

**CITY OF CLINTON, IOWA**

**FINANCIAL STATEMENTS**  
**June 30, 2012**

**CITY OF CLINTON, IOWA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2012**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

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

**FINANCIAL SECTION**

Independent Auditor's Report .....	5
Management's Discussion and Analysis .....	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	18
Statement of Activities .....	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	23
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds .....	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) to the Statement of Activities .....	26
Statement of Net Assets - Proprietary Funds .....	27
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds .....	29
Statement of Cash Flows - Proprietary Funds .....	31
Statement of Fiduciary Net Assets and Liabilities - Fiduciary Funds .....	33
Notes to Financial Statements .....	34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - Budgetary Basis - Governmental Funds and Proprietary Funds .....	57
Notes to Required Supplementary Information - Budgetary Reporting .....	59
Schedule of Funding Progress for the Retiree Health Plan .....	60
Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds .....	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	63
Combining Statement of Net Assets - Nonmajor Enterprise Funds .....	65
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds .....	66
Combining Statement of Cash Flows - Nonmajor Enterprise Funds .....	67
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds .....	68
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds ...	69
Schedule of Revenues By Source and Expenditures By Function - All Governmental Funds .....	70

**OTHER INFORMATION SECTION**

Actual Property Valuation Comparison (Unaudited) ..... 71  
Taxable Property Valuation Comparison (Unaudited) ..... 72  
General Obligation Bond and Note Maturities ..... 73  
Computation of Legal Debt Margin (Unaudited) ..... 78  
Summary of Taxes and Intergovernmental Revenues (Unaudited)..... 79  
Miscellaneous Statistics (Unaudited) ..... 80

**COMPLIANCE SECTION**

Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*..... 81

Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133..... 83

Schedule of Expenditures of Federal Awards ..... 85

Notes to the Schedule of Expenditures of Federal Awards..... 84

Schedule of Findings and Questioned Costs ..... 86

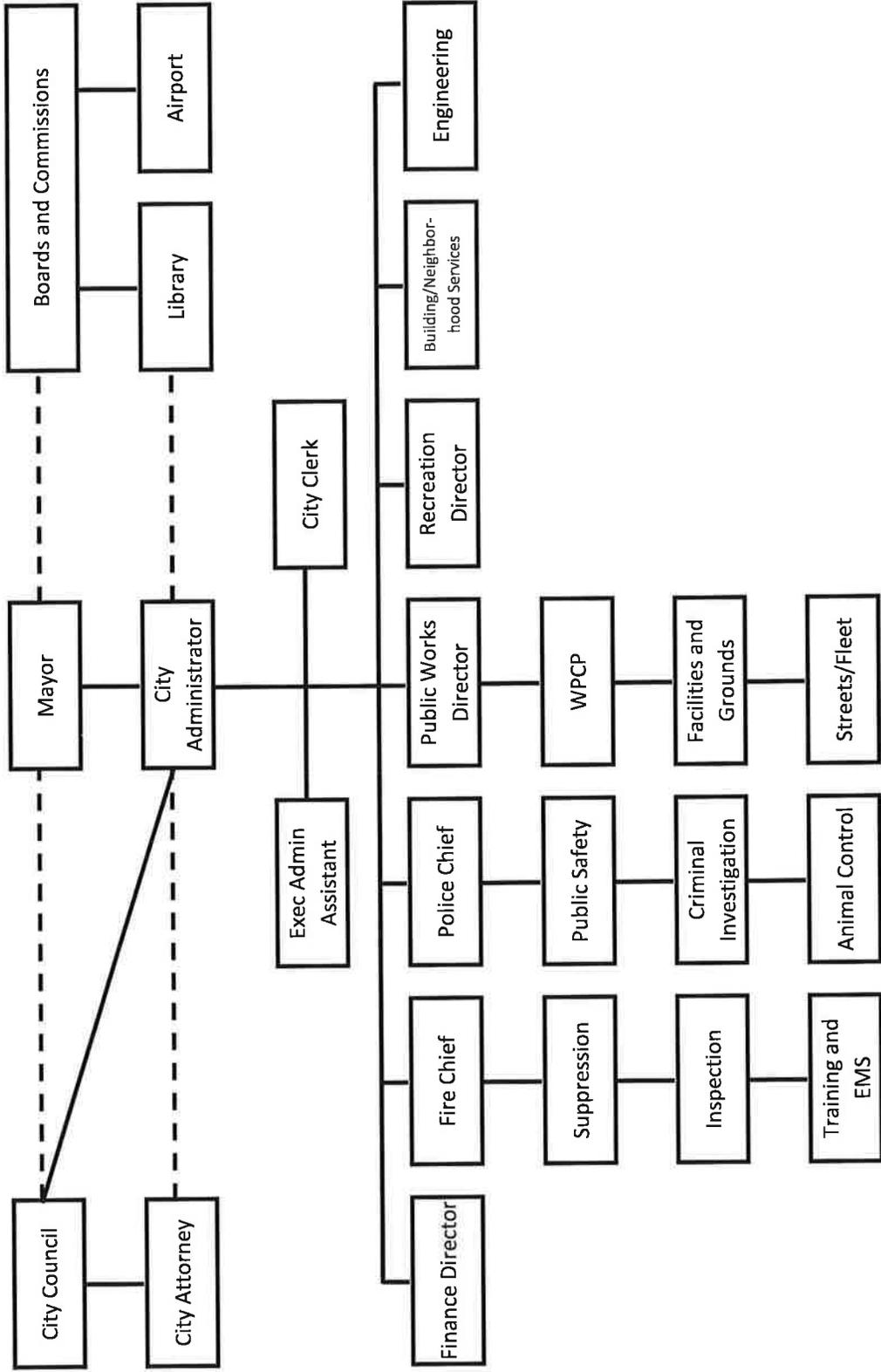
Summary Schedule of Prior Federal Audit Findings ..... 95

Corrective Action Plan for Federal Audit Findings..... 96

Schedule of Balance Sheet Accounts Required by  
Revenue Bond Ordinance - Enterprise Funds ..... 97

Schedule of Revenues, Expenses and Changes in Net Assets  
Required by Revenue Bond Ordinance - Enterprise Funds ..... 99

# City Organizational Chart



# CITY OF CLINTON, IOWA

## List of Principal Officials June 30, 2012

### ELECTED OFFICIALS

(Before January 2012)

Mayor  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member

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

### ELECTED OFFICIALS

(After January 2012)

Mayor  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member

Mark S. Vulich  
Julie Allesee  
Paul Gassman  
Jennifer Graf  
Bev Hermann  
Maggie Klaes  
Charlie Mulholland  
John Rowland

### APPOINTED OFFICIALS

City Administrator  
City Attorney  
City Clerk  
Finance Director  
Airport Manager  
Fire Chief  
Library Director  
Recreation Director  
Police Chief  
City Engineer  
Building & Neighborhood Official

Jeffrey R. Horne  
Jeffrey L. Farwell  
Pat Van Loo  
Jessica Kisner  
Mike Nass  
Mike Brown  
Amy Birtell  
Gregg Obren  
Brian Guy  
Jason Craft  
Mike Harmon

## **FINANCIAL SECTION**

## Independent Auditor's Report

Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Clinton, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2013 on our consideration of the City of Clinton, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 57 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Iowa's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the 5 years ended June 30, 2008, presented on page 70 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The introductory section, combining fund statement and schedules and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
February 1, 2013

## **Management's Discussion and Analysis**

As management of the City of Clinton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements which follow this discussion and analysis. This report complies with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model. Accordingly, comparative information is included in the report.

### **2012 Financial Highlights**

- Assets of the City of Clinton exceeded its liabilities at June 30, 2012 by \$157,774,208 (net assets).
- The City's total net assets increased by \$9,402,025. This amount represents a 6.3% increase.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$3,623,579, an increase of \$4,598,275 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,079,410.
- The City's bonds and notes payable increased by \$24,184,663 during the current fiscal year.

### **Overview of the Financial Statements**

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.

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 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's operations in more detail than the government-wide financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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

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

The statement of activities presents information showing how the City's net assets changed during fiscal year 2011/12. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 18-20 of this report.

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

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

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

The City of Clinton has six major governmental funds: the General Fund, the Road Use Tax Fund, the Local Option Sales Tax Fund, the Employee Benefits Fund, the Debt Service Fund and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated

presentation and are referenced under a single column as Nonmajor. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

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

The financial statements required for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

The basic proprietary fund financial statements can be found on pages 27-32 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City of Clinton's programs. The City has two agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 33 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-56 of this report.

**Supplementary and Other information.** The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information on pages 61-70 of this report. The other information section can be found on pages 71-80.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City of Clinton, assets exceeded liabilities by \$157,774,208 at the close of the fiscal year ended June 30, 2012. For the fiscal year ended June 30, 2011, assets exceeded liabilities by \$148,752,262.

### City of Clinton's Net Assets June 30, 2012 and 2011

	<b>Governmental Activities 2012</b>	Governmental Activities 2011	<b>Business-type Activities 2012</b>	Business-type Activities 2011	<b>Total 2012</b>	Total 2011
Current and other assets	\$ 21,209,448	\$ 24,395,245	\$ 8,626,685	\$ 8,506,183	\$ 29,836,133	\$ 32,901,428
Capital assets	<u>105,409,998</u>	<u>101,649,905</u>	<u>134,460,924</u>	<u>109,505,330</u>	<u>239,870,922</u>	<u>211,155,235</u>
Total assets	<u>126,619,446</u>	<u>126,045,150</u>	<u>143,087,609</u>	<u>118,011,513</u>	<u>269,707,055</u>	<u>244,056,663</u>
Current and other liabilities	15,606,029	23,087,538	6,161,222	7,665,638	21,767,251	30,753,176
Long-term liabilities outstanding	<u>24,963,006</u>	<u>24,784,320</u>	<u>65,202,590</u>	<u>39,766,905</u>	<u>90,165,596</u>	<u>64,551,225</u>
Total liabilities	<u>40,569,035</u>	<u>47,871,858</u>	<u>71,363,812</u>	<u>47,432,543</u>	<u>111,932,847</u>	<u>95,304,401</u>
Net assets						
Invested in capital assets, net of related debt	86,679,831	82,033,905	72,461,781	72,432,979	159,141,612	154,466,884
Restricted	1,943,697	2,137,210	-	-	1,943,697	2,137,210
Unrestricted	<u>(2,573,117)</u>	<u>(5,997,823)</u>	<u>(737,984)</u>	<u>(1,854,009)</u>	<u>(3,311,101)</u>	<u>(7,851,832)</u>
Total net assets	<u>\$ 86,050,411</u>	<u>\$ 78,173,292</u>	<u>\$ 71,723,797</u>	<u>\$ 70,578,970</u>	<u>\$ 157,774,208</u>	<u>\$ 148,752,262</u>

The largest portion of the City of Clinton's net assets (100.9%) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

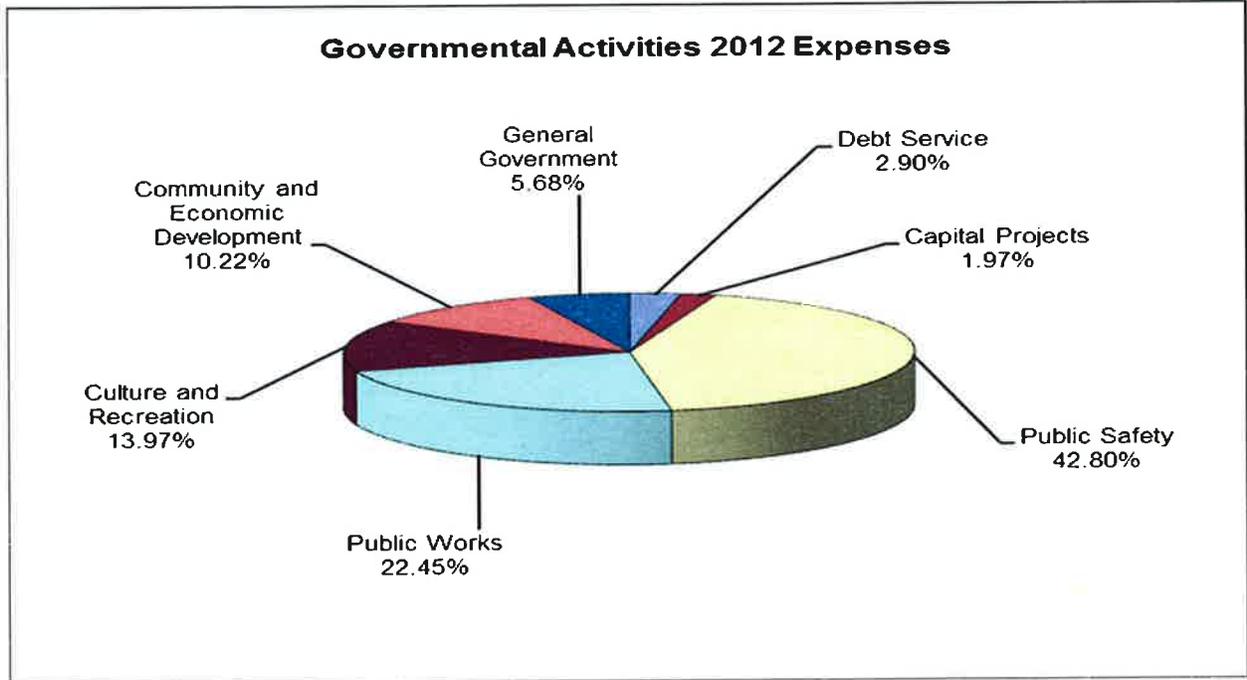
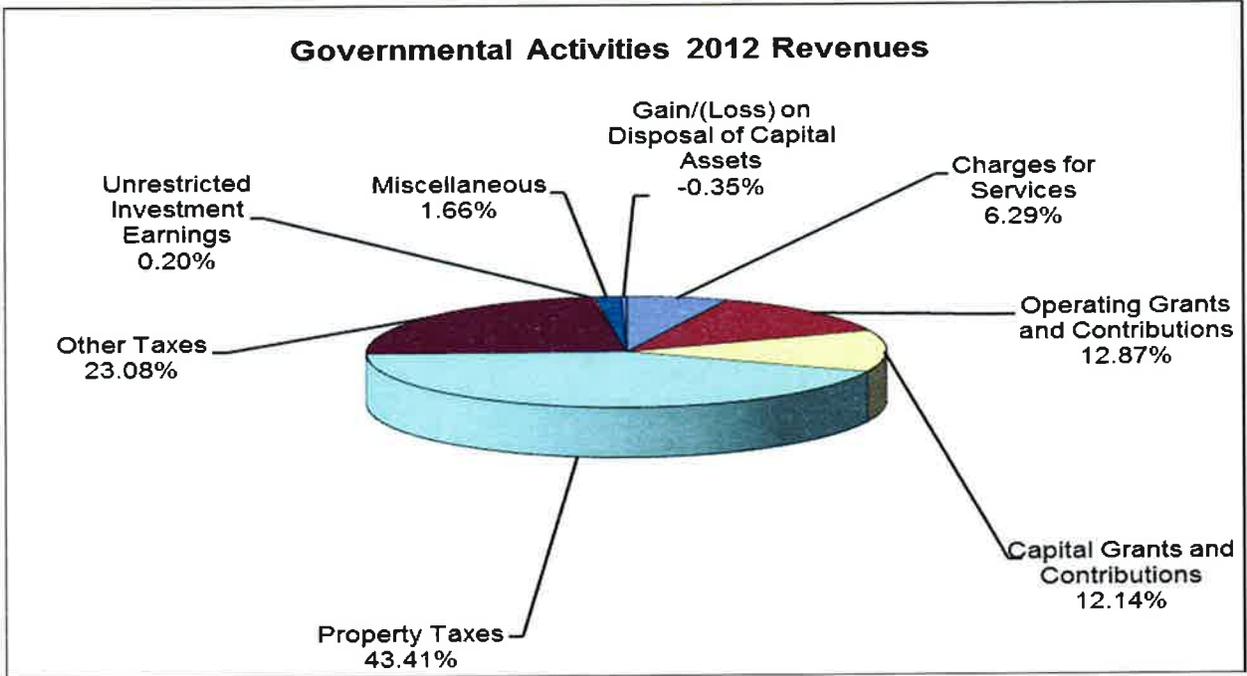
A portion of the City of Clinton's net assets (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (-2.1%) totaled \$(3,311,101) at the end of the current fiscal year.

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

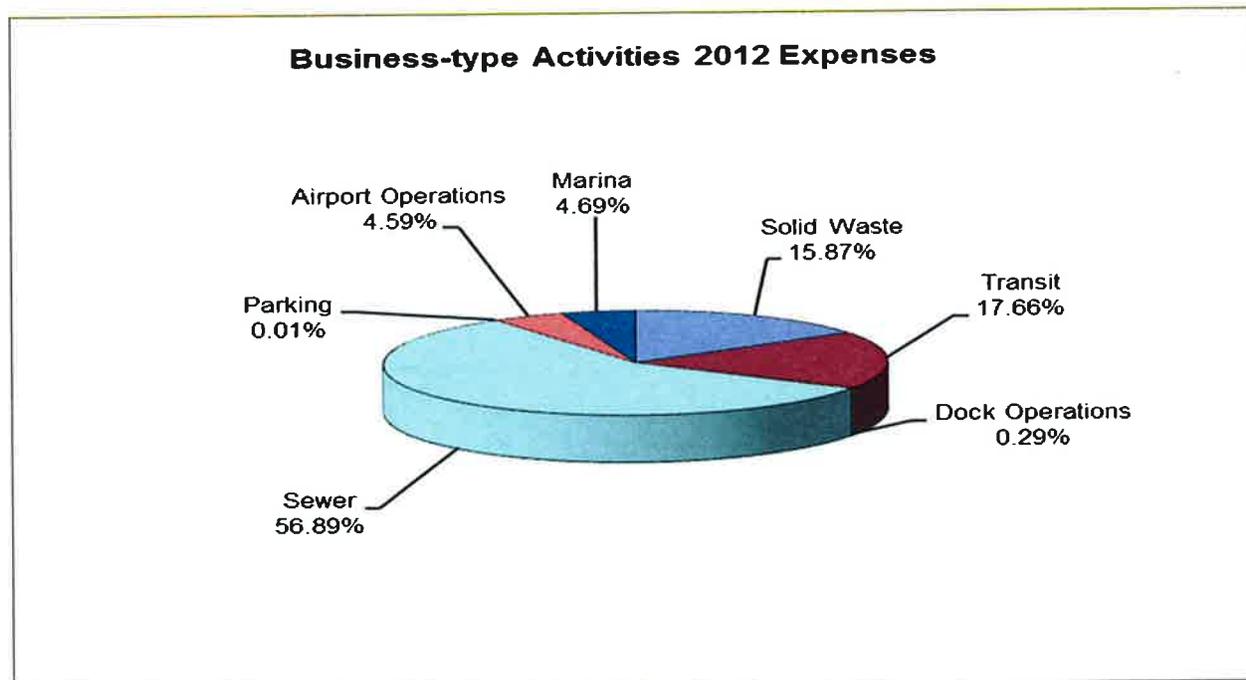
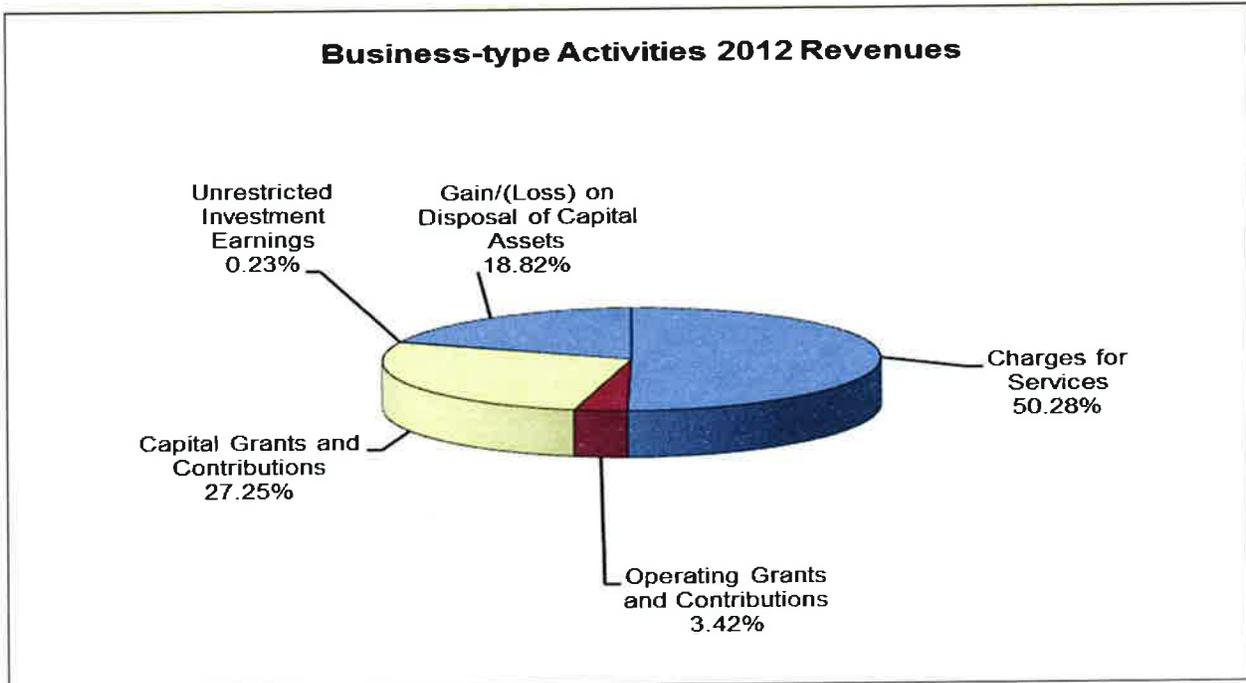
**City of Clinton's Changes in Net Assets  
June 30, 2012 and 2011**

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>	<u>Business-type Activities 2012</u>	<u>Business-type Activities 2011</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 1,899,013	\$ 1,960,312	\$ 10,423,552	\$ 9,124,647	\$ 12,322,565	\$ 11,084,959
Operating grants and contributions	3,881,965	3,643,667	709,035	683,255	4,591,000	4,326,922
Capital grants and contributions	3,661,520	12,030,571	5,649,459	4,414,071	9,310,979	16,444,642
General Revenues:						
Property taxes	13,098,219	12,631,310	-	-	13,098,219	12,631,310
Tax increment financing	1,877,031	1,893,996	-	-	1,877,031	1,893,996
Other taxes	5,086,683	4,911,745	-	-	5,086,683	4,911,745
Unrestricted investment earnings	60,202	47,985	47,335	32,534	107,537	80,519
Miscellaneous	501,810	322,203	-	-	501,810	322,203
Gain/(loss) on disposal of capital assets	(104,785)	61,891	3,901,286	(584)	3,796,501	61,307
Total revenues	<u>29,961,658</u>	<u>37,503,680</u>	<u>20,730,667</u>	<u>14,253,923</u>	<u>50,692,325</u>	<u>51,757,603</u>
<b>Expenses:</b>						
Public safety	11,712,289	11,235,913	-	-	11,712,289	11,235,913
Public works	6,142,844	6,984,146	-	-	6,142,844	6,984,146
Culture and recreation	3,822,784	3,682,096	-	-	3,822,784	3,682,096
Community and economic development	2,796,559	2,557,698	-	-	2,796,559	2,557,698
General government	1,555,462	6,018,750	-	-	1,555,462	6,018,750
Debt service	794,170	884,248	-	-	794,170	884,248
Capital projects	539,873	190,031	-	-	539,873	190,031
Sewer	-	-	7,923,045	7,559,742	7,923,045	7,559,742
Solid waste	-	-	2,210,585	1,303,352	2,210,585	1,303,352
Transit	-	-	2,458,875	2,059,283	2,458,875	2,059,283
Dock operations	-	-	40,079	77,627	40,079	77,627
Marina	-	-	653,391	446,447	653,391	446,447
Parking system	-	-	1,033	2,588	1,033	2,588
Airport operations	-	-	639,311	578,873	639,311	578,873
Total expenses	<u>27,363,981</u>	<u>31,552,882</u>	<u>13,926,319</u>	<u>12,027,912</u>	<u>41,290,300</u>	<u>43,580,794</u>
Increase in net assets before transfers	2,597,677	5,950,798	6,804,348	2,226,011	9,402,025	8,176,809
Transfers	<u>5,279,442</u>	<u>(6,236,512)</u>	<u>(5,279,442)</u>	<u>6,236,512</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	7,877,119	(285,714)	1,524,906	8,462,523	9,402,025	8,176,809
Net assets - beginning of year, as restated	<u>78,173,292</u>	<u>78,459,006</u>	<u>70,198,891</u>	<u>62,116,447</u>	<u>148,372,183</u>	<u>140,575,453</u>
<b>Net assets end of year</b>	<u>\$ 86,050,411</u>	<u>\$ 78,173,292</u>	<u>\$ 71,723,797</u>	<u>\$ 70,578,970</u>	<u>\$ 157,774,208</u>	<u>\$ 148,752,262</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$7,877,119. This increase, combined with an increase in the business-type activities of \$1,524,906, resulted in an overall increase of \$9,402,025 in net assets of the City as a whole for the fiscal year. The following graphs display the percentage of governmental revenues and expenses allocated by each revenue and expense type:



**Business-type activities.** As stated earlier, business-type activities increased the City's total assets by \$1,524,906. The Sewer Revenue Fund experienced an increase in net assets of \$1,953,656. The City increased rates and reserves in order to pay for future sewer work on its consent order with the Iowa Department of Natural Resources. The Transit System Fund and Airport Operations Fund also experienced increases in net asset totals while the Solid Waste Collection Fund, Dock Operations Fund, Marina Fund and Parking Fund had decreases in total net assets. The graphs which follow display the percentage of revenues and expenses allocated by each revenue and expense type for the business-type activities.



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$3,623,579 an increase of \$4,598,275 in comparison with the prior year.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,079,410. The fund balance of the City's General Fund increased by \$2,962,860 during the current fiscal year. Fund balance decreased in the prior year by \$947,632. The primary reason for the increase in fund balance was due to the transfer of funds from the sale of the municipal dock to the general fund as well as continued efforts to control budgeted expenditures in addition to setting appropriate expectations for revenue streams.

The Road Use Tax Fund experienced an increase in fund balance of \$157,769. The fund balance for this fund was \$176,852 and \$334,621 at the end of fiscal year 2011 and 2012, respectively. Monies in this fund are used for maintenance of City streets, related engineering expenses and for certain capital improvement projects.

The Local Option Sales Tax Fund had a decrease in fund balance of \$718,090 and ended the year with a fund balance of \$330,532. The Local Option Sales Tax Fund collects funds from a City 1 cent sales tax. Sales tax collections are used for the retirement of debt issued for major storm sewer improvements and property tax relief. The other portion of the tax goes towards street construction and repair. Property tax relief consists of applying local option sales tax funds to debt service requirements on other City bonds.

The Employee Benefits Fund had an increase in fund balance of \$119,477 and ended the year with a fund balance of \$642,644.

The Debt Service Fund ended fiscal year 2012 with a with a fund balance of \$293,514 compared to a beginning fund balance of \$466,873. Principal and interest payments increased compared to the prior year by \$123,834.

Fund balance for the Capital Projects Fund increased by \$1,870,417 compared to a prior year decrease of \$2,334,506. The fund ended the fiscal year with a deficit fund balance of \$981,396. The City did receive \$1,788,500 in bond proceeds in the current year to finance on-going capital improvement projects, however was unable to bring fund balance to a positive position.

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

Total net assets for the City's enterprise funds as of June 30, 2012 were \$71,723,797, an increase of \$1,524,906 from the previous fiscal year. Of the net assets of the enterprise funds, \$72,461,781 is invested in capital assets, net of related debt. Unrestricted net assets amounted to \$(737,984).

The Sewer Revenue Fund ended fiscal year 2012 with a net asset balance of \$47,093,691 compared to the prior year ending net asset balance of \$45,140,035. Overall, the fund experienced a net gain of \$1,953,656. This is primarily due to additional sewer revenue charges as a result of a rate increase. The rate increase was needed in order to fund sanitary sewer improvements.

The Solid Waste Collection Fund ended fiscal year 2012 with a net asset balance of \$(183,358) compared to the prior year ending net asset balance of \$883,191. Overall, the fund experienced a net loss of \$1,066,549. The reason for the large decrease is due to the purchase of over \$850,000 of solid waste containers coupled with lost revenues related to the City not billing for the containers purchased for several months of the year.

The Transit System Fund ended fiscal year 2012 with a net asset balance of \$4,534,417 compared to the prior year ending net asset balance of \$4,526,381. The change in net assets for fiscal year 2012 was \$8,036.

The Airport Operations Fund ended fiscal year 2012 with a net asset balance of \$10,432,316 compared to the prior year ending net asset balance of \$7,248,111.

The Dock Operations Fund ended fiscal year 2012 with a net asset balance of \$62,416 compared to the prior year ending net asset balance of \$2,504,922. The change in net assets for fiscal year 2012 was \$(2,442,506). The reason for the significant decrease in net assets is due to the sale of municipal dock in FY12.

The City's internal service fund is the Health Insurance Fund for employee health benefits. Net assets for this internal service fund totaled \$290,923 at the end of the fiscal year, a decrease of \$329,719 from the prior year.

### **Budgetary Highlights**

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

- The original operating revenue budget of \$39,567,383 was increased to \$50,468,321, an increase of \$10,900,938. Major increases were as result of the sale of the Municipal Dock and re-estimating the total revenue borrowed from the State Revolving Fund for multiple wastewater projects.
- The original operating expenditure budget of \$92,633,331 was decreased to \$60,237,550, a decrease of \$32,395,781. The majority of the expenditure decrease was due to adjustments to multiple funds for reductions in staffing and services made throughout the year and for re-estimating expenditures related to multiple wastewater projects.
- Even with the budget amendments, the City exceeded the budgeted amount in the public works, culture and recreation and general government functions.

A schedule detailing budgetary information can be found on pages 57-59 of this report.

## Capital Asset and Debt Administration

**Capital assets.** The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$239,870,922 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park and marina facilities, streets, bridges, traffic signals, storm sewers, sanitary sewers, and sidewalks. The City's investment in capital assets for the current fiscal year increased by \$28,715,687 compared to the prior year. Capital assets associated with governmental activities increased by \$3,760,093 while capital assets for the business-type activities increased by \$24,955,594.

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

	Governmental Activities 2012	Governmental Activities 2011	Business-type Activities 2012	Business-type Activities 2011	Total 2012	Total 2011
Land	\$ 21,659,331	\$ 21,223,991	\$ 3,654,071	\$ 4,573,513	\$ 25,313,402	\$ 25,797,504
Construction in progress	21,732,043	18,101,850	65,949,227	41,471,130	87,681,270	59,572,980
Intangible assets	28,755	6,921	1,913	3,492	30,668	10,413
Machinery and equipment	1,747,297	2,174,262	3,739,952	3,936,758	5,487,249	6,111,020
Land improvements	1,450,095	1,542,664	476,403	-	1,926,498	1,542,664
Buildings	12,116,514	11,846,682	11,505,350	13,462,360	23,621,864	25,309,042
Infrastructure	46,675,963	46,753,535	49,134,008	46,058,077	95,809,971	92,811,612
Total	<u>\$ 105,409,998</u>	<u>\$ 101,649,905</u>	<u>\$ 134,460,924</u>	<u>\$ 109,505,330</u>	<u>\$ 239,870,922</u>	<u>\$ 211,155,235</u>

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

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

Additional information concerning the City of Clinton's capital assets can be found in Note 3 on pages 43-44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Clinton had debt outstanding of \$83,339,614. Of this amount \$18,038,667 comprises debt backed by the full faith and credit of the City. The City also has an economic development note of \$754,000. The remainder of the City's debt of \$64,546,947 represents notes secured solely by revenues generated from sanitary sewer rental fees.

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

	Governmental Activities 2012	Governmental Activities 2011	Business-type Activities 2012	Business-type Activities 2011	Total 2012	Total 2011
General obligation bonds and notes	\$ 17,976,167	\$ 18,770,000	\$ 62,500	\$ 55,000	\$ 18,038,667	\$ 18,825,000
Notes payable	754,000	846,000	-	-	754,000	846,000
Sewer revenue notes	-	-	64,546,947	39,483,951	64,546,947	39,483,951
Total	<u>\$ 18,730,167</u>	<u>\$ 19,616,000</u>	<u>\$ 64,609,447</u>	<u>\$ 39,538,951</u>	<u>\$ 83,339,614</u>	<u>\$ 59,154,951</u>

During the current fiscal year, the City of Clinton increased its indebtedness by \$24,184,663. The City issued new general obligation debt of \$2,731,000 and additional sewer revenue notes of \$26,276,996.

The City has been downgraded from an A2 to an Aa2 rating by Moody's Investors Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of the actual value of the taxable property. The City's outstanding general obligation debt at the end of FY12 is \$18,792,667, which is less than the total assessed valuation of \$77,709,254.

Additional information concerning the City of Clinton's long-term debt can be found in Note 4 on pages 45-47 of this report.

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

The City continues to experience limited revenue streams as expenditures and service needs are increasing faster than increases in property values including new growth. The General Fund balance is stabilizing as the result of the sale of property in 2011/12. Changes in taxable valuations occurring after the City's budget has been certified continue to be a threat to the viability of the General Fund. It is difficult for the City to adjust to a changing revenue stream well into the fiscal year. Without increasing taxable value or the existence of viable revenue streams for the General Fund, the City will address the organizational structure and begin reorganizing in a way that reduces the overall cost of providing services. Capital equipment replacements for General Fund activities are funded from short term capital equipment notes and will continue to be in the future until such time as operating revenues are available.

Other concerns for the City include increases in employee health insurance costs, fire and police medical disability expenses, worker's compensation, and retirement costs. A majority of these costs are supported by the City's tax levy and costs for providing basic services. The City will continue to monitor expenditure levels and pursue other revenue options, thereby avoiding major property tax increases, especially in these difficult economic times. Also, charges for utility services will remain prudent and continually be evaluated to insure that revenues are sufficient to fund federal/state mandated improvements.

### **Requests for Information**

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

**CITY OF CLINTON, IOWA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 4,914,216	\$ 1,407,235	\$ 6,321,451
Receivables			
Taxes	15,450,100	-	15,450,100
Service fees, net of allowance of \$294,064	289,276	3,562,538	3,851,814
Intergovernmental	94,635	-	94,635
Special assessments	227,736	899,278	1,127,014
Other	171,377	47,608	218,985
Prepaid insurance	3,770	-	3,770
Prepaid - other	58,338	4,500	62,838
Restricted cash and investments	-	2,705,526	2,705,526
Capital assets, net of accumulated depreciation	105,409,998	134,460,924	239,870,922
Total assets	<u>126,619,446</u>	<u>143,087,609</u>	<u>269,707,055</u>
<b>LIABILITIES</b>			
Cash overdrafts	256,230	1,848,810	2,105,040
Accounts payable	1,436,563	1,566,739	3,003,302
Deposits payable	30,269	-	30,269
Accrued interest payable	205,918	157,522	363,440
Contracts payable	240,152	2,580,285	2,820,437
Deferred revenue	12,916,978	7,866	12,924,844
Estimated payable for incurred but not reported claims	519,919	-	519,919
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds and notes payable	2,862,666	25,000	2,887,666
Notes payable	-	2,701,913	2,701,913
Litigation payable	450,000	-	450,000
Compensated absences	524,004	102,466	626,470
Early retirement liability	198,000	66,000	264,000
Long-term liabilities:			
Portion due or payable after one year:			
General obligation bonds and notes payable	15,113,501	37,500	15,151,001
Notes payable	754,000	61,845,034	62,599,034
Litigation payable	3,150,000	-	3,150,000
Early retirement liability	1,318,500	253,500	1,572,000
Net OPEB Liability	592,335	171,177	763,512
Total liabilities	<u>40,569,035</u>	<u>71,363,812</u>	<u>111,932,847</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	86,679,831	72,461,781	159,141,612
Restricted:			
Nonexpendable:			
Prepaid expenditures	62,108	-	62,108
Endowments	7,000	-	7,000
Expendable:			
Debt service	47,675	-	47,675
Streets	333,121	-	333,121
Capital improvements	286,932	-	286,932
Police and fire retirement	61,577	-	61,577
Employee benefits	269,453	-	269,453
Community programs and services	139,924	-	139,924
Other purposes	735,907	-	735,907
Unrestricted	(2,573,117)	(737,984)	(3,311,101)
Total net assets	<u>\$ 86,050,411</u>	<u>\$ 71,723,797</u>	<u>\$ 157,774,208</u>

See notes to financial statements.

**CITY OF CLINTON, IOWA**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities:				
Public safety	\$ 11,712,289	\$ 1,304,563	\$ 255,437	\$ -
Public works	6,142,844	46,530	2,627,325	794,545
Culture and recreation	3,822,784	468,236	221,039	-
Community and economic development	2,796,559	42,950	746,256	2,381
General government	1,555,462	36,734	31,908	-
Debt service	794,170	-	-	-
Capital projects	539,873	-	-	2,864,594
Total governmental activities	<u>27,363,981</u>	<u>1,899,013</u>	<u>3,881,965</u>	<u>3,661,520</u>
Business-type activities				
Sewer	7,923,045	7,847,399	-	2,050,856
Solid waste	2,210,585	1,127,742	-	-
Transit	2,458,875	562,931	695,535	433,332
Airport operations	639,311	353,745	13,500	3,165,271
Dock operations	40,079	38,439	-	-
Marina	653,391	493,296	-	-
Parking system	1,033	-	-	-
Total business-type activities	<u>13,926,319</u>	<u>10,423,552</u>	<u>709,035</u>	<u>5,649,459</u>
<b>Total</b>	<u>\$ 41,290,300</u>	<u>\$ 12,322,565</u>	<u>\$ 4,591,000</u>	<u>\$ 9,310,979</u>

**GENERAL REVENUES**

General property tax  
Delinquent tax  
Tax increment financing  
Mobile home tax  
Hotel/motel tax  
Local option sales tax  
Gaming tax  
Excise tax  
Other city taxes  
Unrestricted investment earnings  
Miscellaneous  
Gain/(loss) on disposal of capital assets  
Transfers

Total general revenues

**CHANGE IN NET ASSETS**

**NET ASSETS, BEGINNING OF YEAR, AS RESTATED**

**NET ASSETS, END OF YEAR**

See notes to financial statements.

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (10,152,289)	\$ -	\$ (10,152,289)
(2,674,444)	-	(2,674,444)
(3,133,509)	-	(3,133,509)
(2,004,972)	-	(2,004,972)
(1,486,820)	-	(1,486,820)
(794,170)	-	(794,170)
2,324,721	-	2,324,721
<u>(17,921,483)</u>	<u>-</u>	<u>(17,921,483)</u>
-	1,975,210	1,975,210
-	(1,082,843)	(1,082,843)
-	(767,077)	(767,077)
-	2,893,205	2,893,205
-	(1,640)	(1,640)
-	(160,095)	(160,095)
-	(1,033)	(1,033)
-	<u>2,855,727</u>	<u>2,855,727</u>
<u>(17,921,483)</u>	<u>2,855,727</u>	<u>(15,065,756)</u>
13,092,676	-	13,092,676
5,543	-	5,543
1,877,031	-	1,877,031
5,205	-	5,205
332,554	-	332,554
3,419,117	-	3,419,117
190,496	-	190,496
1,129,203	-	1,129,203
10,108	-	10,108
60,202	47,335	107,537
501,810	-	501,810
(104,785)	3,901,286	3,796,501
<u>5,279,442</u>	<u>(5,279,442)</u>	<u>-</u>
<u>25,798,602</u>	<u>(1,330,821)</u>	<u>24,467,781</u>
7,877,119	1,524,906	9,402,025
<u>78,173,292</u>	<u>70,198,891</u>	<u>148,372,183</u>
<u>\$ 86,050,411</u>	<u>\$ 71,723,797</u>	<u>\$ 157,774,208</u>

**CITY OF CLINTON, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
<b>ASSETS</b>			
Cash and investments	\$ 2,023,147	\$ 259,612	\$ -
Receivables			
Taxes	8,244,964	188,085	545,104
Service fees	276,194	-	-
Intergovernmental	2,708	-	-
Special assessments	30,406	-	-
Other	89,937	-	-
Prepaid insurance	-	-	-
Prepaid - other	54,787	1,500	-
<b>TOTAL ASSETS</b>	<b>\$ 10,722,143</b>	<b>\$ 449,197</b>	<b>\$ 545,104</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Cash overdrafts	\$ -	\$ -	\$ 214,572
Accounts payable	375,856	82,807	-
Deposits payable	-	30,269	-
Contracts payable	-	-	-
Early retirement liability	16,500	1,500	-
Deferred revenue	8,195,590	-	-
Total liabilities	<u>8,587,946</u>	<u>114,576</u>	<u>214,572</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenditures	54,787	1,500	-
Endowments	-	-	-
Restricted for:			
Debt service	-	-	-
Streets	-	333,121	-
Capital improvements	-	-	165,266
Police and fire retirement	-	-	-
Employee benefits	-	-	-
Community programs and services	-	-	-
Other purposes	-	-	165,266
Unassigned	2,079,410	-	-
Total fund balances (deficit)	<u>2,134,197</u>	<u>334,621</u>	<u>330,532</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,722,143</b>	<b>\$ 449,197</b>	<b>\$ 545,104</b>

See notes to financial statements

Special Revenue

<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 629,960	\$ 248,730	\$ -	\$ 877,123	\$ 4,038,572
4,192,340	1,915,883	-	363,724	15,450,100
-	-	-	-	276,194
-	-	64,000	27,927	94,635
-	-	19,749	177,581	227,736
-	32,548	-	48,892	171,377
-	-	-	3,770	3,770
-	-	-	-	56,287
<u>\$ 4,822,300</u>	<u>\$ 2,197,161</u>	<u>\$ 83,749</u>	<u>\$ 1,499,017</u>	<u>\$ 20,318,671</u>
\$ -	\$ -	\$ 41,658	\$ -	\$ 256,230
25,171	-	766,186	106,608	1,356,628
-	-	-	-	30,269
-	-	237,969	2,183	240,152
-	-	-	-	18,000
4,154,485	1,903,647	19,332	520,759	14,793,813
<u>4,179,656</u>	<u>1,903,647</u>	<u>1,065,145</u>	<u>629,550</u>	<u>16,695,092</u>
-	-	-	3,770	60,057
-	-	-	7,000	7,000
-	293,514	-	-	293,514
-	-	-	-	333,121
-	-	-	-	165,266
237,502	-	-	-	237,502
405,142	-	-	-	405,142
-	-	-	304,730	304,730
-	-	-	553,967	719,233
-	-	(981,396)	-	1,098,014
<u>642,644</u>	<u>293,514</u>	<u>(981,396)</u>	<u>869,467</u>	<u>3,623,579</u>
<u>\$ 4,822,300</u>	<u>\$ 2,197,161</u>	<u>\$ 83,749</u>	<u>\$ 1,499,017</u>	<u>\$ 20,318,671</u>

CITY OF CLINTON, IOWA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012

Total governmental fund balances (page 22) \$ 3,623,579

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

Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds. The cost of assets is \$182,188,349 and the accumulated depreciation is \$76,778,351. 105,409,998

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the governmental funds. 1,876,835

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

Accrued interest payable	(205,918)
Bonds, notes and litigation payable	(22,330,167)
Compensated absences payable	(524,004)
Early retirement liability	(1,498,500)
Other postemployment benefits payable	(592,335)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 290,923

**Net assets of governmental activities (page 18)** \$ 86,050,411

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (DEFICIT) -**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2012**

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
<b>REVENUES</b>			
Taxes	\$ 8,899,123	\$ -	\$ 3,419,117
Licenses and permits	349,852	38,290	-
Use of money and property	112,603	175	11
Intergovernmental	199,695	2,552,671	-
Charges for services	1,203,941	231	-
Miscellaneous	248,714	125,778	-
Total revenues	<u>11,013,928</u>	<u>2,717,145</u>	<u>3,419,128</u>
<b>EXPENDITURES</b>			
Current			
Public safety	9,984,025	-	-
Public works	35,591	2,484,376	-
Culture and recreation	2,700,692	-	-
Community and economic development	322,569	-	-
General government	1,288,008	-	-
Capital projects	26,222	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>14,357,107</u>	<u>2,484,376</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,343,179)</u>	<u>232,769</u>	<u>3,419,128</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from capital asset sales	6,915	-	-
Proceeds from sale of bonds	-	-	-
Debt service - principal on refunding bonds	-	-	-
Operating transfers in	8,068,417	-	-
Operating transfers out	(1,769,293)	(75,000)	(4,137,218)
Total other financing sources (uses)	<u>6,306,039</u>	<u>(75,000)</u>	<u>(4,137,218)</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,962,860	157,769	(718,090)
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<u>(828,663)</u>	<u>176,852</u>	<u>1,048,622</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 2,134,197</u>	<u>\$ 334,621</u>	<u>\$ 330,532</u>

See notes to financial statements

**Special Revenue**

<b>Employee Benefits</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 4,069,871	\$ 1,357,566	\$ -	\$ 2,316,256	\$ 20,061,933
-	-	-	-	388,142
-	-	43,858	9,715	166,362
-	-	1,481,711	843,439	5,077,516
-	-	-	71,960	1,276,132
-	65,097	1,683,699	178,525	2,301,813
<u>4,069,871</u>	<u>1,422,663</u>	<u>3,209,268</u>	<u>3,419,895</u>	<u>29,271,898</u>
-	-	33,143	82,000	10,099,168
-	-	412,018	-	2,931,985
-	-	35,207	280,561	3,016,460
-	-	7,271	2,419,808	2,749,648
53,011	8,790	40,085	266,441	1,656,335
-	-	7,707,765	83,238	7,817,225
-	2,674,333	-	-	2,674,333
-	797,634	-	-	797,634
-	-	5,692	-	5,692
<u>53,011</u>	<u>3,480,757</u>	<u>8,241,181</u>	<u>3,132,048</u>	<u>31,748,480</u>
<u>4,016,860</u>	<u>(2,058,094)</u>	<u>(5,031,913)</u>	<u>287,847</u>	<u>(2,476,582)</u>
-	-	-	-	6,915
-	910,000	1,788,500	-	2,698,500
-	(910,000)	-	-	(910,000)
-	1,911,935	6,144,022	930,239	17,054,613
(3,897,383)	(27,200)	(1,030,192)	(838,685)	(11,775,171)
<u>(3,897,383)</u>	<u>1,884,735</u>	<u>6,902,330</u>	<u>91,354</u>	<u>7,074,857</u>
119,477	(173,359)	1,870,417	379,201	4,598,275
523,167	466,873	(2,851,813)	490,266	(974,696)
<u>\$ 642,644</u>	<u>\$ 293,514</u>	<u>\$ (981,396)</u>	<u>\$ 869,467</u>	<u>\$ 3,623,579</u>

**CITY OF CLINTON, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2012**

**Net change in fund balances - total governmental funds (page 25)** **\$ 4,598,275**

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

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

Expenditures for capital assets	7,277,352
Capital assets contributed by private sources	794,545
Depreciation expense	(4,200,104)
Loss on disposal of capital assets	(111,700)

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.

Issued	(2,698,500)
Repaid	3,584,333

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

Compensated absences payable	62,798
Early retirement liability	(1,498,500)
Other postemployment benefits payable	(60,817)
Interest on long-term debt	9,156
Litigation payable	450,000

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

(329,719)

**Change in net assets of governmental activities (page 20)**

\$ 7,877,119

See notes to financial statements

**CITY OF CLINTON, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>ASSETS</b>			
Cash and investments	\$ -	\$ -	\$ 1,053,961
Receivables			
Service fees, net of allowance of \$294,064	2,949,917	612,621	-
Special assessments	801,998	97,280	-
Other	18,483	-	-
Prepaid - other	3,000	-	1,500
Restricted cash and investments	2,705,526	-	-
Capital assets, net of accumulated depreciation	109,497,749	1,013,242	3,851,540
Total assets	<u>115,976,673</u>	<u>1,723,143</u>	<u>4,907,001</u>
<b>LIABILITIES</b>			
Cash overdrafts	-	1,848,810	-
Accounts payable	1,410,906	26,928	39,051
Warrants payable	-	-	-
Accrued interest payable	157,522	-	-
Contracts payable	2,543,235	-	-
Early retirement liability	33,000	-	33,000
Deferred revenue	7,866	-	-
Estimated payable for incurred but not reported claims	-	-	-
Long-term liabilities:			
General obligation bonds and notes payable	-	-	-
Notes payable	64,546,947	-	-
Compensated absences payable	51,378	9,599	35,146
Early retirement liability	52,500	-	201,000
Net OPEB liability	79,628	21,164	64,387
Total liabilities	<u>68,882,982</u>	<u>1,906,501</u>	<u>372,584</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	47,561,106	1,013,242	3,851,540
Unrestricted	(467,415)	(1,196,600)	682,877
Total net assets	<u>\$ 47,093,691</u>	<u>\$ (183,358)</u>	<u>\$ 4,534,417</u>

See notes to financial statements

Enterprise				Internal Service
Airport Operations	Dock Operations	Nonmajor Enterprise	Total	Health Insurance
\$ 21,455	\$ 62,416	\$ 269,403	\$ 1,407,235	\$ 875,644
-	-	-	3,562,538	13,082
-	-	-	899,278	-
9,058	-	20,067	47,608	-
-	-	-	4,500	2,051
-	-	-	2,705,526	-
10,564,031	-	9,534,362	134,460,924	-
<u>10,594,544</u>	<u>62,416</u>	<u>9,823,832</u>	<u>143,087,609</u>	<u>890,777</u>
-	-	-	1,848,810	-
50,337	-	39,517	1,566,739	79,935
-	-	-	-	-
-	-	-	157,522	-
37,050	-	-	2,580,285	-
-	-	-	66,000	-
-	-	-	7,866	-
-	-	-	-	519,919
62,500	-	-	62,500	-
-	-	-	64,546,947	-
6,343	-	-	102,466	-
-	-	-	253,500	-
5,998	-	-	171,177	-
<u>162,228</u>	<u>-</u>	<u>39,517</u>	<u>71,363,812</u>	<u>599,854</u>
10,501,531	-	9,534,362	72,461,781	-
(69,215)	62,416	249,953	(737,984)	290,923
<u>\$ 10,432,316</u>	<u>\$ 62,416</u>	<u>\$ 9,784,315</u>	<u>\$ 71,723,797</u>	<u>\$ 290,923</u>

**CITY OF CLINTON, IOWA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>OPERATING REVENUES</b>			
Charges for services	\$ 7,799,965	\$ 1,126,647	\$ 540,928
Property rental	-	-	-
Miscellaneous	47,434	1,095	22,003
Total operating revenues	<u>7,847,399</u>	<u>1,127,742</u>	<u>562,931</u>
<b>OPERATING EXPENSES</b>			
General government			
Contractual services	-	-	-
Business-type/enterprise			
Personal services	1,867,586	485,192	1,332,146
Commodities	530,773	996,222	379,815
Contractual services	1,311,847	360,964	286,452
Repairs, maintenance and utilities	663,699	225,760	40,023
Depreciation	1,759,477	142,447	420,439
Total operating expenses	<u>6,133,382</u>	<u>2,210,585</u>	<u>2,458,875</u>
Operating income (loss)	<u>1,714,017</u>	<u>(1,082,843)</u>	<u>(1,895,944)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	30,649	61	16,625
Intergovernmental	868,000	-	1,128,867
Gain/(loss) on disposal of capital assets	1,500	(37,470)	2,122
Interest expense	(1,645,923)	-	-
Miscellaneous	(143,740)	-	-
Total non-operating revenues (expenses)	<u>(889,514)</u>	<u>(37,409)</u>	<u>1,147,614</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	824,503	(1,120,252)	(748,330)
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital contributions	1,182,856	-	-
Operating transfers in	7,570,388	53,703	816,366
Operating transfers out	(7,624,091)	-	(60,000)
Total other financing sources (uses)	<u>1,129,153</u>	<u>53,703</u>	<u>756,366</u>
<b>CHANGE IN NET ASSETS</b>	1,953,656	(1,066,549)	8,036
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>45,140,035</u>	<u>883,191</u>	<u>4,526,381</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 47,093,691</u>	<u>\$ (183,358)</u>	<u>\$ 4,534,417</u>

See notes to financial statements

Enterprise				Internal Service
Airport Operations	Dock Operations	Nonmajor Enterprise	Total	Health Insurance
\$ -	\$ 36,389	\$ -	\$ 9,503,929	\$ 3,289,175
76,485	-	228,571	305,056	-
277,260	2,050	264,725	614,567	-
<u>353,745</u>	<u>38,439</u>	<u>493,296</u>	<u>10,423,552</u>	<u>3,289,175</u>
-	-	-	-	3,628,987
127,525	-	161	3,812,610	-
266,960	-	110,208	2,283,978	-
15,923	40,079	150,030	2,165,295	-
18,126	-	29,964	977,572	-
208,577	-	364,061	2,895,001	-
<u>637,111</u>	<u>40,079</u>	<u>654,424</u>	<u>12,134,456</u>	<u>3,628,987</u>
<u>(283,366)</u>	<u>(1,640)</u>	<u>(161,128)</u>	<u>(1,710,904)</u>	<u>(339,812)</u>
-	-	-	47,335	10,093
3,178,771	-	-	5,175,638	-
-	3,935,134	-	3,901,286	-
(2,200)	-	-	(1,648,123)	-
-	-	-	(143,740)	-
<u>3,176,571</u>	<u>3,935,134</u>	<u>-</u>	<u>7,332,396</u>	<u>10,093</u>
2,893,205	3,933,494	(161,128)	5,621,492	(329,719)
-	-	-	1,182,856	-
318,200	-	49,192	8,807,849	-
(27,200)	(6,376,000)	-	(14,087,291)	-
<u>291,000</u>	<u>(6,376,000)</u>	<u>49,192</u>	<u>(4,096,586)</u>	<u>-</u>
3,184,205	(2,442,506)	(111,936)	1,524,906	(329,719)
<u>7,248,111</u>	<u>2,504,922</u>	<u>9,896,251</u>	<u>70,198,891</u>	<u>620,642</u>
<u>\$ 10,432,316</u>	<u>\$ 62,416</u>	<u>\$ 9,784,315</u>	<u>\$ 71,723,797</u>	<u>\$ 290,923</u>

**CITY OF CLINTON, IOWA**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	Enterprise		
	Sewer Revenue	Solid Waste Collection	Transit System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 7,513,666	\$ 844,680	\$ 1,046,374
Cash paid to suppliers	(3,917,850)	(1,590,453)	(693,775)
Cash paid to employees	(1,760,044)	(481,946)	(1,081,426)
Net cash provided by (used in) operating activities	<u>1,835,772</u>	<u>(1,227,719)</u>	<u>(728,827)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental	-	-	695,535
Operating transfers in	7,570,388	53,703	816,366
Operating transfers out	(7,624,091)	-	(60,000)
Net cash provided by (used in) non-capital financing activities	<u>(53,703)</u>	<u>53,703</u>	<u>1,451,901</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(25,631,717)	-	(461,254)
Proceeds from sale of capital assets	1,500	-	3,238
Intergovernmental	868,000	-	433,332
Increase in long-term debt	26,276,996	-	-
Principal payments on long-term debt	(1,214,000)	-	-
Miscellaneous	(143,740)	-	-
Interest expense	(1,588,000)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(1,430,961)</u>	<u>-</u>	<u>(24,684)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	30,649	61	16,625
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	381,757	(1,173,955)	715,015
<b>CASH AND INVESTMENTS, JULY 1, AS RESTATED</b>	2,323,769	(674,855)	338,946
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ 2,705,526</u>	<u>\$ (1,848,810)</u>	<u>\$ 1,053,961</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,714,017	\$ (1,082,843)	\$ (1,895,944)
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:			
Depreciation expense	1,759,477	142,447	420,439
Changes in assets and liabilities:			
(Increase) decrease in receivables	(341,599)	(283,062)	483,443
Increase in prepaid - other	(3,000)	-	(1,500)
Increase (decrease) in accounts payable	(2,454,380)	1,241	24,853
Decrease in warrants payable	(227,013)	(8,748)	(10,838)
Increase (decrease) in contracts payable	1,272,862	-	-
Increase in compensated absences payable	5,223	2,466	5,248
Increase in early retirement liability	85,500	-	234,000
Increase in deferred revenue	7,866	-	-
Decrease in estimated payable for incurred but not reported claims	-	-	-
Increase in postemployment benefits	16,819	780	11,472
Net cash flows provided by (used in) operating activities	<u>\$ 1,835,772</u>	<u>\$ (1,227,719)</u>	<u>\$ (728,827)</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Gain/(loss) on disposal of capital assets	1,500	(37,470)	2,122
Capital assets contributed	1,182,856	-	-

See notes to financial statements

Enterprise				Internal Service
Airport Operations	Dock Operations	Nonmajor Enterprise	Total	Health Insurance
\$ 1,041,935	\$ 53,340	\$ 482,480	\$ 10,982,475	\$ 3,276,093
(1,487,679)	(40,079)	(297,727)	(8,027,563)	(3,556,641)
(123,844)	-	(161)	(3,447,421)	-
(569,588)	13,261	184,592	(492,509)	(280,548)
13,500	-	-	709,035	-
318,200	-	49,192	8,807,849	-
(27,200)	(6,376,000)	-	(14,087,291)	-
304,500	(6,376,000)	49,192	(4,570,407)	-
(3,005,028)	-	(49,192)	(29,147,191)	-
-	6,376,000	-	6,380,738	-
3,165,271	-	-	4,466,603	-
32,500	-	-	26,309,496	-
(25,000)	-	-	(1,239,000)	-
-	-	-	(143,740)	-
(2,200)	-	-	(1,590,200)	-
165,543	6,376,000	(49,192)	5,036,706	-
-	-	-	47,335	10,093
(99,545)	13,261	184,592	21,125	(270,455)
121,000	49,155	84,811	2,242,826	1,146,099
\$ 21,455	\$ 62,416	\$ 269,403	\$ 2,263,951	\$ 875,644
\$ (283,366)	\$ (1,640)	\$ (161,128)	\$ (1,710,904)	\$ (339,812)
208,577	-	364,061	2,895,001	-
688,190	14,901	(10,816)	551,057	(13,082)
-	-	-	(4,500)	102
(717,991)	-	22,572	(3,123,705)	79,935
(278,057)	-	(30,097)	(554,753)	(2,924)
(190,622)	-	-	1,082,240	-
2,530	-	-	15,467	-
-	-	-	319,500	-
-	-	-	7,866	-
-	-	-	-	(4,767)
1,151	-	-	30,222	-
\$ (569,588)	\$ 13,261	\$ 184,592	\$ (492,509)	\$ (280,548)
-	3,935,134	-	3,901,286	-
-	-	-	1,182,856	-

**CITY OF CLINTON, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 532,025
Receivables	
Other	538
Prepaid insurance	<u>76,324</u>
<b>Total assets</b>	<b><u>\$ 608,887</u></b>
<b>LIABILITIES</b>	
Accounts payable	<b><u>\$ 608,887</u></b>
See notes to financial statements	

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

**CITY OF CLINTON, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

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

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

**Reporting Entity**

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

**Jointly Governed Organizations**

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

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

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

## Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The Dock Operations Fund is used to account for activities at the City's municipal dock.

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### *Cash and Investments*

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

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

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

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

### *Property Tax Receivable, 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 that 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, 2012 and unpaid taxes. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the budget is required to be certified in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred both in the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

### *Customer Accounts and Unbilled Usage*

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

### *Intergovernmental Receivables*

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

### *Prepaid Items*

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

### *Restricted Assets*

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

### *Capital Assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year ended June 30, 2012, no interest expense was added to the cost of assets acquired in the business-type activities.

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

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

### *Impairment of Long-Lived Assets*

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

### *Deferred Revenue*

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

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

### *Compensated Absences*

City employees accumulate a limited amount of earned but unused vacation and compensatory time benefits payable to the employees. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

### *Long-Term Obligations*

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental 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, fund balances are classified as follows:

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

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

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

*Unassigned* - All amounts not included in other spendable classifications.

## Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the public works, culture and recreation and general government functions.

## Subsequent Events

Management has evaluated subsequent events through February 1, 2013, the date the financial statements were available to be issued.

## NOTE 2 - DEPOSITS AND INVESTMENTS

At year end, the City's carrying amount of deposits with financial institutions was \$7,230,202 and the bank balance was \$7,230,202. These bank balances were fully covered by depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Credit risk - The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$222,154 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investments in the Iowa Public Agency Investment Trust is unrated.

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

Carrying amount of deposits	\$ 7,230,202
Carrying amount of investments	<u>222,154</u>
<b>Total</b>	<b><u>\$ 7,452,356</u></b>
Cash and investments	\$ 6,321,451
Cash overdrafts	(2,105,040)
Cash and investments - Agency Funds	530,419
Restricted cash and investments	<u>2,705,526</u>
<b>Total</b>	<b><u>\$ 7,452,356</u></b>

### NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$21,223,991	\$ 435,340	\$ -	\$ 21,659,331
Construction in progress	<u>18,101,850</u>	<u>6,602,931</u>	<u>2,972,738</u>	<u>21,732,043</u>
Total capital assets, not being depreciated	<u>39,325,841</u>	<u>7,038,271</u>	<u>2,972,738</u>	<u>43,391,374</u>
Capital assets, being depreciated				
Machinery and equipment	14,919,151	206,830	651,857	14,474,124
Land improvements	3,640,836	-	-	3,640,836
Buildings	18,528,795	924,925	226,719	19,227,001
Intangibles	139,413	32,250	-	171,663
Infrastructure	<u>98,440,992</u>	<u>2,842,359</u>	<u>-</u>	<u>101,283,351</u>
Total capital assets, being depreciated	<u>135,669,187</u>	<u>4,006,364</u>	<u>878,576</u>	<u>138,796,975</u>
Less accumulated depreciation for:				
Machinery and equipment	12,744,889	617,317	635,379	12,726,827
Land improvements	2,098,172	92,569	-	2,190,741
Buildings	6,682,113	559,871	131,497	7,110,487
Intangibles	132,492	10,416	-	142,908
Infrastructure	<u>51,687,457</u>	<u>2,919,931</u>	<u>-</u>	<u>54,607,388</u>
Total accumulated depreciation	<u>73,345,123</u>	<u>4,200,104</u>	<u>766,876</u>	<u>76,778,351</u>
Total capital assets, being depreciated, net	<u>62,324,064</u>	<u>(193,740)</u>	<u>111,700</u>	<u>62,018,624</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 101,649,905</u>	<u>\$ 6,844,531</u>	<u>\$ 3,084,438</u>	<u>\$ 105,409,998</u>

Depreciation expense was charged to the governmental functions as follows:

Public works	\$ 3,137,981
Public safety	424,360
Culture and recreation	585,763
General government	<u>52,000</u>
	<u>\$ 4,200,104</u>

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,573,513	\$ 9,500	\$ 928,942	\$ 3,654,071
Construction in progress	<u>41,471,130</u>	<u>28,595,207</u>	<u>4,117,110</u>	<u>65,949,227</u>
Total capital assets, not being depreciated	<u>46,044,643</u>	<u>28,604,707</u>	<u>5,046,052</u>	<u>69,603,298</u>
Capital assets, being depreciated				
Machinery and equipment	9,343,686	502,793	527,726	9,318,753
Land improvements	319,900	487,770	-	807,670
Buildings	26,918,643	-	3,767,344	23,151,299
Intangibles	56,357	-	-	56,357
Infrastructure	<u>93,654,055</u>	<u>4,851,887</u>	<u>-</u>	<u>98,505,942</u>
Total capital assets, being depreciated	<u>130,292,641</u>	<u>5,842,450</u>	<u>4,295,070</u>	<u>131,840,021</u>
Less accumulated depreciation for:				
Machinery and equipment	5,406,929	661,012	489,140	5,578,801
Land improvements	319,900	11,367	-	331,267
Buildings	13,456,283	445,086	2,255,420	11,645,949
Intangibles	52,864	1,580	-	54,444
Infrastructure	<u>47,595,978</u>	<u>1,775,956</u>	<u>-</u>	<u>49,371,934</u>
Total accumulated depreciation	<u>66,831,954</u>	<u>2,895,001</u>	<u>2,744,560</u>	<u>66,982,395</u>
Total capital assets, being depreciated, net	<u>63,460,687</u>	<u>2,947,449</u>	<u>1,550,510</u>	<u>64,857,626</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 109,505,330</u>	<u>\$ 31,552,156</u>	<u>\$ 6,596,562</u>	<u>\$ 134,460,924</u>

Depreciation expense was charged to the governmental functions as follows:

Sewer	\$ 1,759,477
Solid waste	142,447
Transit	420,439
Airport operations	208,577
Other business-type funds	<u>364,061</u>
	<u>\$ 2,895,001</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due One Year</u>
<b>Governmental activities</b>					
General obligation					
Bonds and notes	\$ 18,862,000	\$ 2,698,500	\$ 3,584,333	\$ 17,976,167	\$ 2,862,666
Notes payable	754,000	-	-	754,000	-
Accrued compensated absences	586,802	731,380	794,178	524,004	524,004
Net OPEB liability	<u>531,518</u>	<u>60,817</u>	<u>-</u>	<u>592,335</u>	<u>-</u>
<b>Governmental activities, long-term liabilities</b>	<u>\$ 20,734,320</u>	<u>\$ 3,490,697</u>	<u>\$ 4,378,511</u>	<u>\$ 19,846,506</u>	<u>\$ 3,386,670</u>
<b>Business-type activities</b>					
General obligation					
Bonds and notes	\$ 55,000	\$ 32,500	\$ 25,000	\$ 62,500	\$ 25,000
Sewer revenue notes	39,483,951	26,276,996	1,214,000	64,546,947	2,701,913
Accrued compensated absences	86,999	149,088	133,621	102,466	102,466
Net OPEB liability	<u>140,955</u>	<u>30,222</u>	<u>-</u>	<u>171,177</u>	<u>-</u>
<b>Business-type activities, long-term liabilities</b>	<u>\$ 39,766,905</u>	<u>\$26,488,806</u>	<u>\$ 1,372,621</u>	<u>\$ 64,883,090</u>	<u>\$ 2,829,379</u>

**General Obligation Bonds and Notes.** The City issues general obligation bonds and capital loan notes to provide funds for the acquisition and construction of major capital facilities and procurement of capital equipment. General obligation bonds and capital loan notes have been issued for general government.

In 2006, \$4,275,000 of bonds were issued for the purpose of refunding the 1997 and 1999 issues which contained higher interest rates. The amount refunded was \$4,205,000 and included a portion of the 1997 issue used to construct hangars at the airport. As in prior years, rental revenue from the hangars will pay the general long-term debt principal and interest associated with construction of the hangars. The liability for those bonds is included in that enterprise fund. In May of 2012, the City issued a capital loan note totaling \$422,000 of which \$32,500 was used for airport improvements. The liability for the airport improvements is included in that enterprise fund.

In May of 2012, the City issued \$910,000 of Capital Loan Notes with an interest rate of 1.00%. The City issued the notes to refund the City's 2001 and 2003 General Corporate Purpose Bonds. The 2001 General Corporate Purpose Bonds were dated March 1, 2001 with interest rates ranging from 4.20 - 4.25%. The 2003 General Corporate Purpose Bonds were dated November 1, 2003 with interest rates ranging from 1.75 - 3.75%.

The current refunding decreased total debt service payments over the next 2 years by \$73,627. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$60,205.

General obligation bonds and capital loan notes are direct obligations and pledge the full faith and credit of the City. General obligation bonds and notes outstanding at June 30, 2012 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Corporate purpose	11/01/03	3.00-5.00	\$ 630,000	\$ 50,000
Corporate purpose	05/01/06	5.40-5.70	7,620,000	2,415,000
Corporate purpose	05/01/06	4.00-4.25	3,470,000	2,060,000
Corporate purpose	09/01/08	3.25-4.75	6,270,000	6,270,000
Capital loan note	04/03/09	4.85	230,000	46,000
Corporate purpose	08/26/09	1.75-5.00	4,600,000	4,000,000
Capital loan note	03/22/11	1.85	700,000	466,667
Capital loan note	12/08/11	1.63	610,000	610,000
Capital loan note	12/29/11	1.25	606,000	606,000
Capital loan note	12/29/11	1.50	183,000	183,000
Capital loan note	05/11/12	1.25	422,000	422,000
Capital loan note	05/11/12	1.00	910,000	910,000
			<u>\$26,251,000</u>	<u>\$18,038,667</u>

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$3,434,598, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,887,666	\$ 686,423	\$ 3,574,089
2014	2,774,667	602,537	3,377,204
2015	2,333,334	519,521	2,852,855
2016	2,403,000	437,836	2,840,836
2017	1,765,000	348,381	2,113,381
2018-2022	5,025,000	731,525	5,756,525
2023-2027	750,000	103,625	853,625
2028	100,000	4,750	104,750
<b>Total</b>	<u>\$ 18,038,667</u>	<u>\$ 3,434,598</u>	<u>\$ 21,473,265</u>

**Sewer Revenue Capital Loan Notes and Other Notes Payable.** Notes payable have been issued to provide funds for economic development and for sewer plant improvements. Notes payable at June 30, 2012 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Economic development	07/01/01	6.00%	\$ 800,000	\$ 754,000
Sewer plant improvements	11/11/93	4.62%	2,564,000	196,000
Sewer separation project	08/03/06	3.00%	2,478,000	1,868,000
Sewer system project	12/11/07	3.00%	9,898,000	8,358,000
Sewer system project	09/15/10	3.00%	46,660,000	46,660,000
Sewer system project	07/06/11	3.00%	9,797,000	7,003,697
Sewer system project	07/06/11	3.00%	4,577,000	461,250
			<u>\$76,774,000</u>	<u>\$65,300,947</u>

Debt service requirements to maturity, including interest of \$21,349,797 on notes payable, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,701,913	\$ 1,913,807	\$ 4,615,720
2014	3,339,612	1,855,352	5,194,964
2015	2,669,312	1,777,784	4,447,096
2016	2,753,551	1,697,704	4,451,255
2017	2,842,789	1,615,098	4,457,887
2018-2022	15,638,535	6,740,318	22,378,853
2023-2027	18,147,775	4,239,018	22,386,793
2028-2032	17,207,460	1,510,716	18,718,176
<b>Total</b>	<u>\$ 65,300,947</u>	<u>\$ 21,349,797</u>	<u>\$ 86,650,744</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the six sewer revenue notes issued in November 1993, August 2006, December 2007, September 2010 and June 2011. Proceeds from the notes provided financing for acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping the sewer system. The notes are payable solely from sewer customer net revenues and are payable through 2032. Total principal and interest remaining to be paid on the sewer revenue notes is \$85,896,744. For the current year, principal and interest paid on the sewer revenue notes and total customer net revenues were \$2,802,000 and \$3,473,494, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds. All revenue must be initially deposited into the sewer revenue fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund for the purpose of making the note principal and interest payments when due. The amount of monthly deposit required is 1/6 of next interest payment and 1/12 of the next principal payment.
- (b) All funds remaining in the sewer rental fund after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account. This account is restricted for the purpose of paying for any extraordinary repairs or replacements to the system or for note and interest payments which the other accounts might be unable to make.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2012, the City was in compliance with the revenue note provisions.

**Operating Leases.** The City has an operating lease for occupancy of a building and parking lot for the police department which resulted in rent paid of \$67,166 for the year ended June 30, 2012.

The original lease agreement was signed in November, 1997 and renewed in October, 2002, February 2006, and March 2008. The term of the current lease is five years with two five year options at current monthly payments of \$5,680.

## NOTE 5 - INTERFUND TRANSFER RECONCILIATION

	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ 8,068,417	\$ 1,769,293
Road Use Tax	-	75,000
Local Option Sales Tax	-	4,137,218
Employee Benefits	-	3,897,383
Debt Service	1,911,935	27,200
Capital Projects	6,144,022	1,030,192
Other Nonmajor Governmental Funds	930,239	838,885
Sewer Revenue	7,570,388	7,624,091
Solid Waste Collection	53,703	-
Transit System	816,366	60,000
Airport Operations	318,200	27,200
Dock Operations	-	6,376,000
Other Nonmajor Proprietary Funds	49,192	-
	<u>\$ 25,862,462</u>	<u>\$ 25,862,462</u>

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

## NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS

### MFPRSI

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

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, and cannot be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, were \$1,186,430, \$1,025,225, and \$841,035, respectively, which met the required contribution for each year.

### IPERS

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$446,652, \$408,559, and \$352,453, respectively, equal to the required contributions for each year.

## NOTE 7 - TERMINATION BENEFITS

In October 2011 the City approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of full-time service to the City, must have reached the age of fifty-four and be no older than sixty-four, and must retire prior to June 30, 2012.

Early retirement benefits are equal to \$1,500 per month beginning on the first of the month following the date of termination and shall continue to receive such payment on the first of each month until the month in which the employee becomes eligible for Medicare.

At June 30, 2012, the City has obligations to sixteen participants with a total liability of \$1,836,000. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$136,500.

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 193 active and 24 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 442,879
Interest on net OPEB obligation	10,751
Adjustment to annual required contribution	<u>(31,320)</u>
Annual OPEB cost	422,310
Contributions made	<u>(88,840)</u>
Increase in net OPEB obligation	333,470
Net OPEB obligation beginning of year	<u>430,042</u>
Net OPEB obligation end of year	<u>\$ 763,512</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, 2012.

For the year ended June 30, 2012, the City contributed \$88,840 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 301,844	29.6%	\$ 430,042
June 30, 2011	331,110	26.8%	672,473
June 30, 2012	422,310	21.0%	763,512

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$3.202 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.202 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9,433,845, and the ratio of the UAAL to covered payroll was 33.9%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The projected annual health cost trend rate is 6%.

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

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

**NOTE 9 - INDUSTRIAL DEVELOPMENT REVENUE BONDS**

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

## **NOTE 10 - DEFICIT FUND BALANCE**

At June 30, 2012, the Capital Projects Fund and Solid Waste Collection Fund had deficit balances of \$981,396 and \$183,358, respectively. The Capital Projects Fund deficit fund balance is a result of project costs in excess of available funds. The deficit will be eliminated upon the collection of future revenues. The Solid Waste Collection Fund deficit fund balance is a result of lost revenue due to problems related to the implementation of a new solid waste collection process in FY12. This deficit will be eliminated by the implementation of a new rate structure that was passed by the City Council in May of 2012.

## **NOTE 11 - RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City Officials totaling \$15,187 during the year ended June 30, 2012.

## **NOTE 12 - RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$398,051.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any

reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City has established a Health Insurance Fund for insuring benefits provided to City employees, covered dependents, retirees, and two outside agencies which is included in the Internal Service Fund Type. Health benefits were self-insured up to a specific stop loss amount of \$50,000, and an aggregate stop loss of approximately \$2.6 million for 2012. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate.

All funds of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims. Certain retirees and the two outside agencies make payments directly to the fund. The claims liability of \$519,919 in the Health Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimated claims liability does not include any allocated or unallocated claims adjustment expenses.

Changes in reported liabilities for the fiscal year ended June 30, 2012 are summarized as follows:

Liability at June 30, 2011	\$ 524,686
Claims and changes in estimates during fiscal year 2012	3,040,273
Claim payments	<u>(3,045,040)</u>
<b>Liability at June 30, 2012</b>	<b><u>\$ 519,919</u></b>

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

## **NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES**

### **Grants**

The City has received financial assistance from numerous federal and state agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position as of June 30, 2012.

## **NOTE 14 - CONSTRUCTION CONTRACTS**

The City has entered into construction contracts totaling \$87,897,389. As of June 30, 2012, costs of \$70,074,551 have been incurred on the projects. The remaining balance of \$17,822,838 will be paid as work on the projects progresses.

## **NOTE 15 - LITIGATION**

Various claims and lawsuits are pending against the City. In September of 2009, the City was ordered to pay \$4,500,000 in regards to a federal lawsuit. The balance owed is to be paid over a 10 year period, with the final payment being due in 2019. As of June 30, 2012, the City still owed \$3,600,000 in regards to this judgment. In the opinion of City management, after consultation with legal counsel, the potential loss to the City for all other claims and lawsuits will not materially affect the City's financial position.

## **NOTE 16 - SUBSEQUENT EVENTS**

In September 2012, the City issued \$3,065,000 General Obligation Capital Loan Notes, Series 2012C. The agreement was dated September 11, 2012 with interest rates ranging from .60% to 1.90% and final maturity of June 1, 2022. The proceeds are to be used as follows: \$1.175 million for Liberty Avenue; \$500,000 for FY 13 Capital Projects; \$800,000 for 18th Avenue North Sewer Separation; \$500,000 for property purchases from DOT (Camanche Avenue), \$60,000 for Hwy. 67 Resurfacing Project and the remaining \$30,000 for other various purchases.

In September 2012, the City issued \$575,000 in Sewer Revenue Capital Loan Notes, Anticipation Project Notes, Series 2012. The agreement was dated September 25, 2012 with an interest rate of 0% and final maturity of October 1, 2015. The proceeds are to be applied to engineering and planning expenditures for specific projects.

In November 2012, the City issued \$2,179,000 in Sewer Revenue Capital Loan Notes, Series 2012. The agreement was dated November 30, 2012 with an interest rate of 1.75% and final maturity of June 1, 2032. The proceeds are to be used to reimburse the Iowa Department of Transportation for work performed on Liberty Avenue.

## NOTE 17 - RESTATEMENT OF FUND BALANCES

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

	<b>Sewer Fund</b>
Beginning net assets, as previously reported	\$ 45,487,206
Cash/accounts receivable overstatement	<u>(347,171)</u>
Beginning net assets, as restated	<u>\$ 45,140,035</u>
	<b>Solid Waste Fund</b>
Beginning net assets, as previously reported	\$ 763,822
Cash/accounts receivable understatement	<u>119,369</u>
Beginning net assets, as restated	<u>\$ 883,191</u>
	<b>Transit Fund</b>
Beginning net assets, as previously reported	\$ 4,678,658
Accounts receivable overstatement	<u>(152,277)</u>
Beginning net assets, as restated	<u>\$ 4,526,381</u>

## NOTE 18 – NEW PRONOUNCEMENTS

The Governmental Accounting Standard Board (GASB) has issued eight statements not yet implemented by the City of Clinton, Iowa. The City has not yet determined the impact of the statements not yet implemented. The statements, which may impact the City of Clinton, Iowa are as follows:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and

Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis-for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net positions, rather than net assets*.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No.4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits)

and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CLINTON, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS -**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total Actual</b>
<b>REVENUES</b>			
Taxes	\$ 20,061,933	\$ -	\$ 20,061,933
Licenses and permits	388,142	-	388,142
Use of money and property	166,362	47,335	213,697
Intergovernmental	5,077,516	5,175,638	10,253,154
Charges for services	1,276,132	9,503,929	10,780,061
Property rental	-	305,056	305,056
Special assessments	-	-	-
Miscellaneous	2,301,813	4,515,853	6,817,666
Total revenues	<u>29,271,898</u>	<u>19,547,811</u>	<u>48,819,709</u>
<b>EXPENDITURES</b>			
Current			
Public safety	10,099,168	-	10,099,168
Public works	2,931,985	-	2,931,985
Culture and recreation	3,016,460	-	3,016,460
Community and economic development	2,749,648	-	2,749,648
General government	1,656,335	-	1,656,335
Debt service	3,477,659	-	3,477,659
Capital projects	7,817,225	-	7,817,225
Business-type activities	-	13,926,319	13,926,319
Total expenditures	<u>31,748,480</u>	<u>13,926,319</u>	<u>45,674,799</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,476,582)</u>	<u>5,621,492</u>	<u>3,144,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from capital asset sales	6,915	-	6,915
Bond proceeds	2,698,500	-	2,698,500
Debt service - principal	(910,000)	-	(910,000)
Capital contributions	-	1,182,856	1,182,856
Operating transfers in	17,054,613	8,807,849	25,862,462
Operating transfers out	(11,775,171)	(14,087,291)	(25,862,462)
Total other financing sources (uses)	<u>7,074,857</u>	<u>(4,096,586)</u>	<u>2,978,271</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	4,598,275	1,524,906	6,123,181
<b>FUND BALANCE, BEGINNING OF YEAR, AS RESTATED</b>	<u>(974,696)</u>	<u>70,198,891</u>	<u>69,224,195</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,623,579</u>	<u>\$ 71,723,797</u>	<u>\$ 75,347,376</u>

Budgeted Amounts		Variance with Final Budget
Original	Final	Positive (Negative)
\$ 20,459,963	\$ 21,144,116	\$ (1,082,183)
289,700	265,500	122,642
949,000	691,197	(477,500)
3,698,890	12,720,446	(2,467,292)
10,451,930	14,436,655	(3,656,594)
-	-	305,056
-	31,090	(31,090)
3,717,900	1,179,317	5,638,349
<u>39,567,383</u>	<u>50,468,321</u>	<u>(1,648,612)</u>
10,762,600	10,175,004	75,836
2,867,900	2,575,642	(356,343)
3,171,300	2,976,893	(39,567)
2,201,200	3,202,978	453,330
1,775,300	1,458,222	(198,113)
5,335,838	4,431,892	954,233
13,346,768	10,929,575	3,112,350
53,172,425	24,487,344	10,561,025
<u>92,633,331</u>	<u>60,237,550</u>	<u>14,562,751</u>
<u>(53,065,948)</u>	<u>(9,769,229)</u>	<u>12,914,139</u>
-	-	6,915
51,946,768	40,372,500	(37,674,000)
-	-	(910,000)
-	-	1,182,856
9,475,156	26,934,500	(1,072,038)
<u>(9,475,156)</u>	<u>(26,934,500)</u>	<u>1,072,038</u>
<u>51,946,768</u>	<u>40,372,500</u>	<u>(37,394,229)</u>
(1,119,180)	30,603,271	(24,480,090)
<u>12,683,565</u>	<u>25,367,130</u>	<u>43,857,065</u>
<u>\$ 11,564,385</u>	<u>\$ 55,970,401</u>	<u>\$ 19,376,975</u>

**CITY OF CLINTON, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**June 30, 2012**

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

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

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund or fund type. These eight functions are: Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Enterprise Funds. Although the budget document presents function disbursement by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$10,900,938 and decreased budgeted disbursements by \$32,395,781. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements in the public works, culture and recreation and general government functions exceeded the amounts budgeted.

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

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	-	\$ 2,616	\$ 2,616	0.00%	\$ 10,500	24.9%
2011	July 1, 2009	-	2,616	2,616	0.00%	10,900	24.0%
2012	July 1, 2011	-	3,202	3,202	0.00%	9,434	33.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **SUPPLEMENTARY INFORMATION**

**CITY OF CLINTON, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
<b>ASSETS</b>			
Cash and investments	\$ 112,496	\$ 305,146	\$ 54,641
Receivables			
Taxes	-	-	-
Intergovernmental	27,704	-	-
Special assessments	-	-	-
Other	48,892	-	-
Prepaid insurance	-	-	3,770
<b>TOTAL ASSETS</b>	<u>\$ 189,092</u>	<u>\$ 305,146</u>	<u>\$ 58,411</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 58,288	\$ 416	\$ 70
Contracts payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>58,288</u>	<u>416</u>	<u>70</u>
<b>FUND BALANCES</b>			
Fund balance			
Nonspendable:			
Prepaid expenditures	-	-	3,770
Endowments	-	-	-
Restricted for:			
Community programs and services	-	304,730	-
Other purposes	130,804	-	54,571
Total fund balances	<u>130,804</u>	<u>304,730</u>	<u>58,341</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 189,092</u>	<u>\$ 305,146</u>	<u>\$ 58,411</u>

<u>Special Revenue</u>	<u>Permanent</u>		
<u>Miscellaneous</u>	<u>Hayes Trust</u>	<u>Boyd Henningsen Trust</u>	<u>Total</u>
\$ 396,052	\$ 3,747	\$ 5,041	\$ 877,123
363,724	-	-	363,724
223	-	-	27,927
177,581	-	-	177,581
-	-	-	48,892
-	-	-	3,770
<u>\$ 937,580</u>	<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$ 1,499,017</u>

\$ 47,834	\$ -	\$ -	\$ 106,608
2,183	-	-	2,183
520,759	-	-	520,759
<u>570,776</u>	<u>-</u>	<u>-</u>	<u>629,550</u>

-	-	-	3,770
-	3,000	4,000	7,000
-	-	-	304,730
366,804	747	1,041	553,967
<u>366,804</u>	<u>3,747</u>	<u>5,041</u>	<u>869,467</u>
<u>\$ 937,580</u>	<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$ 1,499,017</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2012**

	<b>Special Revenue</b>		
	<b>Leisure/ Cultural Programs</b>	<b>Community and Economic Development</b>	<b>Tort Liability</b>
<b>REVENUES</b>			
Taxes	\$ 190,496	\$ -	\$ -
Use of money and property	-	-	-
Intergovernmental	85,003	732,165	-
Charges for services	28,965	-	-
Miscellaneous	76,216	14,074	-
Total revenues	<u>380,680</u>	<u>746,239</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
Public safety	-	-	-
Culture and recreation	256,886	-	-
Community and economic development	-	730,300	-
General government	-	-	266,441
Capital projects	28,304	-	-
Total expenditures	<u>285,190</u>	<u>730,300</u>	<u>266,441</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>95,490</u>	<u>15,939</u>	<u>(266,441)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	332,554	15,312	287,307
Operating transfers out	(338,397)	-	-
Total other financing sources (uses)	<u>(5,843)</u>	<u>15,312</u>	<u>287,307</u>
<b>NET CHANGE IN FUND BALANCES</b>	89,647	31,251	20,866
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>41,157</u>	<u>273,479</u>	<u>37,475</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 130,804</u>	<u>\$ 304,730</u>	<u>\$ 58,341</u>

Special Revenue	Permanent		
Miscellaneous	Hayes Trust	Boyd Henningsen Trust	Total
\$ 2,125,760	\$ -	\$ -	\$ 2,316,256
9,517	85	113	9,715
26,271	-	-	843,439
42,995	-	-	71,960
88,235	-	-	178,525
<u>2,292,778</u>	<u>85</u>	<u>113</u>	<u>3,419,895</u>
82,000	-	-	82,000
23,675	-	-	280,561
1,689,508	-	-	2,419,808
-	-	-	266,441
54,934	-	-	83,238
<u>1,850,117</u>	<u>-</u>	<u>-</u>	<u>3,132,048</u>
<u>442,661</u>	<u>85</u>	<u>113</u>	<u>287,847</u>
295,066	-	-	930,239
(500,488)	-	-	(838,885)
<u>(205,422)</u>	<u>-</u>	<u>-</u>	<u>91,354</u>
237,239	85	113	379,201
<u>129,565</u>	<u>3,662</u>	<u>4,928</u>	<u>490,266</u>
<u>\$ 366,804</u>	<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$ 869,467</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2012**

	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 259,090	\$ 10,313	\$ 269,403
Receivables			
Other	20,042	25	20,067
Capital assets, net of accumulated depreciation	<u>9,317,362</u>	<u>217,000</u>	<u>9,534,362</u>
Total assets	<u>9,596,494</u>	<u>227,338</u>	<u>9,823,832</u>
<b>LIABILITIES</b>			
Accounts payable	<u>39,517</u>	<u>-</u>	<u>39,517</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,317,362	217,000	9,534,362
Unrestricted	<u>239,615</u>	<u>10,338</u>	<u>249,953</u>
Total net assets	<u>\$ 9,556,977</u>	<u>\$ 227,338</u>	<u>\$ 9,784,315</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**Year Ended June 30, 2012**

	<u>Marina</u>	<u>Parking System</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Property rental	\$ 228,571	\$ -	\$ 228,571
Miscellaneous	264,725	-	264,725
Total operating revenues	<u>493,296</u>	<u>-</u>	<u>493,296</u>
<b>OPERATING EXPENSES</b>			
Business-type/enterprise			
Personal services	161	-	161
Commodities	110,208	-	110,208
Contractual services	150,030	-	150,030
Repairs, maintenance and utilities	29,964	-	29,964
Depreciation	363,028	1,033	364,061
Total operating expenses	<u>653,391</u>	<u>1,033</u>	<u>654,424</u>
<b>LOSS BEFORE TRANSFERS</b>	(160,095)	(1,033)	(161,128)
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	<u>49,192</u>	<u>-</u>	<u>49,192</u>
<b>CHANGE IN NET ASSETS</b>	(110,903)	(1,033)	(111,936)
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>9,667,880</u>	<u>228,371</u>	<u>9,896,251</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 9,556,977</u>	<u>\$ 227,338</u>	<u>\$ 9,784,315</u>

**CITY OF CLINTON, IOWA  
COMBINING STATEMENT OF CASH FLOWS -  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2012**

	Marina	Parking System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 482,480	\$ -	\$ 482,480
Cash paid to suppliers	(297,727)	-	(297,727)
Cash paid to employees	(161)	-	(161)
Net cash provided by operating activities	<u>184,592</u>	<u>-</u>	<u>184,592</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in	<u>49,192</u>	<u>-</u>	<u>49,192</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	<u>(49,192)</u>	<u>-</u>	<u>(49,192)</u>
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	184,592	-	184,592
<b>CASH AND INVESTMENTS, JULY 1</b>	<u>74,498</u>	<u>10,313</u>	<u>84,811</u>
<b>CASH AND INVESTMENTS, JUNE 30</b>	<u>\$ 259,090</u>	<u>\$ 10,313</u>	<u>\$ 269,403</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (160,095)	\$ (1,033)	\$ (161,128)
Adjustments to reconcile operating loss to net cash flows provided by operating activities:			
Depreciation expense	363,028	1,033	364,061
Changes in assets and liabilities:			
Increase in receivables	(10,816)	-	(10,816)
Increase in accounts payable	22,572	-	22,572
Decrease in warrants payable	(30,097)	-	(30,097)
Net cash flows provided by operating activities	<u>\$ 184,592</u>	<u>\$ -</u>	<u>\$ 184,592</u>

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2012**

	Payroll Clearing Fund	Miscellaneous Clearing Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 532,025	\$ -	\$ 532,025
Receivables			
Other	-	538	538
Prepaid insurance	76,324	-	76,324
<b>TOTAL ASSETS</b>	<b>\$ 608,349</b>	<b>\$ 538</b>	<b>\$ 608,887</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 608,349	\$ 538	\$ 608,887

**CITY OF CLINTON, IOWA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**Year Ended June 30, 2012**

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<b>Payroll Clearing Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 492,581	\$ 13,632,277	\$ 13,592,833	\$ 532,025
Prepaid insurance	-	76,324	-	76,324
<b>Total assets</b>	<u>\$ 492,581</u>	<u>\$ 13,708,601</u>	<u>\$ 13,592,833</u>	<u>\$ 608,349</u>
<b>Liabilities:</b>				
Accounts payable	\$ 183,750	\$ 6,956,184	\$ 6,531,585	\$ 608,349
Warrants payable	308,831	11,145,928	11,454,759	-
<b>Total liabilities</b>	<u>\$ 492,581</u>	<u>\$ 18,102,112</u>	<u>\$ 17,986,344</u>	<u>\$ 608,349</u>
<b>Miscellaneous Clearing Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 61,442,562	\$ 61,442,562	\$ -
Receivables				
Other	-	1,695	1,157	538
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 61,444,257</u>	<u>\$ 61,443,719</u>	<u>\$ 538</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 274,389	\$ 273,851	\$ 538
<b>Total All Funds</b>				
<b>Assets:</b>				
Cash and investments	\$ 492,581	\$ 75,074,839	\$ 75,035,395	\$ 532,025
Receivables				
Other	-	1,695	1,157	538
Prepaid insurance	-	76,324	-	76,324
<b>Total assets</b>	<u>\$ 492,581</u>	<u>\$ 75,152,858</u>	<u>\$ 75,036,552</u>	<u>\$ 608,887</u>
<b>Liabilities:</b>				
Accounts payable	\$ 183,750	\$ 7,230,573	\$ 6,805,436	\$ 608,887
Warrants payable	308,831	11,145,928	11,454,759	-
<b>Total liabilities</b>	<u>\$ 492,581</u>	<u>\$ 18,376,501</u>	<u>\$ 18,260,195</u>	<u>\$ 608,887</u>

CITY OF CLINTON, IOWA  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES**  
**BY FUNCTION - ALL GOVERNMENTAL FUNDS**  
 For the Last Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>REVENUES</b>									
Taxes	\$ 20,061,933	\$ 19,459,376	\$ 18,866,982	\$ 17,885,612	\$ 16,896,773	\$ 16,356,349	\$ 15,093,950	\$ 14,569,285	\$ 13,209,020
Licenses and permits	388,142	280,236	756,662	278,034	302,729	271,733	192,010	247,289	183,989
Use of money and property	166,362	409,167	433,911	467,610	505,698	533,043	509,542	407,488	413,213
Intergovernmental	5,077,516	15,396,842	4,401,029	3,287,033	6,943,004	8,325,118	6,925,122	4,384,103	5,324,550
Charges for services	1,276,132	1,257,521	1,365,157	1,230,528	1,566,224	1,518,430	1,363,812	1,338,684	1,104,422
Miscellaneous	2,301,813	326,379	529,325	558,340	723,501	938,498	970,657	309,536	349,131
<b>TOTAL REVENUES</b>	<b>\$ 29,271,898</b>	<b>\$ 37,129,521</b>	<b>\$ 26,453,066</b>	<b>\$ 23,507,157</b>	<b>\$ 26,737,929</b>	<b>\$ 27,943,171</b>	<b>\$ 25,056,093</b>	<b>\$ 21,256,385</b>	<b>\$ 20,584,305</b>
<b>EXPENDITURES</b>									
Current									
Public safety	\$ 10,099,168	\$ 10,522,406	\$ 9,451,323	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919	\$ 8,118,198	\$ 7,773,283
Public works	2,931,985	3,831,214	3,364,814	3,449,917	3,147,176	2,819,417	2,689,177	2,680,519	2,371,651
Culture and recreation	3,016,460	3,056,645	2,691,561	2,882,200	2,560,291	2,525,097	2,443,820	2,466,359	2,291,667
Community and economic development	2,749,648	2,500,810	1,933,560	966,803	1,346,733	1,175,920	1,356,850	1,718,548	737,029
General government	1,656,335	1,860,914	2,288,430	2,432,760	1,128,739	1,047,609	1,050,086	972,907	1,039,592
Debt service	3,477,659	3,348,133	3,993,984	4,750,160	4,445,382	4,755,246	8,379,435	4,140,643	12,068,982
Capital projects	7,817,225	10,061,875	6,267,321	6,986,200	7,915,554	7,553,288	12,522,925	4,852,235	4,907,607
<b>TOTAL EXPENDITURES</b>	<b>\$ 31,748,480</b>	<b>\$ 35,181,997</b>	<b>\$ 29,990,993</b>	<b>\$ 31,100,977</b>	<b>\$ 29,958,648</b>	<b>\$ 28,979,766</b>	<b>\$ 37,147,212</b>	<b>\$ 24,951,409</b>	<b>\$ 31,189,811</b>

## **OTHER INFORMATION SECTION**

CITY OF CLINTON, IOWA  
ACTUAL PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<u>January 1 Valuation</u>	2004	2005	2006	2007	2008	2009	2010
Residential property	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206	\$ 809,102,152	\$ 824,901,714	\$ 873,107,272
Commercial property	212,733,005	239,709,838	254,475,073	258,943,100	263,428,838	264,671,175	270,207,165
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248	144,102,110	143,732,802	193,742,825
Utilities	85,108,878	87,104,661	86,562,503	84,928,187	87,449,615	519,907,540	151,620,680
Other	446,750	446,750	446,750	446,750	446,750	446,750	446,750
Subtotal	1,040,774,106	1,100,532,053	1,163,025,557	1,252,731,491	1,304,529,465	1,753,659,981	1,489,124,692
Agricultural land	10,420,888	10,961,103	10,898,984	10,628,345	10,611,413	13,514,673	15,324,520
<b>TOTAL</b>	<b>\$ 1,051,194,994</b>	<b>\$ 1,111,493,156</b>	<b>\$ 1,173,924,541</b>	<b>\$ 1,263,359,836</b>	<b>\$ 1,315,140,878</b>	<b>\$ 1,767,174,654</b>	<b>\$ 1,504,449,212</b>

CITY OF CLINTON, IOWA  
TAXABLE PROPERTY VALUATION COMPARISON

(Unaudited)

Fiscal Year:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
January 1 Valuation	2004	2005	2006	2007	2008	2009	2010
Residential property	\$ 312,687,063	\$ 310,556,419	\$ 323,640,980	\$ 345,681,673	\$ 364,473,337	\$ 383,571,449	\$ 421,511,650
Commercial property	212,733,005	237,440,179	254,475,073	258,177,965	263,428,838	264,671,175	270,207,165
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248	144,102,110	143,732,802	193,742,825
Utilities	65,735,002	65,194,081	62,171,994	64,187,274	63,694,959	66,006,035	94,263,469
Other	446,750	446,750	446,750	446,750	446,750	446,750	446,750
Subtotal	682,169,788	705,917,985	744,623,842	782,352,910	836,145,994	858,428,211	980,171,859
Less military exemptions	4,004,950	3,851,234	3,817,898	3,647,514	3,578,990	3,456,758	3,389,160
<b>TOTAL</b>	<b>\$ 678,164,838</b>	<b>\$ 702,066,751</b>	<b>\$ 740,805,944</b>	<b>\$ 778,705,396</b>	<b>\$ 832,567,004</b>	<b>\$ 854,971,453</b>	<b>\$ 976,782,699</b>
Agricultural land	\$ 10,210,421	\$ 10,420,888	\$ 10,961,103	\$ 9,576,396	\$ 9,955,176	\$ 8,950,487	\$ 10,576,243

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND AND NOTE MATURITIES  
June 30, 2012**

**SUMMARY**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,887,666	\$ 686,423	\$ 3,574,089
2014	2,774,667	602,537	3,377,204
2015	2,333,334	519,521	2,852,855
2016	2,403,000	437,836	2,840,836
2017	1,765,000	348,381	2,113,381
2018	2,045,000	270,419	2,315,419
2019	870,000	176,801	1,046,801
2020	880,000	136,675	1,016,675
2021	900,000	95,115	995,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 18,038,667</u>	<u>\$ 3,434,598</u>	<u>\$ 21,473,265</u>

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND AND NOTE MATURITIES  
June 30, 2012**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ 2,500	\$ 52,500

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 745,000	\$ 100,013	\$ 845,013
2014	305,000	70,212	375,212
2015	320,000	58,013	378,013
2016	335,000	44,412	379,412
2017	345,000	30,175	375,175
2018	365,000	15,513	380,513
	<u>\$ 2,415,000</u>	<u>\$ 318,338</u>	<u>\$ 2,733,338</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 300,000	\$ 116,120	\$ 416,120
2014	315,000	99,320	414,320
2015	335,000	81,680	416,680
2016	350,000	62,920	412,920
2017	370,000	43,320	413,320
2018	390,000	22,230	412,230
	<u>\$ 2,060,000</u>	<u>\$ 425,590</u>	<u>\$ 2,485,590</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND AND NOTE MATURITIES**  
June 30, 2012

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 170,000	\$ 243,635	\$ 413,635
2014	800,000	238,110	1,038,110
2015	825,000	211,310	1,036,310
2016	965,000	182,435	1,147,435
2017	690,000	146,730	836,730
2018	720,000	119,820	839,820
2019	295,000	91,020	386,020
2020	305,000	78,925	383,925
2021	320,000	66,115	386,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 6,270,000</u>	<u>\$ 1,538,990</u>	<u>\$ 7,808,990</u>

**General Obligation Capital Loan Note**  
**Series 2009**  
**Dated April 3, 2009**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 46,000	\$ 2,231	\$ 48,231

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 320,000	\$ 177,854	\$ 497,854
2014	330,000	168,254	498,254
2015	340,000	156,291	496,291
2016	350,000	143,031	493,031
2017	360,000	128,156	488,156
2018	570,000	112,856	682,856
2019	575,000	85,781	660,781
2020	575,000	57,750	632,750
2021	580,000	29,000	609,000
	<u>\$ 4,000,000</u>	<u>\$ 1,058,973</u>	<u>\$ 5,058,973</u>

**CITY OF CLINTON, IOWA**  
**GENERAL OBLIGATION BOND AND NOTE MATURITIES**  
 June 30, 2012

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 233,333	\$ 8,633	\$ 241,966
2014	233,334	4,317	237,651
	<u>\$ 466,667</u>	<u>\$ 12,950</u>	<u>\$ 479,617</u>

**General Obligation Capital Loan Note**  
**Series 2011B**  
**Dated December 8, 2011**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 203,333	\$ 9,943	\$ 213,276
2014	203,333	6,629	209,962
2015	203,334	3,314	206,648
	<u>\$ 610,000</u>	<u>\$ 19,886</u>	<u>\$ 629,886</u>

**General Obligation Capital Loan Note**  
**Series 2011C**  
**Dated December 29, 2011**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 90,000	\$ 7,575	\$ 97,575
2014	125,000	6,450	131,450
2015	185,000	4,888	189,888
2016	206,000	2,575	208,575
	<u>\$ 606,000</u>	<u>\$ 21,488</u>	<u>\$ 627,488</u>

**CITY OF CLINTON, IOWA  
GENERAL OBLIGATION BOND AND NOTE MATURITIES  
June 30, 2012**

**General Obligation Capital Loan Note  
Series 2011D  
Dated December 29, 2011**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 90,000	\$ 2,745	\$ 92,745
2014	93,000	1,395	94,395
	<u>\$ 183,000</u>	<u>\$ 4,140</u>	<u>\$ 187,140</u>

**General Obligation Capital Loan Note  
Series 2012A  
Dated May 11, 2012**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ 5,568	\$ 55,568
2014	50,000	4,650	54,650
2015	125,000	4,025	129,025
2016	197,000	2,463	199,463
	<u>\$ 422,000</u>	<u>\$ 16,706</u>	<u>\$ 438,706</u>

**General Obligation Capital Loan Note  
Series 2012B  
Dated May 11, 2012**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 590,000	\$ 9,606	\$ 599,606
2014	320,000	3,200	323,200
	<u>\$ 910,000</u>	<u>\$ 12,806</u>	<u>\$ 922,806</u>

**CITY OF CLINTON, IOWA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2012**

(Unaudited)

Actual property valuations, January 1, 2010	<u>\$ 1,554,185,077</u>
Debt limit - 5% of total valuation	\$ 77,709,254
Amount of debt applicable to limit - general obligation debt	\$ 18,038,667
economic development note	<u>754,000</u>
Total applicable debt	<u>18,792,667</u>
 <b>Legal debt margin</b>	 <u><u>\$ 58,916,587</u></u>

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

(Unaudited)

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
<b>Taxes</b>									
Property taxes	\$ 14,972,295	\$ 14,488,035	\$ 14,498,220	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678	\$ 10,935,516	\$ 9,701,894
Mobile home taxes	5,205	5,713	6,179	7,544	6,029	6,717	7,492	7,001	11,356
Utility excise taxes	1,129,203	1,001,996	684,958	699,761	710,877	747,851	658,333	653,610	618,326
Local option sales taxes	3,429,223	3,345,242	2,931,452	3,412,843	2,883,810	3,211,844	2,363,972	2,532,034	2,472,374
Hotel/motel taxes	332,554	313,352	252,413	348,364	357,699	303,726	296,306	290,812	248,276
Cable television franchise fees	190,496	142,155	142,675	144,091	143,701	143,163	143,172	138,787	145,264
Other taxes	-	-	-	-	-	-	-	11,508	11,529
	<u>20,058,976</u>	<u>19,296,493</u>	<u>18,515,897</u>	<u>17,674,662</u>	<u>16,696,771</u>	<u>16,356,349</u>	<u>15,093,953</u>	<u>14,569,288</u>	<u>13,209,019</u>
<b>Intergovernmental</b>									
Road use taxes	2,529,235	2,559,000	2,445,174	2,301,748	2,379,640	2,323,732	2,323,216	2,308,180	2,327,048
Bank franchise tax	-	-	-	-	-	-	-	5,866	24,730
Machinery and equipment tax replacement	-	-	-	-	-	-	-	16	350,166
Other federal/state revenues	7,607,513	10,892,450	7,474,466	3,032,831	5,411,763	6,290,529	5,264,706	2,588,722	4,026,803
County contributions	105,757	78,385	58,088	42,726	46,731	50,893	58,083	40,544	44,738
	<u>10,242,505</u>	<u>13,529,835</u>	<u>9,977,728</u>	<u>5,377,305</u>	<u>7,898,134</u>	<u>8,665,154</u>	<u>7,646,005</u>	<u>4,943,348</u>	<u>6,773,485</u>
<b>TOTAL</b>	<u>\$ 30,301,481</u>	<u>\$ 32,826,328</u>	<u>\$ 28,493,625</u>	<u>\$ 23,051,967</u>	<u>\$ 24,534,905</u>	<u>\$ 25,021,503</u>	<u>\$ 22,739,958</u>	<u>\$ 19,512,616</u>	<u>\$ 19,982,504</u>

**CITY OF CLINTON, IOWA  
MISCELLANEOUS STATISTICS  
June 30, 2012**

(Unaudited)

Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	184
Area in Square Miles	38.4
Population	26,886
City of Clinton Facilities and Services:	
Miles of Streets	123.00
Parks and Recreation:	
Parks	18
Park Acreage	496
Swimming Pool	1
Softball and Baseball Diamonds	15
Tennis Courts	10
Baseball Stadium	1
Libraries:	
Number of Registered Borrowers	18,271
Number of Items in Collection	101,356
Police Protection:	
Number of Stations	1
Number of Sworn Officers	40
Fire Protection:	
Number of Stations	3
Number of Fire Personnel	42
Sewer System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	4.5 million
Maximum Daily Capacity in Gallons	18.0 million
Number of Customers	10,530
Sewer Rate - Residential	\$6.79 per 100 cubic feet
Commercial Class 1	\$6.79 per 100 cubic feet
Commercial Class 2	\$7.469 per 100 cubic feet
Commercial Class 3	\$8.827 per 100 cubic feet
Commercial Class 4	\$10.185 per 100 cubic feet
Commercial Class 5	\$11.543 per 100 cubic feet
Public Transportation System:	
Buses	12
Fixed Routes Served	6
Para Transit Vehicles	6
Municipal Airport:	
Primary Runway Length (in feet)	5,204
Other Runway (in feet)	4,201

## **COMPLIANCE SECTION**

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

Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City of Clinton, Iowa's basic financial statements and have issued our report thereon dated February 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 to II-E-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

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

We also noted other matters that we reported to management of the City of Clinton, Iowa, in a separate letter dated February 1, 2013.

Comments involving statutory and other legal matters about the City of Clinton, Iowa's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Clinton, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
February 1, 2013

**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

Honorable Mayor and  
Members of the City Council

**Compliance**

We have audited the City of Clinton, Iowa's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Clinton, Iowa's major federal programs for the year ended June 30, 2012. The City of Clinton, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City of Clinton, Iowa's management. Our responsibility is to express an opinion on the City of Clinton, Iowa's compliance based on our audit.

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

As described in item III-A-12 in the accompanying Schedule of Findings and Questioned Costs, the City of Clinton, Iowa did not comply with requirements regarding cash management and reporting that are applicable to its Formula Grants for Other Than Urbanized Areas. Compliance with such requirements is necessary, in our opinion, for the City of Clinton, Iowa to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Clinton, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

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

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

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
February 1, 2013

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
Department of Justice			
Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2426	\$ 24,344
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2009-SB-B9-1971	<u>31,189</u>
Subtotal			<u>55,533</u>
Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program - Runway 14-32 Rehab & Ext	20.106	3-19-0019-14-2009	51,409
Airport Improvement Program - Runway 3-21 Overlay	20.106	3-19-0019-15-2010	<u>3,031,816</u>
Subtotal			<u>3,083,225</u>
Environmental Protection Agency			
Office of the Chief Financial Officer			
Congressionally Mandated Projects	66.202	97725501	868,000
Office of Water			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C0321R	1,999,756
Capitalization Grants for Clean Water State Revolving Funds	66.458	C0396RT	2,759,658
Office of Solid Waste and Emergency Response			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798001	33,563
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798101	28,107
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98798201	<u>9,472</u>
Subtotal			<u>5,698,556</u>
Total Direct			<u>8,837,314</u>
Indirect:			
Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRPG-208	10,439
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	10-CF-004-09	730,887
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11-WS-013	<u>7,858</u>
Subtotal			<u>749,184</u>
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction (19th Ave N)(Snyder)	20.205	TCSP-1415(614)-9S-23	226,203
Highway Planning and Construction (Lyons Rec Trail)	20.205	STP-E-1415(620)-8V-23	273,307
Highway Planning and Construction (Mississippi Rec Trail)	20.205	EDP-1415(615)-7Y-23	295,416
Federal Transit_Capital Investment Grants	20.500	IA-04-0113	72,210
ARRA-Formula Grants for Other Than Urbanized Areas	20.509	IA-086-0001	361,122
Formula Grants for Other Than Urbanized Areas	20.509	IA-18-X030	<u>496,193</u>
Subtotal			<u>1,724,451</u>
Total Indirect			<u>2,473,635</u>
<b>TOTAL</b>			<u><u>\$11,310,949</u></u>

See notes to the schedule of expenditures of federal awards.

**CITY OF CLINTON, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**June 30, 2012**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clinton, Iowa for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies expended during the year is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

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

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

Except for the Formula Grants for Other Than Urbanized Areas, in which a material weakness was noted, all other major programs tested were in compliance with requirements.

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.509	Formula Grants for Other Than Urbanized Areas
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$339,328

- Auditee qualified as low-risk auditee?        yes   x   no

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Financial Statement Preparation

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

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

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

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

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

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

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

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

II-B-12 Audit Adjustments

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

Condition - During the course of our audit, we noted accounts in which adjusting entries were required to prevent the financial statements from being materially misstated. We identified material amounts of payables, capital asset additions and deferred revenue not properly recorded in the City's financial statements. Material audit adjustments were also required to adjust fund balance/net assets to the prior year audited balances.

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

Cause - The City has not implemented procedures to ensure payables, capital asset additions, deferred revenue and fund balance/net asset balances are properly recorded, recorded timely and agree to supporting information.

Recommendation - We recommend that the City implement procedures to ensure that all payables, capital asset additions, deferred revenue and fund balance/net asset balances are identified and properly included in the City's financial statements.

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

Conclusion - Response accepted.

II-C-12 Sewer and Solid Waste Revenue and Receivables

Criteria - In order to make the financial reports generated by the accounting system as meaningful as possible, the City should post revenue timely and reconcile general ledger accounts receivable balances to subsidiary ledgers on a monthly basis. A reconciliation of accounts receivable from the general ledger to the accounts receivable detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to or write-offs of accounts receivable have been approved. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Condition - During the course of our audit, we noted that sewer and solid waste revenue was not posted timely during the year and that subsidiary ledgers did not agree to the general ledger. Material audit adjustments were required to adjust accounts receivable and revenue to actual. It was also noted that billings for solid waste containers were not prepared for eight months of the year.

Effect - As a result of these conditions, accurate financial reports were unavailable for several months during the year. In addition, the City did not bill for, or therefore receive, any cash or revenue for solid waste containers for eight months of the year.

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

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

II-C-12 Sewer and Solid Waste Revenue and Receivables (continued)

Cause - In regards to revenue not being posted timely and reconciliation of subsidiary ledgers, the City was in the process of evaluating procedures in place during the year in order to implement a more accurate and efficient process of recording revenue and receivables. Unfortunately, the reassessment of the revenue and reconciliation process was not completed until the end of the fiscal year. In relation to unbilled revenue for solid waste containers, it was determined that the City was unable to bill for solid waste containers as previously approved by the City Council. Upon this realization, the City had to implement a new fee structure which was not approved until later in the fiscal year.

Recommendation - We recommend that the City implement procedures to ensure that all revenue is recorded and billed timely and that accounts receivable balances are reconciled to subsidiary ledgers on a monthly basis.

Response - Timely posting of utility charges to the general ledger has been an ongoing issue for the City. Employees are being trained and procedures are being written to address the issue of how to post to the general ledger and when.

Conclusion - Response accepted.

II-D-12 Restatement of Net Assets

Criteria - Fund accounting is used to segregate resources for specific purposes in accordance with laws and regulations or special restrictions and limitations.

Condition - When sewer and solid waste bills remain unpaid for a period of time, liens are assessed against property owners and sent to the County to be added to the customer's property tax bill. During the course of our audit it was noted that cash received related to special assessment collections for sewer and solid waste was recorded in the sewer fund, instead of being broken out between the sewer and solid waste funds.

Effect - As a result, cash balances were overstated in the sewer fund and understated in the solid waste fund requiring material adjustments to be recorded to properly reflect cash balances in both funds.

Cause - Assessments added to property tax bills were not broken out based upon the fund to which they belong. Therefore, when special assessment payments were received, all cash was recorded in the sewer fund.

Recommendation - We recommend that the City implement procedures to ensure that all special assessments certified to the County indicate what portion of each lien relates to sewer and what portion relates to solid waste to ensure that funds can be properly recorded when received from the County.

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

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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

II-E-12    Interfund Transfers

Criteria - Governmental units frequently pool the cash accounts of several funds for greater efficiency and physical control, with each fund having an interest in the pooled cash account. Proper reporting when one fund overdraws its share of the pooled cash account, is for that fund to report an interfund liability in the fund financial statements (rather than "negative cash") to whatever fund the government management has deemed to have "loaned" the cash to the overdrawn fund. The fund deemed to have loaned the cash should report an interfund receivable from the overdrawn fund. Further, the loan should be approved by the City Council, interest paid by the borrowing fund, and timely repayment of the loan.

Condition - Negative cash was reported in the Local Option Sales Tax Fund, Capital Projects Fund and Solid Waste Collection Fund.

Effect - The City did not establish interfund loans for the funds where negative cash was reported.

Cause - The City has not implemented procedures to ensure that interfund loans are approved and recorded.

Recommendation - The City's management should determine the funds that lent the amounts for the over drawn funds and establish interfund loans for the funds where negative cash was reported.

Response - The City has used pooled cash accounts for several years and was not aware that interfund loans should be recorded to eliminate the over drawn funds. Future interfund loans will be established if needed.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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

**INSTANCES OF NON-COMPLIANCE AND INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 20.509: Formula Grants for Other Than Urbanized Areas  
Agency or Pass-through Number: IA-18-X030  
Federal Award Year: 2012  
Department of Transportation  
Passed through the Iowa Department of Transportation

**III-A-12 Noncompliance with Cash Management and Reporting Requirements**

Criteria - Requests for reimbursement should be submitted in accordance with the grant agreement. This requires that costs reported are accurate, supported by proper documentation and incurred prior to the request for reimbursement.

Condition - It was noted that a request for reimbursement was submitted to the granting agency prior to actual expenses being incurred. This resulted in non-compliance with cash management as well as reporting requirements.

Effect - The City is not in compliance with cash management and reporting compliance requirements due to the information submitted to the Iowa Department of Transportation being incorrect.

Cause - The City does not have proper internal controls in place to ensure that amounts reported as expenditures incurred to the Iowa Department of Transportation are complete and accurate.

Recommendation - We recommend that the City implement procedures to ensure that reports submitted to the Iowa Department of Transportation are accurate and that expenses reported are supported by proper documentation and incurred prior to the request for reimbursement.

Response - The City will implement procedures to ensure that reports are reviewed and approved prior to submission to the granting agency.

Conclusion - Response accepted.

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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

IV-A-12      Certified Budget - Disbursements during the year ended June 30, 2012, exceeded the amount budgeted in the public works, culture and recreation and general government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion - Response accepted.

IV-B-12      Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

IV-C-12      Travel Expenses - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

IV-D-12      Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
James McGraw, City Planning Commission and Parkland and Facilities Development, Owner of Happy Joe's Pizza	Food	\$ 713
Jim Thyne, Zoning Board of Adjustments, Owner of R.H.A. Service Inc.	Parts, Repairs and Maintenance	14,474

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Planning Commission and Parkland and Development Facilitator do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. Based upon testwork performed, it appears that the transactions with the Zoning Board of Adjustments do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4).

**CITY OF CLINTON, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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

IV-E-12      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they did not include a summary of all receipts or a reason for each claim as required by Chapter 372.13(6) of the Code of Iowa. It was also noted that several of the Council minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The City should comply with Chapters 372 and 380 of the Code of Iowa and should publish a summary of all receipts and a reason for each claim for each month of the year as required. The City should also ensure that minutes are properly signed as required.

Response - We will comply with the Code requirements and publish a summary of receipts and a reason for each claim for each month as required. We will also ensure that minutes are properly signed.

Conclusion - Response accepted.

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

IV-H-12      Revenue notes - We noted no instances of noncompliance with the provisions of the City's revenue note resolutions.

**CITY OF CLINTON, IOWA  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2012**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
--------------------------	----------------------	---------------	---

No matters were noted.

**CITY OF CLINTON, IOWA  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2012**

**Finding III-A-12**

**Condition:**

The City submitted a request for reimbursement to the Iowa Department of Transportation prior to actual expenses being incurred. This resulted in non-compliance with cash management as well as reporting requirements.

**Corrective Action Plan:**

The City will implement procedures to ensure that reports submitted to the Iowa Department of Transportation are accurate and that expenses reported are supported by proper documentation and incurred prior to the request for reimbursement.

**Anticipated Completion Date:**

Immediately

**Contact Person Responsible for Corrective Action:**

Jessica Kinser, Finance Director

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF BALANCE SHEET ACCOUNTS**  
**REQUIRED BY REVENUE BOND ORDINANCE**  
**ENTERPRISE FUNDS**  
**June 30, 2012**

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
<b>ASSETS</b>			
Receivables			
Service fees	\$ -	\$ -	\$ -
Special assessments	-	-	-
Other	(531)	-	-
Prepaid-other	3,000	-	-
Restricted cash and investments	<u>(2,861,706)</u>	<u>915,189</u>	<u>841,663</u>
Total assets	<u>(2,859,237)</u>	<u>915,189</u>	<u>841,663</u>
<b>LIABILITIES</b>			
Accounts payable	239,392	-	-
Contracts payable	-	-	-
Total liabilities	<u>239,392</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>			
Restricted for:			
Capital equipment replacement/repairs	-	915,189	841,663
Unrestricted	<u>(3,098,629)</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ (3,098,629)</u>	<u>\$ 915,189</u>	<u>\$ 841,663</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 2,949,917	\$ -	\$ 2,949,917
-	-	801,998	-	801,998
-	-	19,014	-	18,483
-	-	-	-	3,000
-	-	(122,663)	3,933,043	2,705,526
<u>-</u>	<u>-</u>	<u>3,648,266</u>	<u>3,933,043</u>	<u>6,478,924</u>
-	-	26,154	1,145,360	1,410,906
-	-	-	2,543,235	2,543,235
<u>-</u>	<u>-</u>	<u>26,154</u>	<u>3,688,595</u>	<u>3,954,141</u>
-	-	-	-	1,756,852
-	-	3,622,112	244,448	767,931
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,622,112</u>	<u>\$ 244,448</u>	<u>\$ 2,524,783</u>

**CITY OF CLINTON, IOWA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**REQUIRED BY REVENUE BOND ORDINANCE**  
**ENTERPRISE FUNDS**  
**Year Ended June 30, 2012**

	<u>Water Pollution Control Operations</u>	<u>Emergency Repair Reserve</u>	<u>EPA Equipment Replacement Reserve</u>
<b>OPERATING REVENUES</b>			
Charges for service	\$ -	\$ -	\$ -
Miscellaneous	43,602	-	-
Total operating revenues	<u>43,602</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Business type/enterprise			
Personal services	1,736,580	-	-
Commodities	530,773	-	-
Contractual services	547,578	-	-
Repairs, maintenance and utilities	663,699	-	-
Capital outlay/improvements	711,263	-	-
Total operating expenses	<u>4,189,893</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>(4,146,291)</u>	<u>-</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	-	-
Intergovernmental	-	-	-
Proceeds from the sale of property	2,979	-	-
State revolving loan proceeds	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>2,979</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS)</b>			
<b>BEFORE OPERATING TRANSFERS</b>	(4,143,312)	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	4,298,980	80,000	50,000
Operating transfers out	-	(267,645)	-
Total other financing sources (uses)	<u>4,298,980</u>	<u>(187,645)</u>	<u>50,000</u>
<b>CHANGE IN NET ASSETS</b>	155,668	(187,645)	50,000
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>(3,254,297)</u>	<u>1,102,834</u>	<u>791,663</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (3,098,629)</u>	<u>\$ 915,189</u>	<u>\$ 841,663</u>

<u>Sewer Sinking Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 7,807,831	\$ -	\$ 7,807,831
-	-	2,352	1,480	47,434
-	-	7,810,183	1,480	7,855,265
-	-	-	-	1,736,580
-	-	-	-	530,773
182,452	-	-	496,317	1,226,347
-	-	-	-	663,699
-	-	-	24,920,454	25,631,717
182,452	-	-	25,416,771	29,789,116
(182,452)	-	7,810,183	(25,415,291)	(21,933,851)
-	-	30,649	-	30,649
-	-	-	868,000	868,000
-	-	-	(1,479)	1,500
-	-	-	26,133,256	26,133,256
(2,802,000)	-	-	1,214,000	(1,588,000)
(2,802,000)	-	30,649	28,213,777	25,445,405
(2,984,452)	-	7,840,832	2,798,486	3,511,554
3,041,408	-	-	100,000	7,570,388
-	(211,993)	(7,144,453)	-	(7,624,091)
3,041,408	(211,993)	(7,144,453)	100,000	(53,703)
56,956	(211,993)	696,379	2,898,486	3,457,851
(56,956)	211,993	2,925,733	(2,654,038)	(933,068)
\$ -	\$ -	\$ 3,622,112	\$ 244,448	\$ 2,524,783



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

Certified Public Accountants & Consultants

February 1, 2013

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

We have completed our audit of the City of Clinton, Iowa's financial statements as of and for the year ended June 30, 2012, and have issued our report dated February 1, 2013. In connection with our audit engagement, we noted the following matters which we would like to bring to your attention.

Improve Communication among the Finance Department and Those Charged with Governance

During our engagement, we observed the structure and role of the Finance Department and the effectiveness of the City's lines of communication. There appears to be some miscommunications regarding financial data that may be impeding efficient decision making.

We recommend that the Finance Department provide the City Council with accurate and up-to-date financial reports in order to assist with effective decision making. We also recommend inquiry by the City Council to the Finance Department when further information is deemed necessary. The Finance Department is open and available to the City Council to assist in whatever requests the City Council may have.

Employee Reimbursements

During the course of the audit engagement it was noted that the City was not following its reimbursement policy for employee meal reimbursements. There was one instance noted in which an elected official was reimbursed for a claim that had no supporting documentation and did not appear to be an appropriate expenditure according to the City's policy.

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

Contract Change Orders

During our review of engineering and construction contracts, it was noted that several contracts had exceeded the original contract amount and that work continued to progress prior to the approval of a change order.

An acceptable level of change orders should be considered when awarding contracts to the lowest responsible bidder. Although change orders are a normal part of the construction contract process, change orders should not be allowed to the extent that they circumvent the bidding process.

We recommend that an acceptable level of change orders be considered prior to choosing the lowest responsible bidder. We also recommend that all change orders be approved prior to work progressing on the contract.

RV Park

It was noted that there are limited controls over the cash collection process at the RV Park. Since the RV Park operates on the honor system, the City has very few controls over the collection of revenue from those using this amenity. It was also noted that there are limited controls over the collection and deposit of cash collected at the RV Park by City employees.

We recommend that the City implement controls at the RV Park to ensure cash is collected from those using the park. We also recommend that the City implement better controls at the RV Park over cash collected and deposited by City employees.

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

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
February 1, 2103