

*CITY OF LECLAIRE*

*LeClaire, Iowa*

*FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT*

*June 30, 2011*

CITY OF LECLAIRE, IOWA  
June 30, 2011

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June 30, 2011

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CITY OF LECLAIRE, IOWA  
June 30, 2011

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Scannell	Mayor	Jan 2012
Ronald L. Leiby	Mayor Pro tem	Jan 2012
Mary L. Farmer	Council Member	Jan 2012
Lane R. Bleeker	Council Member	Jan 2014
Barry Long	Council Member	Jan 2014
Debra D. Smith	Council Member	Jan 2014
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite



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## INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, on our consideration of the City of LeClaire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9, budgetary comparison information on pages 42 and 43, and the Other Postemployment Benefit Plan Schedule of Funding Progress on page 44, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LeClaire's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Carpentier, Mitchell, Goddard & Company, L.L.C.*

Moline, Illinois  
December 19, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of LeClaire provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

### 2011 FINANCIAL HIGHLIGHTS

- \* Revenues of the City's governmental activities increased 17%, or approximately \$930,000, from fiscal 2010 to fiscal 2011. Tax increment financing revenues increased approximately \$556,000.
- \* Revenues of the City's business-type activities increased 22%, or approximately \$114,000, from fiscal 2010 to fiscal 2011.
- \* Program expenses of the City's governmental activities increased 14%, or approximately \$611,000, in fiscal 2011 from fiscal 2010.
- \* Program expenses of the City's business-type activities increased 13%, or approximately \$62,000, in fiscal 2011 from fiscal 2010.
- \* The City's net assets increased 8%, or approximately \$1,330,000, from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities decreased approximately \$3,100,000 and the net assets of the business-type activities increased approximately \$4,470,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## REPORTING THE FINANCIAL STATEMENTS

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

#### Governmental funds

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

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

#### Proprietary funds

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

**NET ASSETS AT YEAR-END**

June 30, 2011

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 5,863,648	\$ 8,390,188	\$14,253,836
Capital assets	<u>23,736,762</u>	<u>5,784,854</u>	<u>29,521,616</u>
Total assets	<u>\$29,600,410</u>	<u>\$14,175,042</u>	<u>\$43,775,452</u>
<b>LIABILITIES</b>			
Long-term liabilities	\$ 18,510,321	\$ - - -	\$18,510,321
Other liabilities	<u>6,136,431</u>	<u>1,275,518</u>	<u>7,411,949</u>
Total liabilities	<u>\$ 24,646,752</u>	<u>\$ 1,275,518</u>	<u>\$25,922,270</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 11,258,326	\$ 5,155,504	\$16,413,830
Restricted	764,017	7,699,909	8,463,926
Unrestricted	<u>(7,068,685)</u>	<u>44,111</u>	<u>(7,024,574)</u>
Total net assets	<u>\$ 4,953,658</u>	<u>\$ 12,899,524</u>	<u>\$17,853,182</u>

June 30, 2010

<b>ASSETS</b>			
Current and other assets	\$ 5,087,591	\$ 4,288,822	\$ 9,376,413
Capital assets	<u>23,714,802</u>	<u>4,859,216</u>	<u>28,574,018</u>
Total assets	<u>\$28,802,393</u>	<u>\$ 9,148,038</u>	<u>\$37,950,431</u>
<b>LIABILITIES</b>			
Long-term liabilities	\$ 14,841,051	\$ - - -	\$14,841,051
Other liabilities	<u>5,874,238</u>	<u>720,471</u>	<u>6,594,709</u>
Total liabilities	<u>\$ 20,715,289</u>	<u>\$ 720,471</u>	<u>\$21,435,760</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 11,754,442	\$ 4,274,784	\$16,029,226
Restricted	370,600	- - -	370,600
Unrestricted	<u>(4,037,938)</u>	<u>4,152,783</u>	<u>114,845</u>
Total net assets	<u>\$ 8,087,104</u>	<u>\$ 8,427,567</u>	<u>\$16,514,671</u>

Net assets of governmental activities decreased approximately \$3,100,000, or 39%, from FY10. Net assets of business-type activities increased approximately \$4,470,000, from FY10. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, for governmental activities is approximately (\$7,060,000) at the end of this year. The governmental activities deficit has increased from FY10 to FY11 by approximately \$88,900, due primarily to the issuance of general obligation debt for business-type activities construction projects.

## CHANGES IN NET ASSETS

Year Ended June 30, 2011

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Program revenues:			
Charges for services	\$ 428,586	\$ 561,573	\$ 990,159
Operating grants, contributions and restricted interest	583,471	- - - -	583,471
Capital grants, contributions and restricted interest	144,413	- - - -	144,413
General revenues:			
Property tax levies for:			
General purposes	1,118,104	- - - -	1,118,104
Debt service	341,506	- - - -	341,506
Tax increment financing	3,022,919	- - - -	3,022,919
Hotel/motel tax	193,997	- - - -	193,997
Local option sales tax	405,575	- - - -	405,575
Unrestricted investment earnings	5,562	82,919	88,481
Gain on sale of capital assets	<u>200</u>	<u>- - - -</u>	<u>200</u>
 Total revenues	 <u>\$ 6,244,333</u>	 <u>\$ 644,492</u>	 <u>\$ 6,888,825</u>
<b><u>EXPENSES</u></b>			
Program expenses:			
Public safety	\$ 1,003,566	\$ - - - -	\$ 1,003,566
Public works	1,333,188	- - - -	1,333,188
Culture and recreation	301,125	- - - -	301,125
Community and economic development	1,244,174	- - - -	1,244,174
General government	304,176	- - - -	304,176
Debt service	808,597	- - - -	808,597
Sewer	<u>- - - -</u>	<u>555,488</u>	<u>555,488</u>
 Total expenses	 <u>\$ 4,994,826</u>	 <u>\$ 555,488</u>	 <u>\$ 5,550,314</u>
 Increase (decrease) in net assets before transfers	 \$ 1,249,507	 \$ 89,004	 \$ 1,338,511
Transfers	(4,382,953)	<u>4,382,953</u>	<u>- - - -</u>
 Increase (decrease) in net assets	 \$(3,133,446)	 \$ 4,471,957	 \$ 1,338,511
Net assets, beginning of year	<u>8,087,104</u>	<u>8,427,567</u>	<u>16,514,671</u>
Net assets, end of year	<u>\$ 4,953,658</u>	<u>\$ 12,899,524</u>	<u>\$ 17,853,182</u>

CHANGES IN NET ASSETS (Cont'd)

Year Ended June 30, 2010

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 350,316	\$ 515,230	\$ 865,546
Operating grants, contributions and restricted interest	463,940	- - - -	463,940
Capital grants, contributions and restricted interest	67,499	- - - -	67,499
General revenues:			
Property tax levies for:			
General purposes	1,099,141	- - - -	1,099,141
Debt service	299,404	- - - -	299,404
Tax increment financing	2,466,913	- - - -	2,466,913
Hotel/motel tax	146,459	- - - -	146,459
Local option sales tax	381,877	- - - -	381,877
Unrestricted investment earnings	2,269	14,847	17,116
Gain on sale of capital assets	<u>36,540</u>	<u>- - - -</u>	<u>36,540</u>
 Total revenues	 <u>\$ 5,314,358</u>	 <u>\$ 530,077</u>	 <u>\$ 5,844,435</u>
<b>EXPENSES</b>			
Program expenses:			
Public safety	\$ 986,829	\$ - - - -	\$ 986,829
Public works	1,214,950	- - - -	1,214,950
Culture and recreation	316,109	- - - -	316,109
Community and economic development	967,338	- - - -	967,338
General government	296,377	- - - -	296,377
Debt service	602,490	- - - -	602,490
Sewer	<u>- - - -</u>	<u>493,000</u>	<u>493,000</u>
 Total expenses	 <u>\$ 4,384,093</u>	 <u>\$ 493,000</u>	 <u>\$ 4,877,093</u>
 Increase (decrease) in net assets before transfers	 \$ 930,265	 \$ 37,077	 \$ 967,342
Transfers	<u>(3,974,731)</u>	<u>3,974,731</u>	<u>- - - -</u>
 Increase (decrease) in net assets	 \$(3,044,466)	 \$ 4,011,808	 \$ 967,342
Net assets, beginning of year	<u>11,131,570</u>	<u>4,443,986</u>	<u>15,547,329</u>
Net assets, end of year	<u>\$ 8,087,104</u>	<u>\$ 8,427,567</u>	<u>\$ 16,514,671</u>

Revenues increased overall approximately \$1,044,000, or 18%, from FY10 to FY11. Operating grants, contributions and restricted interest increased approximately \$119,000. Tax increment financing increased approximately \$556,000 due to a combination of an increase in debt certified on the TIF debt certificate and an increase in property valuation.

Expenses increased overall approximately \$673,000, or 14%. Community and economic development expenses increased approximately \$276,000 due to more developer rebate payments. Debt service expense increased approximately \$206,000 due to an increase in bond interest payments due during the fiscal year.

## INDIVIDUAL MAJOR FUND ANALYSIS

### Governmental Fund Highlights

As the City of LeClaire completed fiscal 2011, its governmental funds reported a combined fund balance of \$1,536,620, which is more than the \$1,057,271 total fund balance at June 30, 2010. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund ended fiscal 2011 with a balance of \$407,637 compared to the prior year ending balance of \$140,323, an increase of \$267,314. The increase in fund balance was achieved in part due to a debt issuance to help fund the remaining expenditures in the General Fund.

The Special Revenue, Urban Renewal Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2011 with a balance of \$416,559 compared to the prior year ending balance of \$25,619. The increase in fund balance is a result of collecting more tax increment financing revenue than expenditures incurred.

The Debt Service Fund ended fiscal 2011 with a \$610,758 balance compared to the prior year ending balance of \$541,521. The amount of funds transferred in from other sources and the issuance of general obligation debt exceeded the expenditures incurred.

### Proprietary Fund Highlights

The Enterprise Sewer Fund ended fiscal 2011 with a \$12,899,524 net asset balance compared to the prior year ending net asset balance of \$8,427,567. The increase is primarily due to the transfer of general obligation debt to fund sewer improvements.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City of LeClaire amended its budget once. The amendment was made in March 2011. This amendment was needed to cover unplanned expenditures.

The City's revenues were \$670,172 more than budgeted, a variance of 3%. The most significant variance resulted from the authorization and issuance of long term debt associated with the proposed wastewater upgrade and expansion project.

Total expenditures were \$267,318 more than budgeted, due primarily to expenses being accounted for in connection with the proposed wastewater upgrade and expansion project.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$23,736,762 (net of accumulated depreciation) at June 30, 2011. Capital assets for business-type activities totaled \$5,784,854 (net of accumulated depreciation) at June 30, 2011. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the purchase of the animal shelter, the roof on the Levee Park shelter, two vehicles, various equipment and street improvements.

For business-type activities, construction in progress at June 30, 2011 consisted of construction costs related to the WWTP project and expansion along with machinery and equipment purchased for various projects.

## LONG-TERM DEBT

At June 30, 2011, the City had \$18,510,321 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$0 at June 30, 2011. During the year ended June 30, 2011, the City issued a total of \$5,300,000 in general obligation bonds to finance sewer improvements and \$1,655,000 in general obligation refunding bonds. Additionally, the City borrowed \$44,918 on a sewer interim project note during the year ended June 30, 2011. This note was issued to finance the planning and development stage of the sewer improvement and renovation project.

The City does not have a formal bond rating issued by one of the nationally recognized bond rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the 100% assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$7,947,245 is below its constitutional debt limit of \$15,466,028. Additional information about the City's long-term debt is presented in Note 4 of the financial statements.

## ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2012 budget. The City of LeClaire may again issue short-term debt (less than five (5) years) to assist and support the operations of the General and Road-Use Tax Funds and to reduce and eliminate the deficit balances. The City's assessed valuations continue to increase and the Council continues to carefully review its options with respect to the amounts certified for TIF purposes and for use within the General (and other) funds, both for the City and the other Scott County taxing entities dependent upon the City's valuations for revenue.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2012 are provided below:

General	\$ 8.10000
Levy Improvement	0.06750
Insurance	0.84305
Emergency	0.27000
Employee Benefits	4.65366
Deb Service	<u>2.07013</u>
Total Regular Tax Levy Rate	\$ <u>16.00434</u>
Agricultural Tax Levy Rate	\$ <u>3.00375</u>

The City's property tax rate for fiscal 2011 is \$16.00434/\$1,000 of valuation, which is \$0.07739/\$1,000 valuation lower from the rate (\$16.08173) in fiscal 2011.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and pooled assets	\$ 1,543,199	\$ 7,914,460	\$ 9,457,659
Receivables:			
Property tax:			
Delinquent	24,599	-	24,599
Succeeding year	1,172,000	-	1,172,000
Tax increment financing:			
Delinquent	73,466	-	73,466
Succeeding year	2,889,000	-	2,889,000
Customer accounts and unbilled usage	18,993	69,854	88,847
Accounts	93,091	-	93,091
Special assessments	1,510	24,697	26,207
Due from other governments	177,723	35,593	213,316
Internal balances	(224,280)	224,280	-
Inventories	71,253	5,681	76,934
Prepaid expenses	23,094	3,602	26,696
Restricted assets:			
Cash and pooled investments:			
Customer deposits	-	112,021	112,021
Capital assets not being depreciated	1,606,994	1,303,547	2,910,541
Capital assets (net of accumulated depreciation)	22,129,768	4,481,307	26,611,075
<b>Total assets</b>	<b>\$ 29,600,410</b>	<b>\$ 14,175,042</b>	<b>\$ 43,775,452</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 221,709	\$ 520,763	\$ 742,472
Salaries and benefits payable	8,096	-	8,096
Accrued interest payable	76,011	-	76,011
Deferred revenue:			
Succeeding year property tax	1,172,000	-	1,172,000
Succeeding year tax increment financing	2,889,000	-	2,889,000
Other	1,186	-	1,186
Liabilities payable from restricted assets:			
Customer deposits	35,037	112,021	147,058
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,510,000	-	1,510,000
Urban renewal tax increment revenue bonds	131,250	-	131,250
Capital lease purchase agreement	32,297	-	32,297
Compensated absences	59,845	13,384	73,229
Sewer interim project note	-	629,350	629,350
Portion due or payable after one year:			
General obligation bonds/notes	17,480,000	-	17,480,000
Urban renewal tax increment revenue bonds	425,000	-	425,000
Capital lease purchase agreement	599,798	-	599,798
Net OPEB liability	5,523	-	5,523
<b>Total liabilities</b>	<b>\$ 24,646,752</b>	<b>\$ 1,275,518</b>	<b>\$ 25,922,270</b>

(Continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	\$ 11,258,326	\$ 5,155,504	\$ 16,413,830
Restricted for:			
Local option sales tax	19,185	-	19,185
Special levies	71,253	-	71,253
Tourism	610,758	-	610,758
Park, levee and recreation	-	-	-
Capital projects	-	7,699,909	7,699,909
Other purposes	62,821	-	62,821
Unrestricted	<u>(7,068,685)</u>	<u>44,111</u>	<u>(7,024,574)</u>
Total net assets	<u>\$ 4,953,658</u>	<u>\$ 12,899,524</u>	<u>\$ 17,853,182</u>

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

CITY OF LeCLAIRE, IOWA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

FUNCTION/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 1,003,566	\$ 89,495	\$ 145,432	\$ -
Public works	1,333,188	260,412	317,727	-
Culture and recreation	301,125	19,600	37,814	144,413
Community and economic development	1,244,174	4,083	36,741	-
General government	304,176	54,996	45,757	-
Interest on long-term debt	808,597	-	-	-
<b>Total governmental activities</b>	<b>\$ 4,994,826</b>	<b>\$ 428,586</b>	<b>\$ 583,471</b>	<b>\$ 144,413</b>
<b>Business-Type activities:</b>				
Sewer	555,488	561,573	-	-
<b>Total government</b>	<b>\$ 5,550,314</b>	<b>\$ 990,159</b>	<b>\$ 583,471</b>	<b>\$ 144,413</b>

General revenues:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Hotel/motel tax

Sales taxes

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

NET ASSETS, Beginning

NET ASSETS, Ending

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (768,639)	\$ -	\$ (768,639)
(755,049)	-	(755,049)
(99,298)	-	(99,298)
(1,203,350)	-	(1,203,350)
(203,423)	-	(203,423)
(808,597)	-	(808,597)
\$ (3,838,356)	\$ -	\$ (3,838,356)
-	6,085	6,085
\$ (3,838,356)	\$ 6,085	\$ (3,832,271)
\$ 1,118,104	\$ -	\$ 1,118,104
341,506	-	341,506
3,022,919	-	3,022,919
193,997	-	193,997
405,575	-	405,575
5,562	82,919	88,481
200	-	200
(4,382,953)	4,382,953	-
\$ 704,910	\$ 4,465,872	\$ 5,170,782
\$ (3,133,446)	\$ 4,471,957	\$ 1,338,511
8,087,104	8,427,567	16,514,671
\$ 4,953,658	\$ 12,899,524	\$ 17,853,182

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

CITY OF LeCLAIRE, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General Fund	Special Revenue Urban Renewal Tax Increment Financing
<b>ASSETS</b>		
Cash and pooled investments	\$ 291,508	\$ 405,434
Receivables:		
Property tax:		
Delinquent	11,389	-
Succeeding year	626,000	-
Tax increment financing:		
Delinquent	-	73,466
Succeeding year	-	2,889,000
Customer accounts	18,993	-
Accounts	92,845	-
Special assessments	1,510	-
Due from other governments	77,535	-
Due from other funds	-	-
Inventories	3,379	-
Prepaid expenditures	10,421	-
	<u>\$ 1,133,580</u>	<u>\$ 3,367,900</u>
Total Assets		
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 55,624	\$ 62,341
Salaries and benefits payable	8,096	-
Due to other funds	-	-
Deferred revenue:		
Succeeding year property tax	626,000	-
Succeeding year tax increment financing	-	2,889,000
Other	1,186	-
Payable from restricted assets:		
Customer deposits	35,037	-
	<u>\$ 725,943</u>	<u>\$ 2,951,341</u>
Total liabilities		

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 603,749	\$ 242,508	\$ 1,543,199
7,009	6,201	24,599
206,000	340,000	1,172,000
-	-	73,466
-	-	2,889,000
-	-	18,993
-	246	93,091
-	-	1,510
-	100,188	177,723
-	45,381	45,381
-	67,874	71,253
-	12,673	23,094
<u>\$ 816,758</u>	<u>\$ 815,071</u>	<u>\$ 6,133,309</u>
\$ -	\$ 103,744	\$ 221,709
-	-	8,096
-	269,661	269,661
206,000	340,000	1,172,000
-	-	2,889,000
-	-	1,186
-	-	35,037
<u>\$ 206,000</u>	<u>\$ 713,405</u>	<u>\$ 4,596,689</u>

(Continued)

CITY OF LeCLAIRE, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

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LIABILITIES AND FUND BALANCES (Continued)	<u>General Fund</u>	<u>Special Revenue</u> Urban Renewal Tax Increment Financing
Fund balances:		
Nonspendable:		
Inventories	\$ 3,379	\$ -
Prepaid expenditures	10,421	-
Endowment	-	-
Restricted		
Debt service	-	-
Special Revenue	-	416,559
Assigned		
Special Levies	16,074	-
Park, levee and recreation	71,350	-
Tourism	7,062	-
Unassigned		
General Fund	299,351	-
Capital Project	-	-
Road Use Tax	-	-
	<hr/>	<hr/>
Total fund balances	\$ 407,637	\$ 416,559
Total liabilities and fund balances	<u>\$ 1,133,580</u>	<u>\$ 3,367,900</u>

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 67,874	\$ 71,253
-	12,673	23,094
-	33,871	33,871
610,758	-	610,758
-	114,203	530,762
-	-	16,074
-	-	71,350
-	-	7,062
-	-	299,351
-	(115,133)	(115,133)
-	(11,822)	(11,822)
<u>\$ 610,758</u>	<u>\$ 101,666</u>	<u>\$ 1,536,620</u>
<u>\$ 816,758</u>	<u>\$ 815,071</u>	<u>\$ 6,133,309</u>

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

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

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Total fund balance - governmental funds \$ 1,536,620

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

Capital assets used in governmental activities are  
not financial resources and, therefore, are not  
reported in the funds. 23,736,762

Long-term liabilities, including general obligation bonds/notes,  
urban renewal tax increment revenue bonds, capital lease  
purchase agreement, compensated absences, other postemployment  
benefits payable, and accrued interest payable, are not due and  
payable in the current period and, therefore, are not reported as  
liabilities in the funds. (20,319,724)

Net assets of governmental activities \$ 4,953,658

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

CITY OF LeCLAIRE, IOWA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Special Revenue</u> Urban Renewal Tax Increment Financing
<b>REVENUES</b>		
Taxes:		
Property	\$ 680,980	\$ -
Tax increment financing	-	3,022,919
Other city tax	249,669	-
Licenses and permits	9,504	-
Use of money and property	53,864	21,511
Intergovernmental	75,339	-
Charges for service	290,860	-
Special assessments	29	-
Miscellaneous	182,917	-
	<u>\$ 1,543,162</u>	<u>\$ 3,044,430</u>
<b>EXPENDITURES</b>		
Operating:		
Public safety	\$ 711,798	\$ -
Public works	4,814,306	-
Culture and recreation	218,778	-
Community and economic development	86,994	1,157,025
General government	217,108	-
Debt service	-	167,944
Capital projects	-	-
Capital outlay	187,493	-
	<u>\$ 6,236,477</u>	<u>\$ 1,324,969</u>
Total expenditures		
	<u>\$ 6,236,477</u>	<u>\$ 1,324,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,693,315)</u>	<u>\$ 1,719,461</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	\$ 132,895	\$ -
Operating transfers out	(3,118)	(1,328,521)
General obligation bonds/notes issued	4,830,652	-
Premium (discount) on general obligation bonds/notes	-	-
Payment on Refunded Bonds	-	-
Sale of capital assets	200	-
	<u>\$ 4,960,629</u>	<u>\$ (1,328,521)</u>
Total other financing sources (uses)		
	<u>\$ 4,960,629</u>	<u>\$ (1,328,521)</u>
Net change in fund balances	\$ 267,314	\$ 390,940
FUND BALANCES – Beginning	<u>140,323</u>	<u>25,619</u>
FUND BALANCES – Ending	<u>\$ 407,637</u>	<u>\$ 416,559</u>

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 337,034	\$ 370,817	\$ 1,388,831
-	-	3,022,919
4,472	416,210	670,351
-	-	9,504
15,871	14,114	105,360
-	457,906	533,245
-	-	290,860
-	-	29
3,294	36,823	223,034
<u>\$ 360,671</u>	<u>\$ 1,295,870</u>	<u>\$ 6,244,133</u>
\$ -	\$ 157,846	\$ 869,644
-	364,066	5,178,372
-	44,570	263,348
-	155	1,244,174
-	30,602	247,710
2,308,007	-	2,475,951
-	627,064	627,064
-	-	187,493
<u>\$ 2,308,007</u>	<u>\$ 1,224,303</u>	<u>\$ 11,093,756</u>
\$ (1,947,336)	\$ 71,567	\$ (4,849,623)
\$ 1,751,514	\$ 100,601	\$ 1,985,010
-	(624,599)	(1,956,238)
1,920,059	204,289	6,955,000
-	-	-
(1,655,000)	-	(1,655,000)
-	-	200
<u>\$ 2,016,573</u>	<u>\$ (319,709)</u>	<u>\$ 5,328,972</u>
\$ 69,237	\$ (248,142)	\$ 479,349
541,521	349,808	1,057,271
<u>\$ 610,758</u>	<u>\$ 101,666</u>	<u>\$ 1,536,620</u>

(Continued)

CITY OF LeCLAIRE, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year ended June 30, 2011

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Net change in fund balances - governmental funds \$ 479,349

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

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

Expenditures for capital assets	\$ 806,023	
Depreciation expense	<u>(784,063)</u>	21,960

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

Issued	(6,955,000)	
Repaid	<u>3,337,015</u>	(3,617,985)

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

Compensated absences	708	
Accrued interest on long-term debt	(14,661)	
Other postemployment benefits	<u>(2,817)</u>	<u>(16,770)</u>

Change in net assets of governmental activities \$ (3,133,446)

CITY OF LeCLAIRE, IOWA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	Enterprise
	Sewer
<b>ASSETS</b>	
Cash and pooled investments	\$ 7,914,460
Receivables:	
Customer accounts and unbilled usage	69,854
Special assessments	24,697
Due from other governments	35,593
Due from other funds	224,280
Inventories	5,681
Prepaid expenses	3,602
Restricted assets:	
Cash and pooled investments:	
Customer deposits	112,021
Capital assets not being depreciated	1,303,547
Capital assets (net of accumulated depreciation)	4,481,307
Total assets	\$ 14,175,042
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 520,763
Compensated absences	13,384
Payable from restricted assets:	
Customer deposits	112,021
Sewer interim project note	629,350
Total liabilities	\$ 1,275,518
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 5,155,504
Restricted for capital project	7,699,909
Unrestricted	44,111
Total net assets	\$ 12,899,524

The accompanying notes are an integral part of these financial statements

CITY OF LeCLAIRE, IOWA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 For the Year Ended June 30, 2011

	Enterprise
	Sewer
<b>OPERATING REVENUES</b>	
Charges for services	\$ 553,832
Miscellaneous	7,741
	\$ 561,573
<b>OPERATING EXPENSES</b>	
Business type activities:	
Cost of sales and services	\$ 414,908
Depreciation	140,580
	\$ 555,488
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 6,085</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	82,919
	\$ 89,004
Contributions and transfers:	
Capital Contributions	\$ 4,411,725
Transfers out	(28,772)
	\$ 4,382,953
Change in net assets	\$ 4,471,957
Net assets, beginning of year	8,427,567
Net assets, end of year	\$ 12,899,524

The accompanying notes are an integral part of these financial statements

CITY OF LeCLAIRE, IOWA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2011

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	Enterprise Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 501,789
Cash received from other revenues	7,741
Cash paid for personal services	(220,964)
Cash paid to suppliers	313,095
	<u>601,661</u>
Net cash provided by operating activities	\$ 601,661
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to other funds	\$ (55,108)
Transfers from other funds	-
Transfers to other funds	(28,772)
	<u>(83,880)</u>
Net cash used by noncapital financing activities	\$ (83,880)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	\$ (1,022,318)
Disposal of capital assets	(43,900)
Capital contribution of bond proceeds	4,411,725
Sewer interim project note proceeds	44,918
	<u>3,390,425</u>
Net cash provided by capital and related financing activities	\$ 3,390,425
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 82,919
Net increase in cash and cash equivalents	\$ 3,991,125
Cash and cash equivalents, beginning of year	4,035,356
Cash and cash equivalents, end of year	<u>\$ 8,026,481</u>

(Continued)

CITY OF LeCLAIRE, IOWA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2011

	<u>Enterprise Sewer</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 6,085
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	140,580
Increase in customer accounts, unbilled usage and other receivables	(56,417)
Increase in prepaid expenses	(2,560)
Decrease in inventories	3,844
Increase in accounts payable	503,631
Increase in compensated absences	2,124
Increase in customer deposits	4,374
	<u>601,661</u>
Net cash provided by operating activities	<u>\$ 601,661</u>
 <b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>	
Contribution of capital asset from government	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

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

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

**NATURE OF OPERATIONS –**

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

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

**FINANCIAL REPORTING ENTITY –**

For financial reporting purposes, the City of LeClaire has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

Jointly Governed Organizations – The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Scott County Assessor's Conference Board, Scott County Emergency Management Commission, Scott County Area Solid Waste Management Commission, Mississippi Valley Welcome Center Board and Bi-State Regional Commission. Financial transactions of these organizations are not included in the City's financial statements.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

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

#### Fund Balance

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Formal actions include resolutions and ordinances by the City's intent to use them for a specific purpose. Assigned fund balances are amounts intended to be used for specific purposes, as authorized by the City Council. Any residual fund balance of the General Fund and any deficits in other funds, if any, is reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the accrual basis.

The City reports the following major governmental funds:

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

#### Special Revenue:

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

The City reports the following major proprietary fund:

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

### ASSETS, LIABILITIES AND FUND EQUITY –

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

### CASH, POOLED INVESTMENTS AND CASH EQUIVALENTS –

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

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

### PROPERTY TAX RECEIVABLE, INCLUDING TAX INCREMENT FINANCING –

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

#### CUSTOMER ACCOUNTS AND UNBILLED USAGE –

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

#### DUE FROM AND DUE TO OTHER FUNDS –

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

#### DUE FROM OTHER GOVERNMENTS –

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

#### INVENTORIES –

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

#### RESTRICTED ASSETS –

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

#### CAPITAL ASSETS –

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

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

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

#### DEFERRED REVENUE –

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

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

#### COMPENSATED ABSENCES –

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated liability attributable to the governmental activities will be paid primarily by the General and Road Use Tax Funds.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - (Continued)

#### LONG-TERM LIABILITIES –

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

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

#### FUND EQUITY –

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### BUDGETS AND BUDGETARY ACCOUNTING –

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

### NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 670,719	\$ - - -	\$ - - -	\$ 670,719
Land, right of way	106,403	- - -	- - -	106,403
Construction in progress, infrastructure	<u>1,140,246</u>	<u>618,530</u>	<u>928,904</u>	<u>829,872</u>
Total capital assets, not being depreciated	<u>\$ 1,917,368</u>	<u>\$ 618,530</u>	<u>\$ 928,904</u>	<u>\$ 1,606,994</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,681,247	\$ 23,284	\$ - - -	\$ 4,704,531
Equipment and vehicles	3,061,545	164,209	39,599	3,186,155
Infrastructure, road network	19,693,212	928,904	- - -	20,622,116
Infrastructure, other	<u>252,041</u>	<u>- - -</u>	<u>- - -</u>	<u>252,041</u>
Total capital assets, being depreciated	<u>\$ 27,688,045</u>	<u>\$ 1,116,397</u>	<u>\$ 39,599</u>	<u>\$28,764,843</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 708,973	\$ 93,231	\$ - - -	\$ 802,204
Equipment and vehicles	1,475,897	176,110	39,599	1,612,408
Infrastructure, road network	3,667,936	506,321	- - -	4,174,257
Infrastructure, other	<u>37,805</u>	<u>8,401</u>	<u>- - -</u>	<u>46,206</u>
Total accumulated depreciation	<u>\$ 5,890,611</u>	<u>\$ 784,063</u>	<u>\$ 39,599</u>	<u>\$ 6,635,075</u>
Total capital assets, being depreciated, net	<u>\$ 21,797,434</u>	<u>\$ 332,334</u>	<u>\$ - - -</u>	<u>\$22,129,768</u>
Governmental activities capital assets, net	<u>\$ 23,714,802</u>	<u>\$ 950,864</u>	<u>\$ 928,904</u>	<u>\$23,736,762</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 85,590	\$ - - -	\$ - - -	\$ 85,590
Construction in progress - infrastructure, sewer network	<u>591,567</u>	<u>631,207</u>	<u>4,817</u>	<u>1,217,957</u>
Total capital assets, not being depreciated	<u>\$ 677,157</u>	<u>\$ 631,207</u>	<u>\$ 4,817</u>	<u>\$ 1,303,547</u>
Capital assets, being depreciated:				
Buildings	\$ 1,794,197	\$ - - -	\$ - - -	\$ 1,794,197
Equipment and vehicles	1,051,969	439,828	43,900	1,447,897
Infrastructure, sewer network	<u>4,569,622</u>	<u>- - -</u>	<u>- - -</u>	<u>4,569,622</u>
Total capital assets, being depreciated	<u>\$ 7,415,788</u>	<u>\$ 439,828</u>	<u>\$ 43,900</u>	<u>\$ 7,811,716</u>
Less accumulated depreciation for:				
Buildings	\$ 1,363,222	\$ 36,746	\$ - - -	\$ 1,399,968
Equipment and vehicles	956,532	44,197	43,900	956,829
Infrastructure, sewer network	<u>913,975</u>	<u>59,637</u>	<u>- - -</u>	<u>973,612</u>
Total accumulated depreciation	<u>\$ 3,233,729</u>	<u>\$ 140,580</u>	<u>\$ 43,900</u>	<u>\$ 3,330,409</u>
Total capital assets, being depreciated, net	<u>\$ 4,182,059</u>	<u>\$ 299,248</u>	<u>\$ - - -</u>	<u>\$ 4,481,307</u>
Business-type activities capital assets, net	<u>\$ 4,859,216</u>	<u>\$ 930,455</u>	<u>\$ 4,817</u>	<u>\$ 5,784,854</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – (Continued)

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

Governmental activities:

Public safety	\$ 135,232
Public works	552,105
Culture and recreation	44,311
General government	<u>52,415</u>

Total depreciation expense - governmental activities	<u>\$ 784,063</u>
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Business-type activities:

Sewer	<u>\$ 140,580</u>
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NOTE 4 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	\$15,210,000	\$6,955,000	\$ 3,175,000	\$18,990,000	\$ 1,510,000
Urban renewal tax increment revenue bonds	687,500	-	131,250	556,250	131,250
Capital lease purchase agreement	662,860	-	30,765	632,095	32,297
Net OPEB liability	2,706	2,817	-	5,523	-
Compensated absences	<u>60,553</u>	<u>59,845</u>	<u>60,553</u>	<u>59,845</u>	<u>59,845</u>
Governmental activity long-term liabilities	<u>\$16,623,619</u>	<u>\$7,017,662</u>	<u>\$ 3,397,568</u>	<u>\$20,243,713</u>	<u>\$ 1,733,392</u>
Business-type activities:					
Sewer interim project note	\$ 584,432	\$ 44,918	-	\$ 629,350	\$ 629,350
Compensated absences	<u>11,260</u>	<u>13,384</u>	<u>11,260</u>	<u>13,384</u>	<u>13,384</u>
Business-type activity long-term liabilities	<u>\$ 595,692</u>	<u>\$ 58,302</u>	<u>\$ 11,260</u>	<u>\$ 642,734</u>	<u>\$ 642,734</u>

GENERAL OBLIGATION BONDS/NOTES –

Ten issues of general obligation bonds/notes totaling \$18,990,000 are outstanding at June 30, 2011. General obligation bonds/notes bear interest at rates ranging from 1.40% to 5.00% per annum and mature in varying annual amounts, ranging from \$60,000 to \$725,000, with the final maturities due in the year ending June 30, 2030.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

REVENUE BONDS –

Two issues of urban renewal tax increment revenue bonds totaling \$556,250 are outstanding at June 30, 2011. Urban renewal tax increment revenue bonds bear interest at rates ranging from 3.00% to 6.40% per annum and mature in amounts of \$50,000 and \$81,250, with the final maturities due in the year ending June 30, 2016.

Details of general obligation and revenue bonds/notes payable at June 30, 2011 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2011</u>
Governmental Activities:						
General obligation bonds/notes:						
Corporate purpose annual appropriation	Aug. 3, 2005	3.45-4.80	Jun. 1, 2020	65,000-115,000	1,225,000	865,000
Corporate purpose annual appropriation	Oct. 3, 2006	4.40-4.85	Jun. 1, 2018	155,000-360,000	3,155,000	2,280,000
Corporate purpose annual appropriation	Oct. 17, 2007	4.75	Jun. 1, 2018	125,000-220,000	1,770,000	1,365,000
Corporate purpose annual appropriation	Sept. 18, 2008	5.00	Jun. 1, 2019	150,000	1,500,000	1,200,000
Refunding bonds	Nov. 1, 2008	2.50-3.45	Jun. 1, 2013	160,000-305,000	1,285,000	355,000
Refunding bonds	June 15, 2009	1.40-2.35	Jun. 1, 2013	230,000-240,000	925,000	470,000
Corporate purpose annual appropriation	June 15, 2009	4.00-5.00	Jun. 1, 2020	95,000-105,000	995,000	900,000
Corporate purpose annual appropriation	May 1, 2010	4.00-4.90	May 1, 2030	100,000-430,000	4,600,000	4,600,000
Refunding bonds	April 1, 2011	2.00-3.50	Jun. 1, 2019	170,000-265,000	1,655,000	1,655,000
Corporate purpose annual appropriation	May 1, 2011	4.20-5.00	Jun. 1, 2027	140,000-725,000	5,300,000	<u>5,300,000</u>
	Total					<u>\$18,990,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - (Continued)

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding, June 30, 2011</u>
Governmental activities: Revenue bonds:						
Urban renewal tax increment annual appropriation	Mar. 1, 2004	3.00-5.50%	Jun. 1, 2014	\$ 50,000	\$ 350,000	\$ 150,000
Urban renewal tax increment annual appropriation	Apr. 17, 2006	4.85-6.40	Jun. 1, 2016	81,250	650,000	<u>406,250</u>
Total revenue bonds						\$ <u>556,250</u>
Total governmental activities						<u>\$19,546,250</u>
Business-type activities: Sewer interim project note	Nov. 2, 2006	0.00	Nov. 2, 2010	N/A	\$ 629,350	<u>\$ 629,350</u>

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

<u>General Obligation Bond/Notes</u>			
<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	1,510,000	850,029	2,360,029
2013	1,510,000	769,160	2,279,160
2014	1,145,000	713,870	1,858,870
2015	1,050,000	668,109	1,718,109
2016-2020	5,775,000	2,600,811	8,375,811
2021-2025	4,620,000	1,473,913	6,093,913
2026-2030	<u>3,380,000</u>	<u>397,889</u>	<u>3,777,889</u>
Total	<u>\$18,990,00</u>	<u>\$7,473,780</u>	<u>\$26,463,780</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

Urban Renewal Tax Increment Revenue Bonds

For the Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	131,250	30,625	161,875
2013	131,250	24,225	155,475
2014	131,250	17,375	148,625
2015	81,250	10,075	91,325
2016-2019	<u>81,250</u>	<u>5,200</u>	<u>86,450</u>
Total	<u>\$ 556,250</u>	<u>\$ 87,500</u>	<u>\$ 643,750</u>

URBAN RENEWAL TAX INCREMENT FINANCING REVENUE BONDS –

The City issued urban renewal tax increment financing revenue bonds of \$350,000 in March 2004 and \$650,000 in April 2006 for the purpose of providing an economic development grant and construction of public infrastructure within the urban renewal districts. The bonds are payable solely from the TIF revenues generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF revenues are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the amount of debt payable in the succeeding year is subject to the constitutional debt limitation of the City since the bonds are annual appropriation debt. Total principal and interest remaining on the bonds is \$643,750, payable through June 2016. For the current year, total principal and interest paid from total TIF revenues were \$131,250 and \$36,694, respectively.

CAPITAL LEASE PURCHASE AGREEMENT –

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

For the Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	32,297	31,478	63,775
2013	33,905	29,870	63,775
2014	35,594	28,181	63,775
2015	37,366	26,409	63,775
2016-2020	216,667	102,209	318,876
2021-2025	<u>276,266</u>	<u>42,609</u>	<u>318,875</u>
Total	<u>\$ 632,095</u>	<u>\$ 260,756</u>	<u>\$ 892,851</u>

Principal and interest payments under the capital lease purchase agreement totaled \$30,765 and \$33,010, respectively, during the year ended June 30, 2011.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 - (Continued)

#### CONTINGENT LIABILITY FOR HYDRO-ELECTRIC PROMISSORY NOTE -

On January 15, 1990, the City entered into a loan agreement with Voith Hydro, Inc., for \$700,000. The City received \$250,000 on March 14, 1990 and \$450,000 during the year ended June 30, 1991 for the purpose of paying costs related to the planning, design and development of the hydro-electric generating plant. The note bears interest payable at maturity at the rate of 7.25% per annum. The note will mature 30 days after the issuance of the notice to proceed. The outstanding balance at June 30, 2011 was \$700,000.

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

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

#### SEWER INTERIM PROJECT NOTE -

On November 2, 2006, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for issuance of an interest free interim project note \$720,000. The principal on the note is payable at maturity on November 1, 2011. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of planning and designing improvements and extensions to the sanitary sewer system. The City receives drawdowns from the Trustee for costs as they are incurred. At June 30, 2011, the City had drawn \$629,350 of the \$720,000 authorized. Wells Fargo Bank, N.A. has the funds held in trust which the City will request as the project progresses.

### NOTE 5 - OPERATING LEASE AGREEMENT

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

The following is a schedule of future minimum rental payments required under the operating lease which has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30,</u>	
2012	<u>6,582</u>
Total	<u>\$ 6,582</u>

Rental expense for the year ended June 30, 2011 totaled \$26,328.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

	<u>Transfer In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Transfer Out:				
General Fund	\$ - - -	\$ 3,118	\$ - - -	\$ 3,118
Urban Renewal Tax Increment Financing	- - -	1,227,920	100,601	1,328,521
Nonmajor Governmental Funds	105,879	402,091	- - -	507,970
Capital Projects	10,524	106,105	- - -	116,629
Sewer	<u>16,492</u>	<u>12,280</u>	<u>- - -</u>	<u>28,772</u>
Total	<u>\$ 132,895</u>	<u>\$ 1,751,514</u>	<u>\$ 100,601</u>	<u>\$ 1,985,010</u>

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

NOTE 7 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2011 is as follows:

	<u>Receivable Fund</u>
Payable Fund:	
Capital Projects	<u>\$ 224,280</u>

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

NOTE 8– PENSION AND RETIREMENT BENEFITS

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – (Continued)

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 contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$76,708 \$68,099, and \$64,604, respectively, equal to the required contributions for each year.

NOTE 9– OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City operates a single-employer retiree benefit plan which provides medical, hospitalization, prescription drug, and dental benefits for retirees and their spouses. The retirees are responsible for paying 100% of the associated premiums for these benefits. Actuarially there are 26 active and no retired members in the plan. Participants must have worked full-time for the City for a minimum of ten (10) years at the time of retirement.

The medical, hospitalization, prescription drug, and dental benefits are provided through a fully-insured plan with United HealthCare. Retirees under age 65 (Medicare eligibility age) pay the same premium for the medical, hospitalization, prescription drug, and dental benefits as active employees, which results in an implicit rate 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 which, 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	\$ 2,772
Interest on net OPEB obligation	135
Adjustment to annual required contribution	<u>(90)</u>
Annual OPEB cost	2,817
Contributions made	<u>- - -</u>
Increase in net OPEB obligation	2,817
Net OPEB obligation beginning of year	<u>2,706</u>
Net OPEB obligation end of year	<u>\$ 5,523</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – (Continued)

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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 2,706	0.0%	\$ 2,706
June 20, 2011	2,817	0.0	5,523

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability was \$24,985, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,985. The covered payroll (annual payroll of active employees covered by the plan) was \$900,620 and the ratio of the UAAL to covered payroll was 2.78%. 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 assumption 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, presents 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 that are 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.

In the June 30, 2010 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 8.0% reduced by 0.25% each year to arrive at an ultimate healthcare cost trend rate of 6.0%. Both rates include a 3.0% inflation assumption. The actuarial value of assets was \$0. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10 – DEFICIT BALANCES

At June 30, 2011, the City had deficit fund balances in the following fund:

	<u>Deficit Amount</u>
Capital Projects	\$ (115,133)

The Capital Projects Fund deficit is the result of expenditures exceeding revenues during the fiscal year. City management intends to fund these deficits through future tax collections and the recognition of future other revenue.

### NOTE 11 – RISK MANAGEMENT

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

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

	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 700
City	4,600	9,500

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12 – DEVELOPMENT AND REBATE AGREEMENTS

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

During the year ended June 30, 2011, the City rebated \$1,152,199 of incremental taxes to the developers, paying \$1,134,628 of principal and \$17,571 of interest. The outstanding principal balance on the rebate agreements at June 30, 2011 is \$29,407,776.

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

Sixteen of the seventeen agreements with outstanding principal balances at June 30, 2011 include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining agreement does not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of this agreement is subject to the constitutional debt limitation.

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

### NOTE 13 – WASTEWATER PLANT OPERATOR

In February 2008, the City entered into a contract with Thomas and Company to provide a certified wastewater plant operator to comply with Iowa Department of Natural Resources regulations. The contractor oversees the wastewater treatment facility and manages essential City wastewater personnel and contractor personnel. The fee for these services is \$125 per hour, which is paid from the Enterprise Sewer Fund. During the year ended June 30, 2011, payments under the agreement totaled \$17,875.

CITY OF LeCLAIRE, IOWA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2011

	Governmental Actual Funds	Proprietary Fund Actual	Total Actual
<b>REVENUES</b>			
Property tax	\$ 1,388,831	\$ -	\$ 1,388,831
Tax increment financing	3,022,919	-	3,022,919
Other city tax	670,351	-	670,351
Licenses and permits	9,504	-	9,504
Use of money and property	105,360	82,919	188,279
Intergovernmental	533,245	-	533,245
Charges for service	290,860	553,832	844,692
Special assessments	29	-	29
Miscellaneous	223,034	7,741	230,775
	<u>\$ 6,244,133</u>	<u>\$ 644,492</u>	<u>\$ 6,888,625</u>
Total revenues			
<b>EXPENDITURES</b>			
Public safety	\$ 869,644	\$ -	\$ 869,644
Public works	5,178,372	-	5,178,372
Culture and recreation	263,348	-	263,348
Community and economic development	1,244,174	-	1,244,174
General government	247,710	-	247,710
Debt service	2,475,951	-	2,475,951
Capital projects & Outlay	814,557	-	814,557
Business type activities	-	555,488	555,488
	<u>\$ 11,093,756</u>	<u>\$ 555,488</u>	<u>\$ 11,649,244</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	\$ (4,849,623)	\$ 89,004	\$ (4,760,619)
<b>OTHER FINANCING SOURCES (USES), net</b>	<u>5,328,972</u>	<u>4,382,953</u>	<u>9,711,925</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	\$ 479,349	\$ 4,471,957	\$ 4,951,306
BALANCES – Beginning of year	<u>1,057,271</u>	<u>8,427,567</u>	<u>9,484,838</u>
BALANCES – Ending of year	<u>\$ 1,536,620</u>	<u>\$ 12,899,524</u>	<u>\$ 14,436,144</u>

Less Funds Not required to be Budgeted	Budgeted Amounts			Final to Net Variance
	Net	Original	Final	
\$ -	\$ 1,388,831	\$ 1,384,058	\$ 1,389,682	\$ (851)
-	3,022,919	2,895,420	3,039,373	(16,454)
-	670,351	613,830	635,614	34,737
-	9,504	8,380	9,215	289
5,994	182,285	42,365	143,727	38,558
-	533,245	494,840	522,602	10,643
-	844,692	770,755	805,794	38,898
-	29	200	150	(121)
29,459	201,316	97,710	4,040,602	(3,839,286)
<u>\$ 35,453</u>	<u>\$ 6,853,172</u>	<u>\$ 6,307,558</u>	<u>\$ 10,586,759</u>	<u>\$ (3,733,587)</u>
\$ -	\$ 869,644	\$ 934,499	\$ 1,037,577	\$ 167,933
-	5,178,372	692,933	4,657,243	(521,129)
7,668	255,680	332,881	286,351	30,671
-	1,244,174	1,211,164	1,244,695	521
-	247,710	251,153	260,557	12,847
-	2,475,951	2,283,656	4,143,606	1,667,655
-	814,557	2,532,840	818,086	3,529
-	555,488	565,923	573,177	17,689
<u>\$ 7,668</u>	<u>\$ 11,641,576</u>	<u>\$ 8,805,049</u>	<u>\$ 13,021,292</u>	<u>\$ 1,379,716</u>
\$ 27,785	\$ (4,788,404)	\$ (2,497,491)	\$ (2,434,533)	\$ (2,353,871)
-	9,711,925	2,431,790	6,955,200	2,756,725
\$ 27,785	\$ 4,923,521	\$ (65,701)	\$ 4,520,667	\$ 402,854
35,036	9,449,802	4,142,113	4,735,198	-
<u>\$ 62,821</u>	<u>\$ 14,373,323</u>	<u>\$ 4,076,412</u>	<u>\$ 9,255,865</u>	<u>\$ 5,117,458</u>

CITY OF LECLAIRE, IOWA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGET COMPARISONS  
June 30, 2011

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

I. BUDGETARY BASIS

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

II. BUDGETARY INFORMATION

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function expenditures required to be budgeted include expenditures for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures by \$4,216,243. This budget amendment is reflected in the final budgeted amounts.

III. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures did not exceed budget for the year.

CITY OF LeCLAIRE, IOWA  
 REQUIRED SUPPLEMENTARY INFORMATION ON  
 OTHER POSTEMPLOYMENT BENEFIT  
 PLAN FUNDING PROGRESS  
 June 30, 2011

Other Postemployment Benefit Plan-

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets (a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)—Entry</u> <u>Age (b)</u>	<u>Unfunded</u> <u>(Overfunded)</u> <u>AAL (UAAL)</u> <u>(OAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio (a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL (OAAL)</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
6/30/11*	\$ - - -	\$ 24,985	\$ 24,985	0.00 %	\$ 900,620	2.78%
6/30/10	- - -	24,985	24,985	0.00	900,620	2.78
6/30/09	N/A	N/A	N/A	N/A	N/A	N/A
6/30/08	N/A	N/A	N/A	N/A	N/A	N/A

\*Results from prior year.

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2011.  
 Information for prior years is not available.

N/A- Information is not available.

CITY OF LeCLAIRE, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

	Special			
	Road Use Tax	I-Jobs	Workers' Compensation	Employees' Retirement FICA/IPERS
<b>ASSETS</b>				
Cash and pooled investments	\$ -	\$ 699	\$ 3,607	\$ 5,235
Receivables:				
Property tax:				
Delinquent	-	-	3,108	2,753
Succeeding year	-	-	29,000	100,000
Accounts Receivable	198	-	-	-
Due from other governments	29,265	-	-	-
Due from other funds	-	-	-	17,660
Inventories	52,632	15,242	-	-
Prepaid expenditures	999	-	-	-
	<u>\$ 83,094</u>	<u>\$ 15,941</u>	<u>\$ 35,715</u>	<u>\$ 125,648</u>
Total assets				
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 41,285	\$ 699	\$ 1,912	\$ 710
Due to other funds	-	-	-	-
Deferred revenue				
Succeeding year property tax	-	-	29,000	100,000
	<u>\$ 41,285</u>	<u>\$ 699</u>	<u>\$ 30,912</u>	<u>\$ 100,710</u>
Total liabilities				
<b>FUND EQUITY</b>				
Fund balances (deficit):				
Nonspendable				
Inventories	\$ 52,632	\$ 15,242	\$ -	\$ -
Prepaid expenditures	999	-	-	-
Endowment	-	-	-	-
Restricted	-	-	4,803	24,938
Unassigned	(11,822)	-	-	-
	<u>\$ 41,809</u>	<u>\$ 15,242</u>	<u>\$ 4,803</u>	<u>\$ 24,938</u>
Total fund equity				
Total liabilities and fund equity	<u>\$ 83,094</u>	<u>\$ 15,941</u>	<u>\$ 35,715</u>	<u>\$ 125,648</u>

Revenue					
Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Capital Projects	Totals
\$ 8,218	\$ -	\$ -	\$ 62,821	\$ 161,928	\$ 242,508
-	340	-	-	-	6,201
192,000	19,000	-	-	-	340,000
48	-	-	-	-	246
-	-	64,566	-	6,357	100,188
27,721	-	-	-	-	45,381
-	-	-	-	-	67,874
11,674	-	-	-	-	12,673
<u>\$ 239,661</u>	<u>\$ 19,340</u>	<u>\$ 64,566</u>	<u>\$ 62,821</u>	<u>\$ 168,285</u>	<u>\$ 815,071</u>
\$ -	\$ -	\$ -	\$ -	\$ 59,138	\$ 103,744
-	-	45,381	-	224,280	269,661
192,000	19,000	-	-	-	340,000
<u>\$ 192,000</u>	<u>\$ 19,000</u>	<u>\$ 45,381</u>	<u>\$ -</u>	<u>\$ 283,418</u>	<u>\$ 713,405</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,874
11,674	-	-	-	-	12,673
-	-	-	33,871	-	33,871
35,987	340	19,185	28,950	-	114,203
-	-	-	-	(115,133)	(126,955)
<u>\$ 47,661</u>	<u>\$ 340</u>	<u>\$ 19,185</u>	<u>\$ 62,821</u>	<u>\$ (115,133)</u>	<u>\$ 101,666</u>
<u>\$ 239,661</u>	<u>\$ 19,340</u>	<u>\$ 64,566</u>	<u>\$ 62,821</u>	<u>\$ 168,285</u>	<u>\$ 815,071</u>

CITY OF LeCLAIRE, IOWA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2011

	Road Use Tax	I-Jobs	Workers' Compensation	Special Employees' Retirement FICA/IPERS
<b>REVENUES</b>				
Property tax	\$ -	\$ -	\$ 29,824	\$ 115,785
Other city tax	-	-	862	3,341
Use of money and property	-	-	33	438
Intergovernmental	298,251	15,242	-	-
Miscellaneous	-	-	2,712	-
<b>Total revenues</b>	<b>\$ 298,251</b>	<b>\$ 15,242</b>	<b>\$ 33,431</b>	<b>\$ 119,564</b>
<b>EXPENDITURES</b>				
Operating:				
Public safety	\$ -	\$ -	\$ 19,298	\$ 75,577
Public works	304,636	-	11,712	19,677
Culture and recreation	-	-	1,653	16,032
Community and economic development	-	-	-	155
General government	-	-	743	12,414
Capital Projects	-	-	-	-
<b>Total expenditures</b>	<b>\$ 304,636</b>	<b>\$ -</b>	<b>\$ 33,406</b>	<b>\$ 123,855</b>
Excess of revenues over expenditures	\$ (6,385)	\$ 15,242	\$ 25	\$ (4,291)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(16,992)	-	-	-
General obligation bonds/notes issued	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (23,377)	\$ 15,242	\$ 25	\$ (4,291)
FUND BALANCES – Beginning of year	65,186	-	4,778	29,229
FUND BALANCES – End of year	<u>\$ 41,809</u>	<u>\$ 15,242</u>	<u>\$ 4,803</u>	<u>\$ 24,938</u>

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 Revenue
 

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Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Capital Projects	Totals
\$ 204,874	\$ 20,334	\$ -	\$ -	\$ -	\$ 370,817
5,849	583	405,575	-	-	416,210
434	185	2,954	5,994	4,076	14,114
-	-	-	-	144,413	457,906
4,652	-	-	29,459	-	36,823
<u>\$ 215,809</u>	<u>\$ 21,102</u>	<u>\$ 408,529</u>	<u>\$ 35,453</u>	<u>\$ 148,489</u>	<u>\$ 1,295,870</u>
\$ 62,971	\$ -	\$ -	\$ -	\$ -	\$ 157,846
28,041	-	-	-	-	364,066
19,217	-	-	7,668	-	44,570
-	-	-	-	-	155
17,445	-	-	-	-	30,602
-	-	-	-	627,064	627,064
<u>\$ 127,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,668</u>	<u>\$ 627,064</u>	<u>\$ 1,224,303</u>
\$ 88,135	\$ 21,102	\$ 408,529	\$ 27,785	\$ (478,575)	\$ 71,567
\$ -	\$ -	\$ -	\$ -	\$ 100,601	100,601
(58,784)	(21,050)	(411,144)	-	(116,629)	(624,599)
-	-	-	-	204,289	204,289
\$ 29,351	\$ 52	\$ (2,615)	\$ 27,785	\$ (290,314)	\$ (248,142)
18,310	288	21,800	35,036	175,181	349,808
<u>\$ 47,661</u>	<u>\$ 340</u>	<u>\$ 19,185</u>	<u>\$ 62,821</u>	<u>\$ (115,133)</u>	<u>\$ 101,666</u>

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

	Modified Accrual		
	2011	2010	2009
<b>REVENUES:</b>			
Property tax	\$ 1,388,831	\$ 1,328,025	\$ 1,103,417
Tax increment financing	3,022,919	2,466,913	2,020,568
Other city tax	670,351	598,856	621,701
Licenses and permits	9,504	8,506	8,566
Use of money and property	105,360	60,986	51,114
Intergovernmental	533,245	394,443	387,734
Charges for service	290,860	275,240	274,123
Special assessments	29	2,387	4
Miscellaneous	223,034	142,462	189,574
<b>Total</b>	<b><u>\$ 6,244,133</u></b>	<b><u>\$ 5,277,818</u></b>	<b><u>\$ 4,656,801</u></b>
<b>EXPENDITURES:</b>			
Operating:			
Public safety	\$ 869,644	\$ 836,692	\$ 1,053,809
Public works	5,178,372	4,564,676	644,949
Culture and recreation	263,348	292,172	437,462
Community and economic development	1,244,174	1,179,838	768,643
General government	247,710	239,457	266,608
Debt service	2,475,951	2,138,728	4,138,712
Capital projects	627,064	938,780	648,450
Capital outlay	187,493	-	-
<b>Total</b>	<b><u>\$ 11,093,756</u></b>	<b><u>\$ 10,190,343</u></b>	<b><u>\$ 7,958,633</u></b>

## Basis

2008	2007	2006	2005	2004
\$ 892,042	\$ 830,379	\$ 821,818	\$ 792,171	\$ 684,998
1,659,131	1,444,328	1,278,321	1,191,949	991,973
642,378	614,850	560,929	504,206	496,853
8,576	9,215	6,848	4,837	5,522
64,068	98,001	75,918	54,819	47,502
306,058	295,214	288,922	522,271	353,943
233,216	198,621	172,686	180,186	180,064
21	33	125	238	49
211,139	211,521	179,933	448,415	311,898
<u>\$ 4,016,629</u>	<u>\$ 3,702,162</u>	<u>\$ 3,385,500</u>	<u>\$ 3,699,092</u>	<u>\$ 3,072,802</u>
\$ 917,346	\$ 1,147,023	\$ 1,124,582	\$ 728,325	\$ 1,392,127
762,216	503,174	510,872	533,706	736,645
393,521	228,034	270,867	186,035	266,241
591,119	136,951	232,743	180,336	156,997
246,797	259,764	274,904	204,981	143,664
1,721,182	1,712,708	1,627,005	1,391,486	1,134,384
2,395,749	2,181,564	2,684,731	1,861,899	2,935,147
<u>\$ 7,027,930</u>	<u>\$ 6,169,218</u>	<u>\$ 6,725,704</u>	<u>\$ 5,086,768</u>	<u>\$ 6,765,205</u>

OTHER SUPPLEMENTARY INFORMATION

CARPENTIER  
MITCHELL · GODDARD  
& COMPANY · LLC  
CERTIFIED PUBLIC  
ACCOUNTANTS

4915 - 21st Avenue A. • Moline, Illinois 61265  
Ph. (309) 762-3626 • Fax (309) 762-4465

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of LeClaire's basic financial statements listed in the table of contents, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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 LeClaire's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in the accompanying Schedule of Findings.

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

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

*Carpentier, Mitchell, Goddard & Company, L.L.C.*

Moline, Illinois  
December 19, 2011

CITY OF LECLAIRE, IOWA  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2011

I. Summary of Independent Auditors' Results

Significant Deficiencies:

A. Information Systems

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

Recommendation

The City should develop a disaster recovery plan.

Response

The City is aware of the need for this policy. This activity is still "in process" and ideally will be completed by July 1, 2012.

Conclusion

Response accepted.

B. Capital Assets

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

Recommendation

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

Response

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

Conclusion

Response accepted.

Instances of Noncompliance:

No matters were noted.

(Continued)

CITY OF LECLAIRE, IOWA  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Expenditures during the year ended June 30, 2011 exceeded the amounts budgeted in the public works function. 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 expenditures were allowed to exceed the budget.

Response- The City is aware of this provision and will continue to review, monitor and amend the budget as needed on a more timely basis.

Conclusion- Response accepted.

2. Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
3. Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
4. Business Transactions – No business transactions between the City and City officials or employees were noted.
5. Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
6. Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
7. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

CITY OF LECLAIRE, IOWA  
 SCHEDULE OF FINDINGS  
 For the Year Ended June 30, 2011

8. Financial Condition – At June 30, 2010 and 2011, the City had deficit unassigned/unreserved fund balances in the following funds:

<u>Fund</u>	<u>2011</u>	<u>2010</u>
General	\$     ---	\$   (7,082)
Special Revenue:		
Capital Projects	(115,133)	---
Road Use Tax	(11,822)	---

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

Response - The City has been and is actively taking steps and implementing measures to correct the General Fund deficit position (as noted by the improved position).

Conclusion - Response accepted.

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

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

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

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

CITY OF LECLAIRE, IOWA  
STAFF

This audit was performed by:

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