>8,585,828</u>	<u>12,448,215</u>	<u>118,011,513</u>	<u>1,148,252</u>
-	-	822,797	-
768,328	16,945	4,690,444	-
278,057	30,097	554,753	2,924
-	-	99,599	-
227,672	-	1,498,045	-
3,813	-	86,999	-
-	-	39,483,951	-
55,000	-	55,000	-
-	-	-	524,686
4,847	-	140,955	-
<u>1,337,717</u>	<u>47,042</u>	<u>47,432,543</u>	<u>527,610</u>
7,712,580	12,290,097	72,432,979	-
(464,469)	111,076	(1,854,009)	620,642
<u>\$ 7,248,111</u>	<u>\$ 12,401,173</u>	<u>\$ 70,578,970</u>	<u>\$ 620,642</u>

CITY OF CLINTON, IOWA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
OPERATING REVENUES			
Charges for services	\$ 6,574,869	\$ 1,038,392	\$ 494,608
Property rental	-	-	-
Miscellaneous	11,604	6,988	11,541
Total operating revenues	<u>6,586,473</u>	<u>1,045,380</u>	<u>506,149</u>
OPERATING EXPENSES			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,674,126	543,900	1,320,714
Commodities	390,569	116,448	285,969
Contractual services	2,511,785	575,663	166,675
Depreciation	1,733,601	67,341	285,925
Total operating expenses	<u>6,310,081</u>	<u>1,303,352</u>	<u>2,059,283</u>
Operating income (loss)	<u>276,392</u>	<u>(257,972)</u>	<u>(1,553,134)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	32,530	4	-
Intergovernmental	1,656,804	-	2,366,703
Sale of capital assets	-	-	(584)
Interest expense	(783,061)	-	-
Miscellaneous	(466,600)	-	-
Total non-operating revenues (expenses)	<u>439,673</u>	<u>4</u>	<u>2,366,119</u>
INCOME (LOSS) BEFORE TRANSFERS	716,065	(257,968)	812,985
OTHER FINANCING SOURCES (USES)			
Operating transfers in	6,402,321	-	776,510
Operating transfers out	<u>(6,604,600)</u>	<u>-</u>	<u>(61,000)</u>
Total other financing sources (uses)	<u>(202,279)</u>	<u>-</u>	<u>715,510</u>
CHANGE IN NET ASSETS	513,786	(257,968)	1,528,495
NET ASSETS, BEGINNING OF YEAR	<u>44,973,420</u>	<u>1,021,790</u>	<u>3,150,163</u>
NET ASSETS, END OF YEAR	<u>\$ 45,487,206</u>	<u>\$ 763,822</u>	<u>\$ 4,678,658</u>

See notes to financial statements

Enterprise			Internal Service
Airport Operations	Nonmajor Enterprise	Total	Health Insurance
\$ -	\$ 68,057	\$ 8,175,926	\$ 3,398,925
80,097	462,244	542,341	-
222,691	153,556	406,380	-
<u>302,788</u>	<u>683,857</u>	<u>9,124,647</u>	<u>3,398,925</u>
-	-	-	3,731,596
118,897	-	3,657,637	-
183,704	105,941	1,082,631	-
58,652	191,761	3,504,536	-
214,420	228,960	2,530,247	-
<u>575,673</u>	<u>526,662</u>	<u>10,775,051</u>	<u>3,731,596</u>
<u>(272,885)</u>	<u>157,195</u>	<u>(1,650,404)</u>	<u>(332,671)</u>
-	-	32,534	9,444
1,073,819	-	5,097,326	-
-	-	(584)	-
(3,200)	-	(786,261)	-
-	-	(466,600)	-
<u>1,070,619</u>	<u>-</u>	<u>3,876,415</u>	<u>9,444</u>
797,734	157,195	2,226,011	(323,227)
98,200	5,988,281	13,265,312	-
<u>(28,200)</u>	<u>(335,000)</u>	<u>(7,028,800)</u>	<u>-</u>
<u>70,000</u>	<u>5,653,281</u>	<u>6,236,512</u>	<u>-</u>
867,734	5,810,476	8,462,523	(323,227)
<u>6,380,377</u>	<u>6,590,697</u>	<u>62,116,447</u>	<u>943,869</u>
<u>\$ 7,248,111</u>	<u>\$ 12,401,173</u>	<u>\$ 70,578,970</u>	<u>\$ 620,642</u>

CITY OF CLINTON, IOWA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,989,817	\$ 1,033,056	\$ 204,663
Cash paid to suppliers	400,411	(681,464)	(439,692)
Cash paid to employees	(1,636,433)	(537,120)	(1,283,335)
Net cash provided by (used in) operating activities	<u>5,753,795</u>	<u>(185,528)</u>	<u>(1,518,364)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental	1,304	-	668,451
Operating transfers in	6,402,321	-	776,510
Operating transfers out	(6,604,600)	-	(61,000)
Net cash provided by (used in) non-capital financing activities	<u>(200,975)</u>	<u>-</u>	<u>1,383,961</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(27,676,480)	(1,117,810)	(1,794,695)
Proceeds from sale of property	-	-	(584)
Intergovernmental	1,655,500	-	1,698,252
Increase in long-term debt	28,368,951	-	-
Principal payments on long-term debt	(2,671,000)	-	-
Miscellaneous	(466,600)	-	-
Interest expense	(683,462)	-	-
Net cash used in capital and related financing activities	<u>(1,473,091)</u>	<u>(1,117,810)</u>	<u>(97,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	32,530	4	-
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	4,112,259	(1,303,334)	(231,430)
CASH AND INVESTMENTS, JULY 1	(1,640,548)	480,537	570,376
CASH AND INVESTMENTS, JUNE 30	<u>\$ 2,471,711</u>	<u>\$ (822,797)</u>	<u>\$ 338,946</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 276,392	\$ (257,972)	\$ (1,553,134)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	1,733,601	67,341	285,925
Changes in assets and liabilities:			
(Increase) decrease in receivables	403,344	(12,324)	(301,486)
Decrease in prepaid - other	-	-	-
Increase (decrease) in accounts payable	2,160,196	5,657	5,735
Increase (decrease) in warrants payable	15,646	4,990	7,217
Increase in contracts payable	1,126,923	-	-
Increase (decrease) in compensated absences payable	15,434	(1,129)	12,958
Increase in estimated payable for incurred but not reported claims	-	-	-
Increase in postemployment benefits	22,259	7,909	24,421
Net cash flows provided by (used in) operating activities	<u>\$ 5,753,795</u>	<u>\$ (185,528)</u>	<u>\$ (1,518,364)</u>

See notes to financial statements

Airport Operations	Enterprise Nonmajor Enterprise	Total	Internal Service Health Insurance
\$ 78,314	\$ 672,883	\$ 8,978,733	\$ 3,405,851
732,464	(284,250)	(272,531)	(3,963,395)
(116,337)	-	(3,573,225)	-
<u>694,441</u>	<u>388,633</u>	<u>5,132,977</u>	<u>(557,544)</u>
13,500	-	683,255	-
98,200	5,988,281	13,265,312	-
(28,200)	(335,000)	(7,028,800)	-
<u>83,500</u>	<u>5,653,281</u>	<u>6,919,767</u>	<u>-</u>
(1,489,327)	(5,988,281)	(38,066,593)	-
-	-	(584)	-
1,060,319	-	4,414,071	-
-	-	28,368,951	-
(25,000)	-	(2,696,000)	-
-	-	(466,600)	-
(3,200)	-	(686,662)	-
<u>(457,208)</u>	<u>(5,988,281)</u>	<u>(9,133,417)</u>	<u>-</u>
-	-	32,534	9,444
320,733	53,633	2,951,861	(548,100)
(199,733)	80,333	(709,035)	1,694,199
<u>\$ 121,000</u>	<u>\$ 133,966</u>	<u>\$ 2,242,826</u>	<u>\$ 1,146,099</u>
\$ (272,885)	\$ 157,195	\$ (1,650,404)	\$ (332,671)
214,420	228,960	2,530,247	-
(224,474)	(10,974)	(145,914)	6,926
30,000	-	30,000	482
480,123	(5,063)	2,646,648	(343,548)
237,025	18,515	283,393	(190,578)
227,672	-	1,354,595	-
823	-	28,086	-
-	-	-	301,845
1,737	-	56,326	-
<u>\$ 694,441</u>	<u>\$ 388,633</u>	<u>\$ 5,132,977</u>	<u>\$ (557,544)</u>

CITY OF CLINTON, IOWA
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 492,581</u>
LIABILITIES	
Accounts payable	183,750
Warrants payable	<u>308,831</u>
Total liabilities	<u>492,581</u>
NET ASSETS	<u><u>\$ -</u></u>

See notes to financial statements

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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. Construction Contracts
14. Litigation
15. Subsequent Events
16. Restatement of Fund Balances

CITY OF CLINTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classification - committed, assigned and then unassigned fund balances.

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

The proprietary 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.

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, 2011, 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. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011.

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, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the public works, community and economic development and general government functions.

Subsequent Events

Management has evaluated subsequent events through April 30, 2012, 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 \$2,354,943 and the bank balance was \$2,354,943. 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 \$742,081 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	\$ 2,354,943
Carrying amount of investments	<u>742,081</u>
Total	<u>\$ 3,097,024</u>
Cash and investments	\$ 4,034,258
Cash overdrafts	(7,569,219)
Cash and investments - Agency Funds	492,581
Restricted cash and investments	<u>6,139,404</u>
Total	<u>\$ 3,097,024</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 21,152,983	\$ 90,000	\$ 18,992	\$ 21,223,991
Construction in progress	10,924,164	15,175,908	7,998,222	18,101,850
Total capital assets, not being depreciated	<u>32,077,147</u>	<u>15,265,908</u>	<u>8,017,214</u>	<u>39,325,841</u>
Capital assets, being depreciated				
Machinery and equipment	14,739,637	434,907	255,393	14,919,151
Land improvements	3,640,836	-	-	3,640,836
Buildings	18,447,007	81,788	-	18,528,795
Intangibles	-	139,413	-	139,413
Infrastructure	96,431,051	2,009,941	-	98,440,992
Total capital assets, being depreciated	<u>133,258,531</u>	<u>2,666,049</u>	<u>255,393</u>	<u>135,669,187</u>
Less accumulated depreciation for:				
Machinery and equipment	12,442,410	514,973	212,494	12,744,889
Land improvements	2,005,607	92,565	-	2,098,172
Buildings	6,126,343	555,770	-	6,682,113
Intangibles	-	132,492	-	132,492
Infrastructure	48,864,409	2,823,048	-	51,687,457
Total accumulated depreciation	<u>69,438,769</u>	<u>4,118,848</u>	<u>212,494</u>	<u>73,345,123</u>
Total capital assets, being depreciated, net	<u>63,819,762</u>	<u>(1,452,799)</u>	<u>42,899</u>	<u>62,324,064</u>
Governmental activities capital assets, net	<u>\$ 95,896,909</u>	<u>\$ 13,813,109</u>	<u>\$ 8,060,113</u>	<u>\$ 101,649,905</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 3,066,048
Public safety	429,111
Culture and recreation	564,982
General government	58,707
	<u>\$ 4,118,848</u>

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,573,513	\$ -	\$ -	\$ 4,573,513
Construction in progress	<u>13,237,498</u>	<u>29,045,597</u>	<u>811,965</u>	<u>41,471,130</u>
Total capital assets, not being depreciated	<u>17,811,011</u>	<u>29,045,597</u>	<u>811,965</u>	<u>46,044,643</u>
Capital assets, being depreciated				
Machinery and equipment	7,611,210	2,934,898	1,202,422	9,343,686
Land improvements	319,900	-	-	319,900
Buildings	26,860,743	57,900	-	26,918,643
Intangibles	-	56,357	-	56,357
Infrastructure	<u>86,853,809</u>	<u>6,800,246</u>	<u>-</u>	<u>93,654,055</u>
Total capital assets, being depreciated	<u>121,645,662</u>	<u>9,849,401</u>	<u>1,202,422</u>	<u>130,292,641</u>
Less accumulated depreciation for:				
Machinery and equipment	6,201,308	407,459	1,201,838	5,406,929
Land improvements	319,900	-	-	319,900
Buildings	12,930,740	525,543	-	13,456,283
Intangibles	-	52,864	-	52,864
Infrastructure	<u>46,051,597</u>	<u>1,544,381</u>	<u>-</u>	<u>47,595,978</u>
Total accumulated depreciation	<u>65,503,545</u>	<u>2,530,247</u>	<u>1,201,838</u>	<u>66,831,954</u>
Total capital assets, being depreciated, net	<u>56,142,117</u>	<u>7,319,154</u>	<u>584</u>	<u>63,460,687</u>
Business-type activities capital assets, net	<u>\$73,953,128</u>	<u>\$36,364,751</u>	<u>\$ 812,549</u>	<u>\$ 109,505,330</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,733,601
Solid waste	67,341
Transit	285,925
Airport operations	214,420
Other business-type funds	<u>228,960</u>
	<u>\$ 2,530,247</u>

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due One Year</u>
Governmental activities					
General obligation	\$ 20,320,000	\$ 700,000	\$ 2,250,000	\$ 18,770,000	\$ 2,183,333
Notes payable	997,000	-	151,000	846,000	46,000
Accrued compensated absences	558,368	822,269	793,835	586,802	586,802
Net OPEB liability	<u>345,413</u>	<u>186,105</u>	<u>-</u>	<u>531,518</u>	<u>-</u>
Governmental activities, long-term liabilities	<u>\$ 22,220,781</u>	<u>\$ 1,708,374</u>	<u>\$ 3,194,835</u>	<u>\$ 20,734,320</u>	<u>\$ 2,816,135</u>
Business-type activities					
General obligation	\$ 80,000	\$ -	\$ 25,000	\$ 55,000	\$ 25,000
Sewer revenue capital notes	13,786,000	28,368,951	2,671,000	39,483,951	693,000
Accrued compensated absences	58,913	148,149	120,063	86,999	86,999
Net OPEB liability	<u>84,629</u>	<u>56,326</u>	<u>-</u>	<u>140,955</u>	<u>-</u>
Business-type activities, long-term liabilities	<u>\$ 14,009,542</u>	<u>\$28,573,426</u>	<u>\$ 2,816,063</u>	<u>\$ 39,766,905</u>	<u>\$ 804,999</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, 2011 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	\$ 580,000
Corporate purpose	11/01/03	3.00-5.00	630,000	95,000
Corporate purpose	11/01/03	1.75-3.75	2,800,000	1,390,000
Corporate purpose	05/01/06	5.40-5.70	7,620,000	3,135,000
Corporate purpose	05/01/06	4.00-4.25	3,470,000	2,345,000
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	4,310,000
Corporate purpose	02/22/10	1.85	700,000	700,000
			<u>\$29,505,000</u>	<u>\$18,825,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$4,231,267, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,208,333	\$ 782,493	\$ 2,990,826
2013	2,458,333	700,038	3,158,371
2014	2,333,334	606,675	2,940,009
2015	2,185,000	520,982	2,705,982
2016	2,000,000	432,798	2,432,798
2017-2021	6,460,000	1,027,391	7,487,391
2022-2026	980,000	146,690	1,126,690
2027-2028	200,000	14,200	214,200
Total	<u>\$ 18,825,000</u>	<u>\$ 4,231,267</u>	<u>\$ 23,056,267</u>

Notes Payable. Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2011 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	383,000
Sewer separation project	08/03/06	3.00%	2,804,000	1,972,000
Sewer system project	12/11/07	3.00%	9,898,000	8,760,000
Capital loan note, Series 2009	04/03/09	4.85%	230,000	92,000
Sewer system project	09/15/10	3.00%	<u>46,660,000</u>	<u>28,368,951</u>
			<u>\$62,956,000</u>	<u>\$40,329,951</u>

Debt service requirements to maturity, including interest of \$13,778,681 on notes payable, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 739,000	\$ 1,195,185	\$ 1,934,185
2013	1,794,344	1,169,135	2,963,479
2014	2,354,784	1,111,278	3,466,062
2015	1,652,440	1,063,255	2,715,695
2016	1,703,704	1,013,682	2,717,386
2017-2021	9,370,120	4,268,220	13,638,340
2022-2026	10,959,752	2,770,393	13,730,145
2027-2031	9,866,472	1,130,853	10,997,325
2032	1,889,335	56,680	1,946,015
Total	<u>\$ 40,329,951</u>	<u>\$ 13,778,681</u>	<u>\$ 54,108,632</u>

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 September 2010. 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 2032. Total principal and interest remaining to be paid on the sewer revenue notes is \$53,255,939. For the current year, principal and interest paid on the sewer revenue notes and total customer net revenues were \$1,454,061 and \$1,499,127, 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 \$65,696 for the year ended June 30, 2011.

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 \$5,556.

NOTE 5 - FUND TRANSFER RECONCILIATION

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 4,797,127	\$ 1,402,769
Road Use Tax	-	75,000
Local Option Sales Tax	-	3,094,700
Employee Benefits	-	3,826,214
Debt Service	2,051,100	28,200
Capital Projects	2,444,663	6,704,165
Other Nonmajor Governmental Funds	674,235	1,072,589
Sewer Revenue	6,402,321	6,604,600
Transit System	776,510	61,000
Airport Operations	98,200	28,200
Other Nonmajor Proprietary Funds	5,988,281	335,000
	<u>\$ 23,232,437</u>	<u>\$ 23,232,437</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% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, were \$1,025,225, \$841,035, and \$892,079, 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010, and 2009 were \$408,559, \$352,453, and \$300,464, 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, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 346,973
Interest on net OPEB obligation	10,751
Adjustment to annual required contribution	<u>(26,614)</u>
Annual OPEB cost	331,110
Contributions made	<u>(88,679)</u>
Increase in net OPEB obligation	242,431
Net OPEB obligation beginning of year	<u>430,042</u>
Net OPEB obligation end of year	<u>\$ 672,473</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, 2011.

For the year ended June 30, 2011, the City contributed \$88,679 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, 2011 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
June 30, 2011	331,110	26.8%	672,473

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$10,914,866, and the ratio of the UAAL to covered payroll was 24.0%. As of June 30, 2011, 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, 2011, the General Fund and Capital Projects Fund had deficit balances of \$828,663 and \$2,851,813, respectively. The General Fund deficit fund balance is a result of unattainable revenue estimates and overspending as well as a structural deficit of the City. This deficit will be eliminated by changing the City's organization and using attainable revenue estimates and controlling spending in the General Fund. The Capital Projects Fund 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 \$12,046 during the year ended June 30, 2011.

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, 2011, 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 \$50,000, and an aggregate stop loss of approximately \$2.8 million for 2011. 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, 2011 are summarized as follows:

Liability at June 30, 2010	\$ 222,841
Claims and changes in estimates during fiscal year 2011	3,227,647
Claim payments	<u>(2,925,802)</u>
Liability at June 30, 2011	<u>\$ 524,686</u>

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, 2011.

NOTE 13 - CONSTRUCTION CONTRACTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2011. The City has additional commitments for signed construction contracts of approximately \$39,404,439 as of June 30, 2011. These commitments will be funded from bond proceeds, grants, and resources already accumulated.

NOTE 14 - LITIGATION

Various claims and lawsuits are pending against the City. In September of 2009, the City was ordered to pay \$4,500,000 in regards to a federal lawsuit. The balance owed is to be paid over a 10 year period, with the final payment being due in 2019. As of June 30, 2011, the City still owed \$4,050,000 in regards to this judgement. In the opinion of City management, after consultation with legal council, the potential loss to the City for all other claims and lawsuits will not materially effect the City's financial position.

NOTE 15 - SUBSEQUENT EVENTS

In October 2011 the City approved an early retirement incentive plan. To be eligible the employee must be employed full-time and be 54 years of age and no older than 64 years of age with 10 or more years of service with the City. Early retirement benefits are equal to \$1,500 per month beginning on the first of the month following the date of termination and shall continue to receive such payment on the first of each month until the month in which the employee becomes eligible for Medicare. As of October 2011, 15 employees have opted to participate in the early retirement incentive plan with an estimated liability of \$1.8 million.

In July 2011, the City issued two Series 2011 Sewer Revenue Capital Loan Notes totaling \$9,797,000 and \$4,577,000, respectively. The agreements were dated July 6, 2011 with interest rates of 3.00% and final maturities on June 1, 2031. Proceeds from the note will be used to finance a portion of the costs of construction of the Wastewater Treatment System.

In September 2011, the City issued \$2,000,000 in taxable anticipatory warrants. The agreement was dated September 13, 2011 with an interest rate of 4.625% and final maturity November 1, 2011. The warrants were issued in anticipation of the receipt of property taxes and other appropriated monies of the General Fund of the City.

In November 2011, the City issued \$610,000 in General Obligation Capital Loan Notes, Series 2011B. The agreement was dated November 15, 2011 with an interest rate of 1.630% and final maturity June 1, 2015. The proceeds are to be used to pay for the purchase of a fire truck, police cars and a generator and software for the Recreation Department.

In December 2011, the City issued General Obligation Capital Loan Notes, Series 2011C and 2011D totaling \$606,000 and \$183,000, respectively. The agreements were dated December 29, 2011 with interest rates of 1.25% and 1.50%, respectively. The proceeds from the Series 2011C issue are to be used to pay for costs related to the acquisition and demolition of dilapidated buildings structures or properties along Camanche Avenue and City airport improvements, including runway improvements. The Series 2011D loan proceeds are to be used to pay the costs of reimbursing prior year expenditures for the 2nd Street Project and the City Airport Runway Project.

NOTE 16 - RESTATEMENT OF FUND BALANCES

The following governmental funds have restated the prior year fund balances due to the following:

	Leisure/Cultural <u>Programs</u>
Beginning net assets, as previously reported	\$ 106,631
Revenue/accounts receivable overstatement	<u>(48,573)</u>
Beginning net assets, as restated	<u>\$ 58,058</u>
	Community and Economic <u>Development</u>
Beginning net assets, as previously reported	\$ 116,233
Revenue/accounts receivable understatement	<u>48,573</u>
Beginning net assets, as restated	<u>\$ 164,806</u>

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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Taxes	\$ 19,459,376	\$ -	\$ 19,459,376
Licenses and permits	280,236	-	280,236
Use of money and property	409,167	32,534	441,701
Intergovernmental	15,396,842	5,097,326	20,494,168
Charges for services	1,257,521	8,175,926	9,433,447
Property rental	-	542,341	542,341
Miscellaneous	326,379	406,380	732,759
Total revenues	<u>37,129,521</u>	<u>14,254,507</u>	<u>51,384,028</u>
EXPENDITURES			
Current			
Public safety	10,522,406	-	10,522,406
Public works	3,831,214	-	3,831,214
Culture and recreation	3,056,645	-	3,056,645
Community and economic development	2,500,810	-	2,500,810
General government	1,860,914	-	1,860,914
Debt service	3,348,133	-	3,348,133
Capital projects	10,061,875	-	10,061,875
Business-type activities	-	12,027,912	12,027,912
Total expenditures	<u>35,181,997</u>	<u>12,027,912</u>	<u>47,209,909</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,947,524</u>	<u>2,226,595</u>	<u>4,174,119</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from fixed asset sales	61,891	(584)	61,307
Bond proceeds	700,000	-	700,000
Operating transfers in	9,967,125	13,265,312	23,232,437
Operating transfers out	(16,203,637)	(7,028,800)	(23,232,437)
Total other financing sources (uses)	<u>(5,474,621)</u>	<u>6,235,928</u>	<u>761,307</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(3,527,097)</u>	<u>8,462,523</u>	<u>4,935,426</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,552,401</u>	<u>62,116,447</u>	<u>64,668,848</u>
FUND BALANCE, END OF YEAR	<u>\$ (974,696)</u>	<u>\$ 70,578,970</u>	<u>\$ 69,604,274</u>

Budgeted Amounts		Variance with Final Budget Positive (Negative)
Original	Final	
\$ 18,937,698	\$ 18,937,698	\$ 521,678
322,500	322,500	(42,264)
949,000	949,000	(507,299)
10,629,600	11,142,890	9,351,278
11,204,100	11,240,100	(1,806,653)
-	-	542,341
3,729,700	4,087,100	(3,354,341)
<u>45,772,598</u>	<u>46,679,288</u>	<u>4,704,740</u>
10,039,500	10,711,400	188,994
3,204,200	3,577,140	(254,074)
2,903,100	3,088,600	31,955
2,007,300	2,391,800	(109,010)
1,684,000	1,785,661	(75,253)
3,492,200	3,494,700	146,567
6,041,500	23,826,770	13,764,895
45,270,400	54,470,724	42,442,812
<u>74,642,200</u>	<u>103,346,795</u>	<u>56,136,886</u>
<u>(28,869,602)</u>	<u>(56,667,507)</u>	<u>60,841,626</u>
-	-	61,307
29,700,000	52,014,639	(51,314,639)
11,163,137	11,163,137	12,069,300
(11,163,137)	(11,163,137)	(12,069,300)
<u>29,700,000</u>	<u>52,014,639</u>	<u>(51,253,332)</u>
830,398	(4,652,868)	9,588,294
<u>13,874,909</u>	<u>13,874,909</u>	<u>50,793,939</u>
<u>\$ 14,705,307</u>	<u>\$ 9,222,041</u>	<u>\$ 60,382,233</u>

CITY OF CLINTON, IOWA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2011

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, one budget amendment increased budget disbursements by \$28,704,595. The budget amendment is 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, 2011, disbursements in the public works, community and economic development 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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2011	July 1, 2009	-	\$ 2,616	\$ 2,616	0.00%	\$ 10,900	24.0%

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, 2011

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
ASSETS			
Cash and investments	\$ 4,460	\$ 274,350	\$ 35,152
Receivables			
Taxes	-	-	-
Intergovernmental	19,415	-	-
Loan	-	3,072	-
Special assessments	-	-	-
Other	48,743	-	-
Prepaid insurance	-	-	3,770
TOTAL ASSETS	\$ 72,618	\$ 277,422	\$ 38,922
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,579	\$ 2,904	\$ 1,447
Warrants payable	29,882	1,039	-
Contracts payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>31,461</u>	<u>3,943</u>	<u>1,447</u>
FUND BALANCES			
Fund balance			
Nonspendable:			
Prepaid expenditures	-	-	3,770
Endowments	-	-	-
Restricted for:			
Community programs and services	-	273,479	-
Other purposes	41,157	-	33,705
Total fund balances	<u>41,157</u>	<u>273,479</u>	<u>37,475</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 72,618	\$ 277,422	\$ 38,922

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>
\$ 375,815	\$ 3,737	\$ 4,928	\$ 698,442
263,936	-	-	263,936
4,297	-	-	23,712
-	-	-	3,072
203,046	-	-	203,046
-	-	-	48,743
-	-	-	3,770
<u>\$ 847,094</u>	<u>\$ 3,737</u>	<u>\$ 4,928</u>	<u>\$ 1,244,721</u>
\$ 26,784	\$ 75	\$ -	\$ 32,789
243,403	-	-	274,324
2,183	-	-	2,183
445,159	-	-	445,159
<u>717,529</u>	<u>75</u>	<u>-</u>	<u>754,455</u>
-	-	-	3,770
-	3,000	4,000	7,000
-	-	-	273,479
129,565	662	928	206,017
<u>129,565</u>	<u>3,662</u>	<u>4,928</u>	<u>490,266</u>
<u>\$ 847,094</u>	<u>\$ 3,737</u>	<u>\$ 4,928</u>	<u>\$ 1,244,721</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Leisure/ Cultural Programs</u>	<u>Community and Economic Development</u>	<u>Tort Liability</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Use of money and property	195,694	-	-
Intergovernmental	241,824	406,650	-
Charges for services	38,952	-	-
Miscellaneous	-	18,481	-
Total revenues	<u>476,470</u>	<u>425,131</u>	<u>-</u>
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	275,630	-	-
Community and economic development	-	316,458	-
General government	-	-	288,690
Capital projects	<u>30,993</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>306,623</u>	<u>316,458</u>	<u>288,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>169,847</u>	<u>108,673</u>	<u>(288,690)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	313,352	39,977	275,906
Operating transfers out	<u>(500,100)</u>	<u>(39,977)</u>	<u>-</u>
Total other financing sources (uses)	<u>(186,748)</u>	<u>-</u>	<u>275,906</u>
NET CHANGE IN FUND BALANCES	(16,901)	108,673	(12,784)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>58,058</u>	<u>164,806</u>	<u>50,259</u>
FUND BALANCES, END OF YEAR	<u>\$ 41,157</u>	<u>\$ 273,479</u>	<u>\$ 37,475</u>

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>
\$ 2,129,982	\$ -	\$ -	\$ 2,129,982
6,491	57	75	202,317
54,425	-	-	702,899
-	-	-	38,952
82,114	-	-	100,595
<u>2,273,012</u>	<u>57</u>	<u>75</u>	<u>3,174,745</u>
70,053	-	-	70,053
66,425	-	-	66,425
12,388	76	-	288,094
1,771,765	-	-	2,088,223
-	-	-	288,690
8,120	-	-	39,113
<u>1,928,751</u>	<u>76</u>	<u>-</u>	<u>2,840,598</u>
344,261	(19)	75	334,147
45,000	-	-	674,235
(532,512)	-	-	(1,072,589)
<u>(487,512)</u>	<u>-</u>	<u>-</u>	<u>(398,354)</u>
(143,251)	(19)	75	(64,207)
<u>272,816</u>	<u>3,681</u>	<u>4,853</u>	<u>554,473</u>
<u>\$ 129,565</u>	<u>\$ 3,662</u>	<u>\$ 4,928</u>	<u>\$ 490,266</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2011

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 49,155	\$ 74,498	\$ 10,313	\$ 133,966
Receivables				
Other	14,901	9,226	25	24,152
Capital assets, net of accumulated depreciation	<u>2,440,866</u>	<u>9,631,198</u>	<u>218,033</u>	<u>12,290,097</u>
Total assets	<u>2,504,922</u>	<u>9,714,922</u>	<u>228,371</u>	<u>12,448,215</u>
LIABILITIES				
Accounts payable	-	16,945	-	16,945
Warrants payable	<u>-</u>	<u>30,097</u>	<u>-</u>	<u>30,097</u>
Total liabilities	<u>-</u>	<u>47,042</u>	<u>-</u>	<u>47,042</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,440,866	9,631,198	218,033	12,290,097
Unrestricted	<u>64,056</u>	<u>36,682</u>	<u>10,338</u>	<u>111,076</u>
Total net assets	<u>\$ 2,504,922</u>	<u>\$ 9,667,880</u>	<u>\$ 228,371</u>	<u>\$ 12,401,173</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2011

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 68,057	\$ -	\$ -	\$ 68,057
Property rental	264,000	198,244	-	462,244
Miscellaneous	-	153,556	-	153,556
Total operating revenues	<u>332,057</u>	<u>351,800</u>	<u>-</u>	<u>683,857</u>
OPERATING EXPENSES				
Business-type/enterprise				
Commodities	-	105,941	-	105,941
Contractual services	14,400	177,253	108	191,761
Depreciation	63,227	163,253	2,480	228,960
Total operating expenses	<u>77,627</u>	<u>446,447</u>	<u>2,588</u>	<u>526,662</u>
Operating income (loss)	<u>254,430</u>	<u>(94,647)</u>	<u>(2,588)</u>	<u>157,195</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	5,988,281	-	5,988,281
Operating transfers out	(335,000)	-	-	(335,000)
Total other financing sources (uses)	<u>(335,000)</u>	<u>5,988,281</u>	<u>-</u>	<u>5,653,281</u>
CHANGE IN NET ASSETS	(80,570)	5,893,634	(2,588)	5,810,476
NET ASSETS, BEGINNING OF YEAR	<u>2,585,492</u>	<u>3,774,246</u>	<u>230,959</u>	<u>6,590,697</u>
NET ASSETS, END OF YEAR	<u>\$ 2,504,922</u>	<u>\$ 9,667,880</u>	<u>\$ 228,371</u>	<u>\$ 12,401,173</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2011

	<u>Dock Operations</u>	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 330,206	\$ 342,574	\$ 103	\$ 672,883
Cash paid to suppliers	(14,400)	(269,725)	(125)	(284,250)
Net cash provided by (used in) operating activities	<u>315,806</u>	<u>72,849</u>	<u>(22)</u>	<u>388,633</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers in	-	5,988,281	-	5,988,281
Operating transfers out	(335,000)	-	-	(335,000)
Net cash provided by (used in) non-capital financing activities	<u>(335,000)</u>	<u>5,988,281</u>	<u>-</u>	<u>5,653,281</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	(5,988,281)	-	(5,988,281)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(19,194)	72,849	(22)	53,633
CASH AND INVESTMENTS, JULY 1	<u>68,349</u>	<u>1,649</u>	<u>10,335</u>	<u>80,333</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 49,155</u>	<u>\$ 74,498</u>	<u>\$ 10,313</u>	<u>\$ 133,966</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 254,430	\$ (94,647)	\$ (2,588)	\$ 157,195
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:				
Depreciation expense	63,227	163,253	2,480	228,960
Changes in assets and liabilities:				
(Increase) decrease in receivables	(1,851)	(9,226)	103	(10,974)
Decrease in accounts payable	-	(5,046)	(17)	(5,063)
Increase in warrants payable	-	18,515	-	18,515
Net cash flows provided by (used in) operating activities	<u>\$ 315,806</u>	<u>\$ 72,849</u>	<u>\$ (22)</u>	<u>\$ 388,633</u>

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

	Payroll Clearing Fund	Miscellaneous Clearing Fund	Total
ASSETS			
Cash and investments	\$ 492,581	\$ -	\$ 492,581
LIABILITIES			
Accounts payable	\$ 183,750	\$ -	\$ 183,750
Warrants payable	308,831	-	308,831
TOTAL LIABILITIES	\$ 492,581	\$ -	\$ 492,581

CITY OF CLINTON, IOWA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Payroll Clearing Fund				
Assets:				
Cash and investments	\$ 379,577	\$ 12,435,797	\$ 12,322,793	\$ 492,581
Prepaid insurance	61,206	773	61,979	-
Total assets	<u>\$ 440,783</u>	<u>\$ 12,436,570</u>	<u>\$ 12,384,772</u>	<u>\$ 492,581</u>
Liabilities:				
Accounts payable	\$ 151,764	\$ 6,530,621	\$ 6,498,635	\$ 183,750
Warrants payable	289,019	11,098,802	11,078,990	308,831
Total liabilities	<u>\$ 440,783</u>	<u>\$ 17,629,423</u>	<u>\$ 17,577,625</u>	<u>\$ 492,581</u>
Miscellaneous Clearing Fund				
Assets:				
Cash and investments	\$ 2,560	\$ 2,320,879	\$ 2,323,439	\$ -
Receivables				
Other	1,516	4,994	6,510	-
Total assets	<u>\$ 4,076</u>	<u>\$ 2,325,873</u>	<u>\$ 2,329,949</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ -	\$ 7,592	\$ 7,592	\$ -
Warrants payable	4,076	2,316,479	2,320,555	-
Total liabilities	<u>\$ 4,076</u>	<u>\$ 2,324,071</u>	<u>\$ 2,328,147</u>	<u>\$ -</u>
Total All Funds				
Assets:				
Cash and investments	\$ 382,137	\$ 14,756,676	\$ 14,646,232	\$ 492,581
Receivables				
Other	1,516	4,994	6,510	-
Prepaid insurance	61,206	773	61,979	-
Total assets	<u>\$ 444,859</u>	<u>\$ 14,762,443</u>	<u>\$ 14,714,721</u>	<u>\$ 492,581</u>
Liabilities:				
Accounts payable	\$ 151,764	\$ 6,538,213	\$ 6,506,227	\$ 183,750
Warrants payable	293,095	13,415,281	13,399,545	308,831
Total liabilities	<u>\$ 444,859</u>	<u>\$ 19,953,494</u>	<u>\$ 19,905,772</u>	<u>\$ 492,581</u>

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

	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES								
Taxes	\$ 19,459,376	\$ 18,966,982	\$ 17,685,612	\$ 16,696,773	\$ 16,356,349	\$ 15,093,950	\$ 14,569,285	\$ 13,209,020
Licenses and permits	280,236	756,662	278,034	302,729	271,733	192,010	247,289	183,969
Use of money and property	409,167	433,911	467,610	505,698	533,043	509,542	407,488	413,213
Intergovernmental	15,396,842	4,401,029	3,287,033	6,943,004	8,325,118	6,926,122	4,384,103	5,324,550
Charges for services	1,257,521	1,365,157	1,230,528	1,566,224	1,518,430	1,363,812	1,338,684	1,104,422
Miscellaneous	326,379	529,325	558,340	723,501	938,438	970,657	309,536	349,131
TOTAL REVENUES	\$ 37,129,521	\$ 26,453,066	\$ 23,507,157	\$ 26,737,929	\$ 27,943,171	\$ 25,056,093	\$ 21,256,385	\$ 20,584,305
EXPENDITURES								
Current								
Public safety	\$ 10,522,406	\$ 9,451,323	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919	\$ 8,118,198	\$ 7,773,283
Public works	3,831,214	3,364,814	3,449,917	3,147,176	2,819,417	2,689,177	2,680,519	2,371,651
Culture and recreation	3,056,645	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	2,500,810	1,933,560	966,803	1,346,733	1,175,920	1,356,850	1,718,548	737,029
General government	1,860,914	2,288,430	2,432,760	1,128,739	1,047,609	1,050,086	972,907	1,039,592
Debt service	3,348,133	3,993,984	4,750,160	4,445,382	4,755,246	8,379,435	4,140,643	12,068,982
Capital projects	10,061,875	6,267,321	6,986,200	7,915,554	7,553,288	12,522,925	4,852,235	4,907,607
TOTAL EXPENDITURES	\$ 35,181,997	\$ 29,990,993	\$ 31,100,977	\$ 29,958,648	\$ 28,979,766	\$ 37,147,212	\$ 24,951,409	\$ 31,189,811

OTHER INFORMATION SECTION

CITY OF CLINTON, IOWA
ACTUAL PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<u>January 1 Valuation</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential property	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206	\$ 809,102,152	\$ 824,901,714
Commercial property	212,733,005	239,709,838	254,475,073	258,943,100	263,428,838	264,671,175
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248	144,102,110	143,732,802
Utilities	85,108,878	87,104,661	86,562,503	84,928,187	87,449,615	519,907,540
Other	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>	<u>446,750</u>
Subtotal	<u>1,040,774,106</u>	<u>1,100,532,053</u>	<u>1,163,025,557</u>	<u>1,252,731,491</u>	<u>1,304,529,465</u>	<u>1,753,659,981</u>
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>	<u>13,514,673</u>
TOTAL	<u><u>\$ 1,051,194,994</u></u>	<u><u>\$ 1,111,493,156</u></u>	<u><u>\$ 1,173,924,541</u></u>	<u><u>\$ 1,263,359,836</u></u>	<u><u>\$ 1,315,140,878</u></u>	<u><u>\$ 1,767,174,654</u></u>

CITY OF CLINTON, IOWA
TAXABLE PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<u>January 1 Valuation</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential property	\$ 312,687,063	\$ 310,556,419	\$ 323,640,980	\$ 345,681,673	\$ 364,473,337	\$ 383,571,449
Commercial property	212,733,005	237,440,179	254,475,073	258,177,965	263,428,838	264,671,175
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248	144,102,110	143,732,802
Utilities	65,735,002	65,194,081	62,171,994	64,187,274	63,694,959	66,006,035
Other	446,750	446,750	446,750	446,750	446,750	446,750
Subtotal	682,169,788	705,917,985	744,623,842	782,352,910	836,145,994	858,428,211
Less military exemptions	4,004,950	3,851,234	3,817,898	3,647,514	3,578,990	3,456,758
TOTAL	\$ 678,164,838	\$ 702,066,751	\$ 740,805,944	\$ 778,705,396	\$ 832,567,004	\$ 854,971,453
Agricultural land	\$ 10,210,421	\$ 10,420,888	\$ 10,961,103	\$ 9,576,396	\$ 9,955,176	\$ 8,950,487

**CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2011**

SUMMARY

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,208,333	\$ 782,493	\$ 2,990,826
2013	2,458,333	700,038	3,158,371
2014	2,333,334	606,675	2,940,009
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>\$ 18,825,000</u>	<u>\$ 4,231,267</u>	<u>\$ 23,056,267</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
 June 30, 2011

General Corporate Purpose Bonds
Dated March 1, 2001

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 280,000	\$ 24,650	\$ 304,650
2013	300,000	12,750	312,750
	<u>\$ 580,000</u>	<u>\$ 37,400</u>	<u>\$ 617,400</u>

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>
2012	\$ 45,000	\$ 4,570	\$ 49,570
2013	50,000	2,500	52,500
	<u>\$ 95,000</u>	<u>\$ 7,070</u>	<u>\$ 102,070</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>
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>\$ 1,390,000</u>	<u>\$ 128,773</u>	<u>\$ 1,518,773</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
 June 30, 2011

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>
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>\$ 3,135,000</u>	<u>\$ 447,150</u>	<u>\$ 3,582,150</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>
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>\$ 2,345,000</u>	<u>\$ 557,385</u>	<u>\$ 2,902,385</u>

CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2011

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,782,625</u>	<u>\$ 8,052,625</u>

**CITY OF CLINTON, IOWA
GENERAL OBLIGATION BOND MATURITIES
June 30, 2011**

**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>
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>\$ 4,310,000</u>	<u>\$ 1,244,964</u>	<u>\$ 5,554,964</u>

**General Obligation Capital Loan Note
Series 2011
Dated March 22, 2011**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 233,333	\$ 12,950	\$ 246,283
2013	233,333	8,633	241,966
2014	233,334	4,317	237,651
	<u>\$ 700,000</u>	<u>\$ 25,900</u>	<u>\$ 725,900</u>

**CITY OF CLINTON, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2011**

(Unaudited)

Actual property valuations, January 1, 2009	<u>\$ 1,767,174,654</u>
Debt limit - 5% of total valuation	\$ 88,358,733
Amount of debt applicable to limit - general obligation debt	\$ 18,825,000
economic development note	<u>846,000</u>
Total applicable debt	<u>19,671,000</u>
 Legal debt margin	 <u><u>\$ 68,687,733</u></u>

CITY OF CLINTON, IOWA
SUMMARY OF TAXES AND INTERGOVERNMENTAL REVENUES

(Unaudited)

	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Taxes								
Property taxes	\$ 14,488,035	\$ 14,498,220	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678	\$ 10,935,516	\$ 9,701,894
Mobile home taxes	5,713	6,179	7,544	6,029	6,717	7,492	7,001	11,356
Utility excise taxes	1,001,996	684,958	699,751	710,877	747,851	658,333	653,610	618,326
Local option sales taxes	3,345,242	2,931,452	3,412,843	2,883,810	3,211,844	2,363,972	2,532,034	2,472,374
Hotel/motel taxes	313,352	252,413	348,364	357,639	303,726	296,306	290,812	248,276
Cable television franchise fees	142,155	142,675	144,091	143,701	143,163	143,172	138,787	145,264
Other taxes	-	-	-	-	-	-	11,508	11,529
	<u>19,296,493</u>	<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>	<u>13,209,019</u>
Intergovernmental								
Road use taxes	2,559,000	2,445,174	2,301,748	2,379,640	2,323,732	2,323,216	2,308,180	2,327,048
Bank franchise tax	-	-	-	-	-	-	5,886	24,730
Machinery and equipment tax replacement	-	-	-	-	-	-	16	350,166
Other federal/state revenues	10,892,450	7,474,466	3,038,439	5,411,763	6,290,529	5,264,706	2,588,722	4,026,803
County contributions	78,385	58,088	37,118	46,731	50,893	58,083	40,544	44,738
	<u>13,529,835</u>	<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>	<u>6,773,485</u>
TOTAL	<u>\$ 32,826,328</u>	<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>	<u>\$ 19,982,504</u>

**CITY OF CLINTON, IOWA
MISCELLANEOUS STATISTICS
June 30, 2011**

(Unaudited)

Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	200
Area in Square Miles	38.4
Population	26,855
City of Clinton Facilities and Services:	
Miles of Streets	122.50
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	44
Fire Protection:	
Number of Stations	3
Number of Fire Personnel	43
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	10,530
Sewer Rate - Residential	\$6.17 per 100 cubic feet
Commercial Class 1	\$6.17 per 100 cubic feet
Commercial Class 2	\$6.787 per 100 cubic feet
Commercial Class 3	\$8.021 per 100 cubic feet
Commercial Class 4	\$9.255 per 100 cubic feet
Commercial Class 5	\$10.489 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

**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, 2011, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated April 30, 2012. 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.

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-11 and II-B-11 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.

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*.

Comments involving statutory and other legal matters about the City of Clinton, Iowa's operations for the year ended June 30, 2011 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.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
April 30, 2012

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 City of Clinton, Iowa's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Clinton, Iowa's major federal programs for the year ended June 30, 2011. The City of Clinton, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Clinton, Iowa's management. Our responsibility is to express an opinion on the City of Clinton, Iowa'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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 to determine the 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 City of Clinton, Iowa'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 that 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
April 30, 2012

CITY OF CLINTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program - Runway 14-32 Rehab & Ext	20.106	3-19-0019-14-2009	\$ 121,909
Airport Improvement Program - Runway 3-21 Overlay	20.106	3-19-0019-15-2010	1,073,783
Subtotal			<u>1,195,692</u>
Environmental Protection Agency			
Office of Water			
Congressionally Mandated Projects	66.202	98706201	189,852
Capitalization Grants for Clean Water State Revolving Funds	66.458	C0321R	7,202,163
Office of Solid Waste and Emergency Response			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798001	75,942
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798101	28,212
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798201	36,393
Subtotal			<u>7,532,562</u>
Total Direct			<u>8,728,254</u>
Indirect:			
Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/Entitlement Grants	14.218	10-CF-004-09	68,762
Home Investment Partnerships Program	14.239	08-HSG-065	246,285
Subtotal			<u>315,047</u>
Department of Justice			
Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0695	35,072
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) P	16.803	2009-SB-B9-1971	44,205
Subtotal			<u>79,277</u>
Department of Transportation			
Iowa Department of Transportation			
ARRA-Highway Planning and Construction (Railport)	20.205	ESL-000R(3)-7S-23	2,090,186
ARRA-Highway Planning and Construction (19th Aven N)(Wicks)	20.205	HDP-1415(619)-7S-23	847,167
Highway Planning and Construction (19th Ave N)(Snyder)	20.205	TCSP-1415(614)-9S-23	294,170
Highway Planning and Construction (Lyons Rec Trail)	20.205	STP-E-1415(620)-8V-23	70,739
Highway Planning and Construction (Mississippi Rec Trail)	20.205	EDP-1415(615)-7Y-23	1,373,721
Subtotal			<u>4,675,983</u>
ARRA-Federal Transit_Capital Investment Grants	20.500	IA-04-0113	32,000
ARRA-Formula Grants for Other Than Urbanized Areas	20.509	IA-086-0001	1,665,334
Formula Grants for Other Than Urbanized Areas	20.509	IA-18-X029	476,865
Subtotal			<u>2,174,199</u>
Total Indirect			<u>7,244,506</u>
TOTAL			<u><u>\$15,972,760</u></u>

See notes to the schedule of expenditures of federal awards.

CITY OF CLINTON, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
June 30, 2011

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, 2011. 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, 2011**

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$479,183

Auditee qualified as low-risk auditee? yes x no

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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 and correct 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, 2011**

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

II-B-11 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 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 and revenue are properly recorded.

Recommendation - We recommend that the City implement procedures to ensure that all receivables, capital asset additions 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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, 2011**

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted in the public works, community and economic development 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-11 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-11 Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-D-11 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	\$ 1,025
James McGraw, City Planning Commission and Parkland and Facilities Development, Owner of Happy Joe's Pizza	Food	588
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	10,433

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Tree Commission, Planning Commission and Parkland and Facilities 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 Zoning Board of Adjustments were not entered into through competitive bidding in accordance with Chapter 362.5(4).

**CITY OF CLINTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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

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-11 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-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-11 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-11 Revenue bonds and notes - We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

IV-I-11 Financial Condition - The General Fund and Capital Projects Fund had deficit balances at June 30, 2011 of \$828,663 and \$2,851,813, respectively.

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

Response - The General Fund deficit fund balance is a result of unattainable revenue estimates and overspending as well as a structural deficit of the City. This deficit will be eliminated by changing the City's organization and using attainable revenue estimates and controlling spending in the General Fund. The Capital Projects Fund 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.

Conclusion - Response accepted.

CITY OF CLINTON, IOWA
SCHEDULE OF BALANCE SHEET ACCOUNTS
REQUIRED BY REVENUE BOND ORDINANCE
ENTERPRISE FUNDS
June 30, 2011

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve
ASSETS			
Receivables			
Service fees	\$ -	\$ -	\$ -
Grants	-	-	-
Special assessments	-	-	-
Other	226	-	-
Restricted cash and investments	(2,945,803)	1,102,834	791,663
Total assets	<u>(2,945,577)</u>	<u>1,102,834</u>	<u>791,663</u>
LIABILITIES			
Accounts payable	187,277	-	-
Warrants payable	75,129	-	-
Contracts payable	-	-	-
Total liabilities	<u>262,406</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Restricted for:			
Capital equipment replacement/repairs	-	1,102,834	791,663
Debt service	-	-	-
Unrestricted	(3,207,983)	-	-
Total net assets	<u>\$ (3,207,983)</u>	<u>\$ 1,102,834</u>	<u>\$ 791,663</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,528,534	\$ -	\$ 2,528,534
-	-	-	36	36
-	-	-	1,099,232	1,099,232
-	-	-	-	226
(56,956)	211,993	(120,918)	3,488,898	2,471,711
<u>(56,956)</u>	<u>211,993</u>	<u>2,407,616</u>	<u>4,588,166</u>	<u>6,099,739</u>
-	-	16,542	3,661,467	3,865,286
-	-	3,510	148,374	227,013
-	-	-	1,270,373	1,270,373
-	-	20,052	5,080,214	5,362,672
-	-	-	-	1,894,497
-	211,993	-	-	211,993
(56,956)	-	2,387,564	(492,048)	(1,369,423)
<u>\$ (56,956)</u>	<u>\$ 211,993</u>	<u>\$ 2,387,564</u>	<u>\$ (492,048)</u>	<u>\$ 737,067</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, 2011

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve
OPERATING REVENUES			
Charges for service	\$ -	\$ -	\$ -
Miscellaneous	11,689	-	-
Total operating revenues	<u>11,689</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Business type/enterprise			
Personal services	1,636,432	-	-
Commodities	390,569	-	-
Contractual services	1,814,567	-	-
Capital outlay/improvements	401,099	108,546	-
Total operating expenses	<u>4,242,667</u>	<u>108,546</u>	<u>-</u>
Operating income (loss)	<u>(4,230,978)</u>	<u>(108,546)</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	-	-
Intergovernmental	1,304	-	-
State Revolving Loan Proceeds	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>1,304</u>	<u>-</u>	<u>-</u>
INCOME (LOSS)			
BEFORE OPERATING TRANSFERS	(4,229,674)	(108,546)	-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	2,400,000	80,000	50,000
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>2,400,000</u>	<u>80,000</u>	<u>50,000</u>
CHANGE IN NET ASSETS	(1,829,674)	(28,546)	50,000
NET ASSETS, BEGINNING OF YEAR	<u>(1,378,309)</u>	<u>1,131,380</u>	<u>741,663</u>
NET ASSETS, END OF YEAR	<u>\$ (3,207,983)</u>	<u>\$ 1,102,834</u>	<u>\$ 791,663</u>

Sewer Sinking Fund	Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ -	\$ -	\$ 6,571,172	\$ 3,697	\$ 6,574,869
-	-	-	(85)	11,604
-	-	6,571,172	3,612	6,586,473
-	-	-	-	1,636,432
-	-	-	-	390,569
-	-	-	697,218	2,511,785
671,000	-	-	27,166,835	28,347,480
671,000	-	-	27,864,053	32,886,266
(671,000)	-	6,571,172	(27,860,441)	(26,299,793)
-	-	32,530	-	32,530
-	-	-	1,655,500	1,656,804
-	-	-	25,902,351	25,902,351
(683,463)	-	-	-	(683,463)
(683,463)	-	32,530	27,557,851	26,908,222
(1,354,463)	-	6,603,702	(302,590)	608,429
1,024,600	-	-	2,847,721	6,402,321
-	-	(6,329,600)	(275,000)	(6,604,600)
1,024,600	-	(6,329,600)	2,572,721	(202,279)
(329,863)	-	274,102	2,270,131	406,150
272,907	211,993	2,113,462	(2,762,179)	330,917
\$ (56,956)	\$ 211,993	\$ 2,387,564	\$ (492,048)	\$ 737,067

**CITY OF CLINTON, IOWA
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2011**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
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No matters were noted.

**CITY OF CLINTON, IOWA
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2011**

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Title Phone Number</u>	<u>Date of Completion</u>
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There were no comments made regarding significant deficiencies or noncompliance with federal awards.