

City of Clinton, Iowa

Financial and Compliance Report
Year Ended June 30, 2014

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CITY OF CLINTON, IOWA

List of Principal Officials

June 30, 2014

ELECTED OFFICIALS

(Fiscal Year 2014)

Mayor

Mark S. Vulich

Council Member

Julie Allessee

Council Member

Paul Gassman

Council Member

Ed O'Neill

Council Member

Tom Determann

Council Member

Grant Wilke

Council Member

Lynn McGraw

Council Member

John Rowland

APPOINTED OFFICIALS

City Administrator

Jessica Kinser

City Attorney

Lynch Dallas

City Clerk

Pat Van Loo

Finance Director

Anita Dalton

Airport Manager

Mike Nass

Fire Chief

Mike Brown

Library Director

Brad Wiles

Recreation Director

Gregg Obren

Police Chief

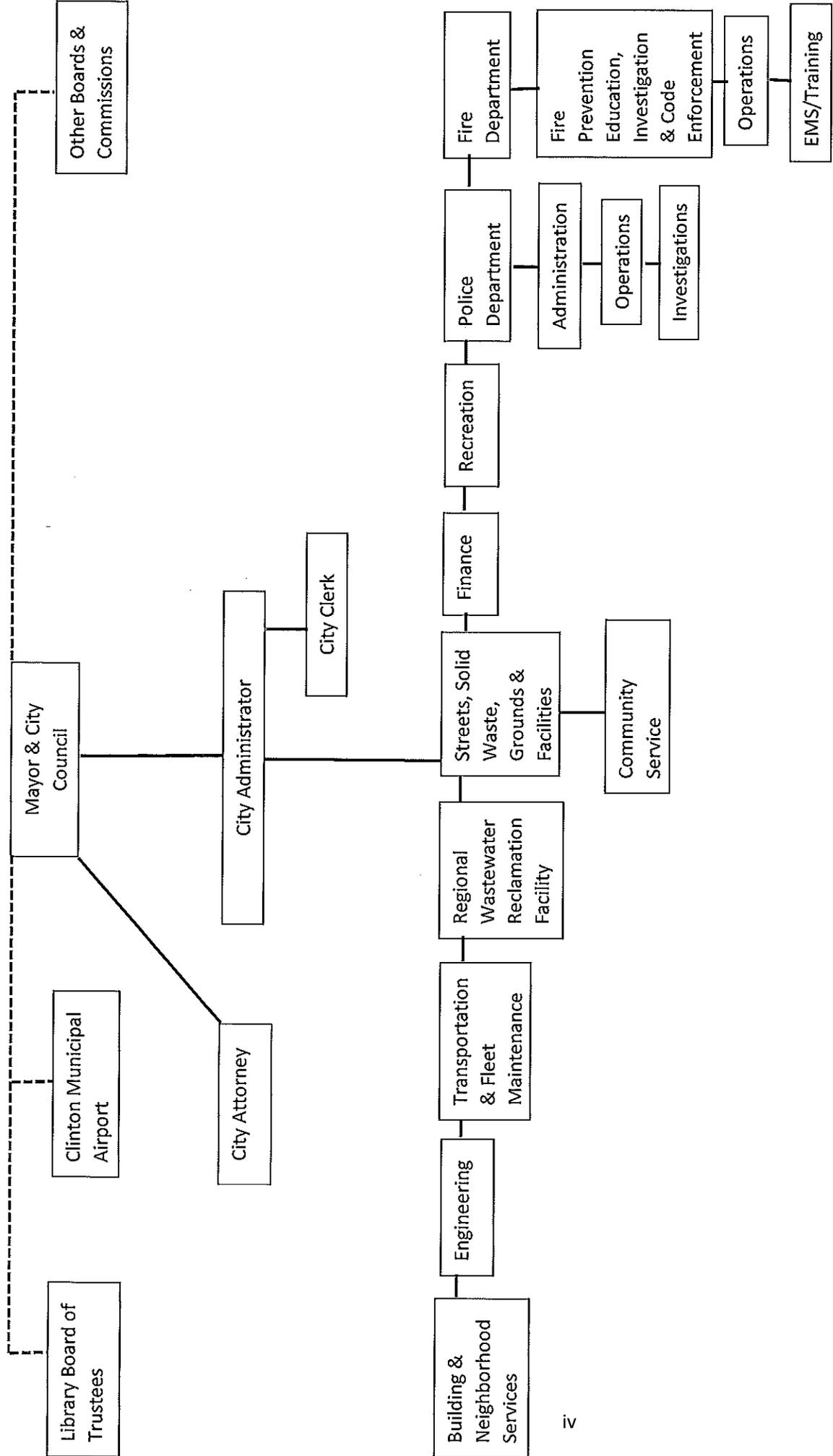
Brian Guy

City Engineer

Jason Craft

Building & Neighborhood Services

Creighton Regenwether



Contracted Services:
 Human Resources
 Information Technology

FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

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 (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 – 12 and schedule of funding progress and budgetary comparison information on pages 52 – 55 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the schedules required by bond ordinance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic 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 introductory section and the other information section have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

McGladrey LLP

Davenport, Iowa
March 4, 2015

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

It is an honor to present to you the financial picture of the City of Clinton, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clinton, Iowa for the year ended June 30, 2014.

Financial Highlights

The assets of the City of Clinton, Iowa exceeded its liabilities at the close of the most recent fiscal year by \$152,047,820 (net position). Of this amount, \$3,470,006 is unrestricted. For the fiscal year ended June 30, 2013, assets exceeded liabilities by \$152,050,452. Of this amount, (\$1,888,899) was unrestricted.

For fiscal year 2014, the government's total net position decreased \$2,632. Governmental activities decreased by \$1,016,719 and business-type activities increased by \$1,014,087. For fiscal year 2013, the government's total net position decreased by \$5,723,756. Governmental activities decreased by \$2,453,353 and business-type activities decreased by \$3,270,403.

As of the close of fiscal year June 30, 2014, the City of Clinton, Iowa's governmental funds reported combined ending fund balances of \$4,615,027, a decrease of \$1,237,181 in comparison with the prior year. Approximately 34.5 percent of this amount, \$1,594,465, is unassigned fund balance which is available for spending at the City's discretion. As of the close of fiscal year June 30, 2013, the City's governmental funds reported combined ending fund balances of \$5,852,208, an increase of \$2,228,629 in comparison with the prior year. Approximately 29.7 percent of this total amount, \$1,738,751, is unassigned fund balance.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,721,414 or 10.9 percent of total General Fund expenditures compared to \$1,821,354 and 12.0 percent as of June 30, 2013.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 distinguished functions of the City of Clinton, Iowa that are principally supported by taxes (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).

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

The governmental activities of the City of Clinton, Iowa include general government, public safety, public works, culture and recreation and community and economic development. The business-type activities of the City of Clinton, Iowa include sewer revenue, solid waste collection, transit system, airport operations, dock operations, marina and parking system.

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, Iowa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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 government'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 between governmental funds and governmental activities.

The City of Clinton, Iowa maintains twelve individual governmental funds. 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 the General Fund, Local Option Sales Tax Fund, Employee Benefits Fund, Capital Projects Fund, and Debt Service Fund which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City of Clinton, Iowa maintains two different types of proprietary funds. The City maintains enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements and maintains internal service funds which are used to accumulate and allocate costs internally among the City's various functions.

Enterprise funds serve external customers and are primarily funded through user charges. The City of Clinton, Iowa maintains seven enterprise funds. The enterprise fund financial statements provide separate information for the Sewer Revenue Fund as this fund is considered to be a major fund of the City of Clinton. The City also has the Solid Waste Collection Fund, Transit System Fund, Airport Operations Fund, Dock Operations Fund, Marina Fund and Parking System Fund which are considered nonmajor enterprise funds.

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.

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's programs. The City has one agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of Clinton, Iowa

Management’s Discussion and Analysis
Year Ended June 30, 2014

Notes to basic 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.

Supplementary and other information - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the notes to basic financial statements and the required supplementary information. The other information is provided for bond requirements and additional analysis.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The City’s total net position has decreased from a year ago. Table 1 reflects total net position of \$152,047,820, which represents a decrease of \$2,632 from 2013.

Of the City of Clinton’s net position, 94.8 percent reflects its net investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, infrastructure, machinery and equipment); less depreciation and any related debt used to acquire those assets that are still outstanding. The City of Clinton 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 the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 - City of Clinton's Net Position

	Governmental Activities June 2014	Governmental Activities June 2013	Business-Type Activities June 2014	Business-Type Activities June 2013	Total June 2014	Total June 2013
Current and other assets	\$ 25,337,110	\$ 27,169,697	\$ 9,115,831	\$ 7,638,952	\$ 34,452,941	\$ 34,808,649
Capital assets	104,588,781	103,092,654	136,017,341	134,764,349	240,606,122	237,857,003
Total assets	129,925,891	130,262,351	145,133,172	142,403,301	275,059,063	272,665,652
Noncurrent liabilities	24,169,268	22,806,329	70,987,864	70,089,224	95,157,132	92,895,553
Other liabilities	6,636,648	6,434,172	4,677,827	3,860,683	11,314,475	10,294,855
Total liabilities	30,805,916	29,240,501	75,665,691	73,949,907	106,471,607	103,190,408
Deferred inflows of resources	16,539,636	17,424,792	-	-	16,539,636	17,424,792
Net position:						
Net investment in capital assets	81,932,510	81,843,291	62,221,883	65,817,624	144,154,393	147,660,915
Restricted	3,327,927	4,422,233	1,095,494	1,856,203	4,423,421	6,278,436
Unrestricted	(2,680,098)	(2,668,466)	6,150,104	779,567	3,470,006	(1,888,899)
Total net position	\$ 82,580,339	\$ 83,597,058	\$ 69,467,481	\$ 68,453,394	\$ 152,047,820	\$ 152,050,452

A restricted portion of the City’s net position (3.6 percent as of June 30, 2014) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,470,006 may be used to meet the government’s ongoing obligations to citizens and creditors.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

Table 2 - City of Clinton's Changes in Net Position

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,640,746	\$ 3,748,259	\$ 12,207,195	\$ 11,698,871	\$ 16,847,941	\$ 15,447,130
Operating grants and contributions	3,330,475	3,416,929	596,865	800,445	3,927,340	4,217,374
Capital grants and contributions	1,352,635	791,216	1,502,684	457,246	2,855,319	1,248,462
General revenues:						
Property taxes	15,654,387	16,031,059	-	-	15,654,387	16,031,059
Hotel/Motel tax	410,462	462,582	-	-	410,462	462,582
Local option sales tax	3,299,940	3,154,992	-	-	3,299,940	3,154,992
Tax increment financing	1,434,883	1,862,284	-	-	1,434,883	1,862,284
Gaming tax	162,106	179,083	-	-	162,106	179,083
Other taxes	12,554	11,465	-	-	12,554	11,465
Investment earnings	1,742	26,244	20,220	22,905	21,962	49,149
Total revenues	30,299,930	29,684,113	14,326,964	12,979,467	44,626,894	42,663,580
Expenses:						
Public safety	\$ 10,431,230	\$ 10,011,552	\$ -	\$ -	\$ 10,431,230	\$ 10,011,552
Public works	7,262,716	11,560,064	-	-	7,262,716	11,560,064
Culture and recreation	3,314,146	3,528,540	-	-	3,314,146	3,528,540
Community and economic development	1,877,259	2,053,951	-	-	1,877,259	2,053,951
General government	3,876,480	3,185,580	-	-	3,876,480	3,185,580
Interest on long-term debt	820,865	893,347	-	-	820,865	893,347
Sewer	-	-	11,475,114	12,059,803	11,475,114	12,059,803
Solid waste	-	-	1,579,776	1,412,741	1,579,776	1,412,741
Transit	-	-	2,134,220	2,048,243	2,134,220	2,048,243
Airport operations	-	-	1,217,953	944,800	1,217,953	944,800
Marina	-	-	639,767	688,715	639,767	688,715
Total expenses	27,582,696	31,233,034	17,046,830	17,154,302	44,629,526	48,387,336
Excess (deficiency) before transfers	2,717,234	(1,548,921)	(2,719,866)	(4,174,835)	(2,632)	(5,723,756)
Transfers	(3,733,953)	(904,432)	3,733,953	904,432	-	-
Change in net position	(1,016,719)	(2,453,353)	1,014,087	(3,270,403)	(2,632)	(5,723,756)
Net position, beginning	83,597,058	86,050,411	68,453,394	71,723,797	152,050,452	157,774,208
Net position, ending	\$ 82,580,339	\$ 83,597,058	\$ 69,467,481	\$ 68,453,394	\$ 152,047,820	\$ 152,050,452

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2014. These two main components are subtracted to yield the change in net position. This table utilizes the full accrual method of accounting. Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

The City's total net position decreased by \$2,632 during the year ended June 30, 2014. The governmental activities' net position decreased by \$1,016,719. The total business-type activities' net position increased by \$1,014,087. The governmental activities net position decreased due to additional

City of Clinton, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2014**

operational expenditures particularly in the public safety function. The business-type activities increased due to stabilization in billing and collection processes.

Table 3 below discloses cost of services for governmental activities.

The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 3 - Governmental Activities

Programs	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
Public safety	\$ 10,431,230	\$ 10,011,552	\$ 9,040,248	\$ 8,577,587
Public works	7,262,716	11,560,064	919,445	7,340,748
Culture and recreation	3,314,146	3,528,540	2,597,008	2,817,388
Community and economic development	1,877,259	2,053,951	1,786,674	1,353,135
General government	3,876,480	3,185,580	3,094,600	2,294,425
Interest on long-term debt	820,865	893,347	820,865	893,347
Total	\$ 27,582,696	\$ 31,233,034	\$ 18,258,840	\$ 23,276,630

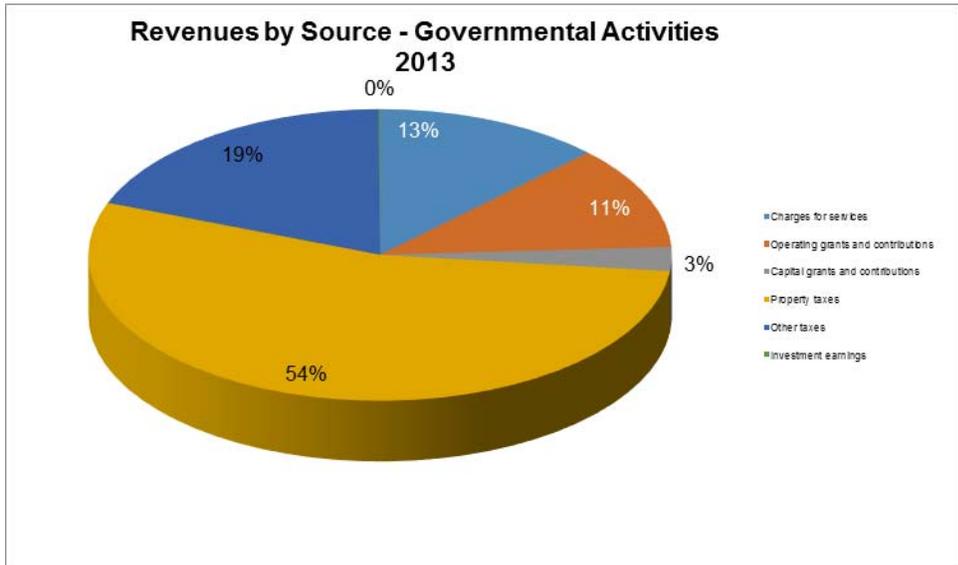
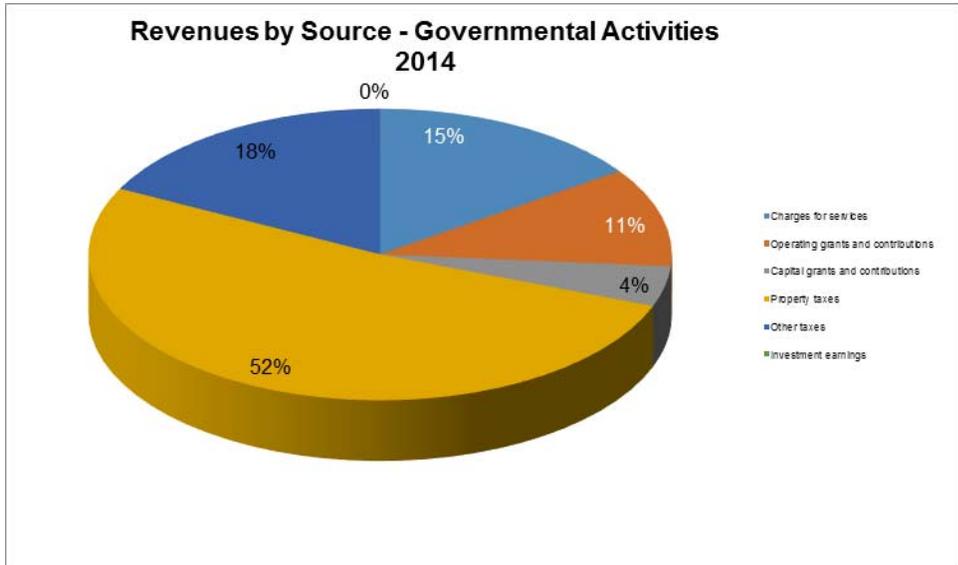
Net cost of services is 66 percent of total cost of services for the year ended June 30, 2014 and 75 percent for the year ended June 30, 2013. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

City of Clinton, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2014

Governmental Activities

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2014 and 2013.



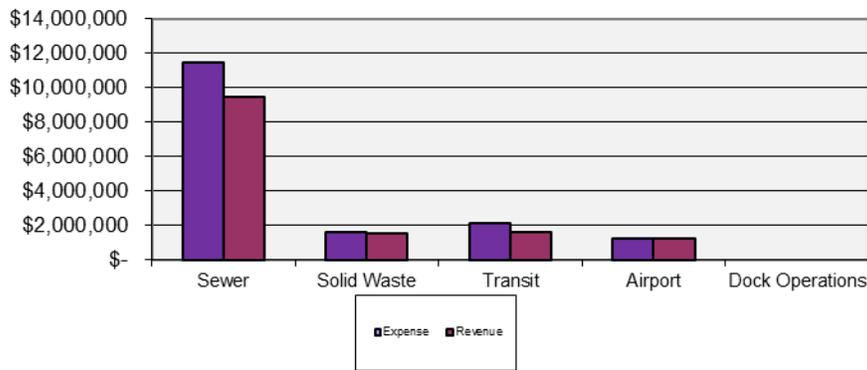
City of Clinton, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2014

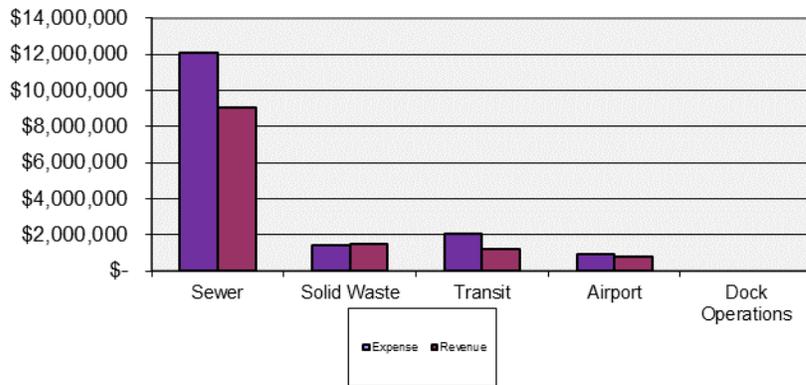
Business-type activities: For the year ended June 30, 2014, business-type activities increased the City of Clinton's net position by \$1,014,087.

Total business-type activities' revenue for the fiscal year was \$14,326,964. All but \$20,220 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenditures and program revenues for 2014 and 2013.

Expenses and Program Revenues - Business-Type Activities
2014



Expenses and Program Revenues - Business-Type Activities
2013



City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the City of Clinton, Iowa's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Clinton itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Clinton's City Council.

As of June 30, 2014, the City of Clinton, Iowa's governmental funds reported combined ending fund balances of \$4,615,027, a decrease of \$1,237,181 from June 30, 2013. The City's unassigned balance was \$1,594,465 as of June 30, 2014 compared to \$1,738,751 as of June 30, 2013. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form - \$226,332, 2) legally required to be maintained intact or restricted for particular purposes by enabling legislation or by third parties - \$2,794,231 or 3) Committed for particular purposes - \$0.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,721,414, while total fund balance decreased by \$52,169. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 11.0 percent of total General Fund expenditures compared to 12.0 percent in the prior year, while total fund balance represents approximately 11.6 percent of General fund expenditures compared to 12.0 percent in the prior year.

The General Fund's largest revenue source is taxes which consists of property taxes, utility replacement excise tax, hotel/motel tax and other taxes. These sources contribute 79.8 percent of revenue used to fund the general purposes of the City including police, streets and parks. These revenue sources have a direct correlation with the health of the economy. Another 10.2 percent of the City's General Fund revenues were derived from charges for services.

The fund balance of the City's General Fund decreased by \$52,169 during the current fiscal year. This was due primarily from increases in the public safety function expenditures due to retiree expenditures and general government function due to City attorney expenditures.

The Local Option Sales Tax Fund accounts for the local sales tax. Fund balance increased \$10,779 from \$394,848 in 2013 to \$405,627 in 2014 due to an increase in sales tax collected.

The Employee Benefits Fund accounts for the taxes levied specifically to fund the City's required contribution to the state retirement systems. Fund balance decreased \$333,166 from \$672,426 in 2013 to \$339,260 in 2014.

The Capital Projects Fund fund balance decreased by \$1,096,498 to \$(26,574) in 2014 from \$1,069,924 in 2013. This decrease was due to continued progress on planned capital projects.

The Debt Service Fund fund balance increased \$277,103 from \$(82,603) in 2013 to \$194,500 in 2014. The Debt Service Fund continues to service debt as it becomes due.

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.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

The Sewer Revenue Fund had a change in net position of \$222,072 primarily due to improvement in billing and collection processes.

Budgetary Highlights

Formal and legal budgetary control is based on nonmajor classes of disbursements known as functions, not by fund or fund type.

During the year, one budget amendment increased budgeted expenditures and transfers out by a total of \$497,968. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues. During the year, expenditures for all functions were less than budgeted except for the culture and recreation, general government and capital projects functions which were overbudget by \$330,126, \$529,071 and \$3,465,779 respectively.

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, 2014, amounts to \$240,606,122 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure. Major capital asset events during the year included completion of railport development and various street improvements as well as water pollution control infrastructure and pump stations and improvements to an airport runway.

	Governmental Activities		Business-Type		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 22,003,709	\$ 21,293,288	\$ 3,654,071	\$ 3,654,071	\$ 25,657,780	\$ 24,947,359
Construction-in-progress	1,426,033	2,740,020	7,170,135	945,925	8,596,168	3,685,945
Intangible assets	13,980	20,430	2,459	3,006	16,439	23,436
Machinery and equipment	1,681,328	1,684,965	3,068,613	3,367,992	4,749,941	5,052,957
Land Improvements	1,464,081	1,401,702	496,831	452,014	1,960,912	1,853,716
Buildings	11,342,744	11,635,856	10,653,361	11,080,739	21,996,105	22,716,595
Infrastructure	66,656,906	64,316,393	110,971,871	115,260,602	177,628,777	179,576,995
Total	\$ 104,588,781	\$103,092,654	\$ 136,017,341	\$134,764,349	\$ 240,606,122	\$ 237,857,003

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

Debt - As of June 30, 2014, the City of Clinton, Iowa had general obligation loan notes and general obligation bonds payable totaling \$21,745,000 compared to \$20,468,334 as of June 30, 2013. For the year ended June 30, 2014, the City paid \$3,213,334 in principal and \$676,740 in interest on outstanding general obligation debt. The City issued \$4,490,000 of general obligation capital loan notes for capital improvements. As of June 30, 2014, the City had \$73,795,458 in sewer revenue notes. The City paid \$2,933,000 in principal and drew \$5,160,498 of new proceeds.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

Table 5 - City of Clinton's Outstanding Debt, June30

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds and notes	\$ 21,745,000	\$ 20,468,334	\$ 73,795,458	\$ 71,567,960	\$ 95,540,458	\$ 92,036,294
TIF bonds	754,000	754,000	-	-	754,000	754,000
Sewer revenue notes	-	-	73,795,458	71,567,960	73,795,458	71,567,960
	\$ 22,499,000	\$ 21,222,334	\$ 147,590,916	\$ 143,135,920	\$ 170,089,916	\$ 164,358,254

Additional information about the City's long-term debt can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Real property assessed values have continued to rise with tax year 2014 to \$1,518,447,774 from \$1,505,922,667 in 2013.
- The unemployment rate for Clinton County for June 2014 was 5.5 percent compared to 4.4% for the State of Iowa and 6.1% nationally.
- The General Fund is significantly funded by property taxes. Therefore, the City continues to encourage new development that supports these revenue sources.

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 information should be addressed to Anita Dalton, Finance Director, City of Clinton, Iowa, 611 South 3rd Street, Clinton, Iowa 52733-2958.

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City of Clinton, Iowa

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 5,907,877	\$ 2,996,387	\$ 8,904,264
Restricted cash and investments	-	1,095,494	1,095,494
Receivables:			
Taxes	17,727,010	-	17,727,010
Special assessments	249,343	1,005,304	1,254,647
Accounts, net of allowances for uncollectibles of \$1,060,780	250,201	3,178,810	3,429,011
Other	214,681	88,677	303,358
Intergovernmental	561,110	940,218	1,501,328
Prepays	221,164	16,665	237,829
Internal balances	205,724	(205,724)	-
Total current assets	25,337,110	9,115,831	34,452,941
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	22,003,709	3,654,071	25,657,780
Construction-in-progress	1,426,033	7,170,135	8,596,168
Depreciable:			
Machinery and equipment	15,208,042	9,840,519	25,048,561
Land improvements	3,804,534	878,650	4,683,184
Buildings	19,654,798	23,151,299	42,806,097
Intangibles	171,663	56,357	228,020
Infrastructure	131,723,267	168,153,007	299,876,274
Less accumulated depreciation	(89,403,265)	(76,886,697)	(166,289,962)
Total capital assets	104,588,781	136,017,341	240,606,122
Total assets	\$ 129,925,891	\$ 145,133,172	\$ 275,059,063

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,708,968	\$ 587,624	\$ 2,296,592
Contracts payable	74,434	308,841	383,275
Deposits	53,050	-	53,050
Claims payable	471,897	-	471,897
Accrued liabilities	184,067	-	184,067
Unearned revenue	-	143,064	143,064
Accrued interest payable	329,370	178,086	507,456
Compensated absences	462,362	114,712	577,074
Current portion of early retirement	202,500	49,500	252,000
Current portion of litigation payable	450,000	-	450,000
Current portion of bonds and notes	2,700,000	3,296,000	5,996,000
Total current liabilities	6,636,648	4,677,827	11,314,475
Noncurrent liabilities:			
Other postemployment benefits obligation	1,080,997	362,406	1,443,403
Early retirement	882,000	126,000	1,008,000
Litigation payable	2,250,000	-	2,250,000
General obligation notes and bonds, net	19,202,271	-	19,202,271
TIF bonds	754,000	-	754,000
Sewer revenue bonds	-	70,499,458	70,499,458
Total noncurrent liabilities	24,169,268	70,987,864	95,157,132
Total liabilities	30,805,916	75,665,691	106,471,607
Deferred inflows of resources, property taxes	16,539,636	-	16,539,636
Net Position:			
Net investment in capital assets	81,932,510	62,221,883	144,154,393
Restricted for:			
Nonexpendable endowment corpus	7,000	-	7,000
Streets	791,670	-	791,670
Capital improvements	365,503	-	365,503
Community programs and services	1,508,033	-	1,508,033
Employee benefits	412,733	-	412,733
Other purposes	7,646	-	7,646
Capital reserves	-	1,095,494	1,095,494
Debt service	235,343	-	235,343
Unrestricted	(2,680,098)	6,150,104	3,470,006
Total net position	82,580,339	69,467,481	152,047,820
Total liabilities, deferred inflows of resources and net position	\$ 129,925,891	\$ 145,133,172	\$ 275,059,063

City of Clinton, Iowa

**Statement of Activities
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	\$ 10,431,230	\$ 1,087,358	\$ 303,624	\$ -
Public works	7,262,716	2,273,232	2,807,989	1,262,050
Culture and recreation	3,314,146	565,061	152,077	-
Community and economic development	1,877,259	-	-	90,585
General government	3,876,480	715,095	66,785	-
Interest and fiscal charges on long-term debt	820,865	-	-	-
Total governmental activities	27,582,696	4,640,746	3,330,475	1,352,635
Business-type activities:				
Sewer revenue	11,475,114	9,370,856	7,600	109,955
Solid waste collection	1,579,776	1,502,911	-	-
Transit system	2,134,220	287,833	589,265	734,079
Airport operations	1,217,953	580,622	-	658,650
Marina	639,767	464,973	-	-
Total business-type activities	17,046,830	12,207,195	596,865	1,502,684
Total primary government	\$ 44,629,526	\$ 16,847,941	\$ 3,927,340	\$ 2,855,319

General Revenues

- Taxes:
 - Property taxes
 - Hotel/Motel tax
 - Local option sales tax
 - Tax increment financing tax
 - Gaming tax
 - Other taxes
- Investment earnings

Transfers

Total general revenues and transfers

- Changes in net position
- Net position, beginning of year
- Net position, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (9,040,248)	\$ -	\$ (9,040,248)
(919,445)	-	(919,445)
(2,597,008)	-	(2,597,008)
(1,786,674)	-	(1,786,674)
(3,094,600)	-	(3,094,600)
(820,865)	-	(820,865)
(18,258,840)	-	(18,258,840)
-	(1,986,703)	(1,986,703)
-	(76,865)	(76,865)
-	(523,043)	(523,043)
-	21,319	21,319
-	(174,794)	(174,794)
-	(2,740,086)	(2,740,086)
\$ (18,258,840)	\$ (2,740,086)	\$ (20,998,926)
15,654,387	-	15,654,387
410,462	-	410,462
3,299,940	-	3,299,940
1,434,883	-	1,434,883
162,106	-	162,106
12,554	-	12,554
1,742	20,220	21,962
(3,733,953)	3,733,953	-
17,242,121	3,754,173	20,996,294
(1,016,719)	1,014,087	(2,632)
83,597,058	68,453,394	152,050,452
\$ 82,580,339	\$ 69,467,481	\$ 152,047,820

City of Clinton, Iowa

**Balance Sheet
Governmental Funds
June 30, 2014**

Assets	General	Special Revenue	
		Local Option Sales Tax	Employee Benefits
Cash and investments	\$ 1,602,350	\$ 46,068	\$ 301,338
Receivables, net of allowance \$105,817:			
Taxes	8,396,207	623,313	4,650,017
Service fees	244,330	-	-
Intergovernmental	43,538	-	-
Special assessments	43,828	-	-
Other	56,840	-	-
Prepaid insurance	45,244	-	-
Prepaid-other	62,357	-	-
Due from other funds	366,372	-	-
Total assets	\$ 10,861,066	\$ 669,381	\$ 4,951,355
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ 499,428	\$ -	\$ 550
Deposits payable	-	-	-
Contracts payable	-	-	-
Accrued liabilities	184,067	-	-
Due to other funds	-	174,770	15,368
Total liabilities	683,495	174,770	15,918
Deferred Inflows of Resources, unavailable revenue:			
Property taxes	8,043,525	-	4,522,704
Special assessments	43,828	-	-
Local option sales tax	-	88,984	-
Hotel/motel tax	120,025	-	-
Delinquent taxes	141,178	-	73,473
Total deferred inflows of resources	8,348,556	88,984	4,596,177
Fund balances:			
Nonspendable:			
Prepaid items	107,601	-	-
Endowment corpus	-	-	-
Restricted:			
Debt service	-	-	-
Streets	-	-	-
Capital improvements	-	202,813	-
Employee benefits	-	-	339,260
Community programs and services	-	202,814	-
Other	-	-	-
Unassigned	1,721,414	-	-
Total fund balances (deficits)	1,829,015	405,627	339,260
Total liabilities, deferred inflow of resources and fund balances (deficits)	\$ 10,861,066	\$ 669,381	\$ 4,951,355

See Notes to Basic Financial Statements.

	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
\$	392,727	\$ -	\$ 1,789,139	\$ 4,131,622
	-	1,916,476	2,140,997	17,727,010
	-	-	-	244,330
	285,144	-	232,428	561,110
	17,822	-	187,693	249,343
	118,731	-	39,110	214,681
	-	-	3,850	49,094
	100,375	-	7,506	170,238
	-	300,000	-	666,372
\$	914,799	\$ 2,216,476	\$ 4,400,723	\$ 24,013,800

\$	849,117	\$ 5,857	\$ 139,320	\$ 1,494,272
	-	-	53,050	53,050
	74,434	-	-	74,434
	-	-	-	184,067
	-	129,245	13,934	333,317
	923,551	135,102	206,304	2,139,140

	-	1,846,031	2,127,376	16,539,636
	17,822	-	187,693	249,343
	-	-	-	88,984
	-	-	-	120,025
	-	40,843	6,151	261,645
	17,822	1,886,874	2,321,220	17,259,633

	100,375	-	11,356	219,332
	-	-	7,000	7,000
	-	194,500	-	194,500
	-	-	784,164	784,164
	-	-	-	202,813
	-	-	-	339,260
	-	-	1,066,883	1,269,697
	-	-	3,796	3,796
	(126,949)	-	-	1,594,465
	(26,574)	194,500	1,873,199	4,615,027

\$	914,799	\$ 2,216,476	\$ 4,400,723	\$ 24,013,800
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City of Clinton, Iowa

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014**

Total governmental fund balances \$ 4,615,027

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Capital assets	\$ 193,992,046	
Accumulated depreciation	(89,403,265)	104,588,781

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are reported as unavailable in the funds:

Special assessments	249,343	
Local option sales tax	88,984	
Delinquent property tax	261,645	
Hotel/Motel tax	120,025	719,997

Long-term liabilities, including bonds payable, are not due and payable in the
current period and, therefore, are not reported in the funds:

General obligation bonds and notes, current	(2,700,000)	
General obligation bonds and notes, noncurrent	(19,045,000)	
Bond premium	(157,271)	
TIF bonds, noncurrent	(754,000)	
Accrued interest payable	(329,370)	
Litigation payable, current	(450,000)	
Litigation payable, noncurrent	(2,250,000)	
Compensated absences, current	(462,362)	
Early retirement, current	(202,500)	
Early retirement, noncurrent	(882,000)	
Net OPEB obligation	(1,080,997)	(28,313,500)

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 position:

Other current assets	1,783,958	
Other current liabilities	(686,593)	
Internal Service Fund allocated to business-type activities	(127,331)	970,034

Net position of governmental activities	\$ 82,580,339
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See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2014**

	General	Special Revenue	
		Local Option Sales Tax	Employee Benefits
Revenues:			
Taxes	\$ 9,053,351	\$ 3,301,634	\$ 4,508,110
Licenses and permits	362,248	-	-
Use of money and property	239,135	2	-
Intergovernmental	327,396	-	-
Charges for services	1,162,624	-	-
Miscellaneous	197,327	-	-
Total revenues	11,342,081	3,301,636	4,508,110
Expenditures:			
Current:			
Public safety	10,634,930	-	-
Public works	-	-	-
Culture and recreation	2,851,066	-	-
Community and economic development	548,761	-	-
General government	1,634,193	-	10,477
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	15,668,950	-	10,477
Revenues over (under) expenditures	(4,326,869)	3,301,636	4,497,633
Other financing sources (uses):			
Issuance of long-term debt	-	-	-
Bond issuance premium	-	-	-
Transfers in	5,691,637	-	-
Transfers out	(1,416,937)	(3,290,857)	(4,830,799)
Total other financing sources (uses)	4,274,700	(3,290,857)	(4,830,799)
Net change in fund balances	(52,169)	10,779	(333,166)
Fund balances (deficits), beginning	1,881,184	394,848	672,426
Fund balances (deficits), ending	\$ 1,829,015	\$ 405,627	\$ 339,260

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ 2,505,150	\$ 1,972,696	\$ 21,340,941
-	-	35,020	397,268
1,638,804	-	1,243	1,879,184
1,522,681	57,287	2,936,830	4,844,194
-	-	72,415	1,235,039
410,352	18	192,295	799,992
<u>3,571,837</u>	<u>2,562,455</u>	<u>5,210,499</u>	<u>30,496,618</u>
-	-	141,813	10,776,743
19,809	-	2,587,187	2,606,996
-	-	291,193	3,142,259
-	-	1,328,498	1,877,259
-	450,028	383,845	2,478,543
7,731,674	-	28,421	7,760,095
-	3,213,334	-	3,213,334
-	676,740	-	676,740
92,914	9,108	-	102,022
<u>7,844,397</u>	<u>4,349,210</u>	<u>4,760,957</u>	<u>32,633,991</u>
<u>(4,272,560)</u>	<u>(1,786,755)</u>	<u>449,542</u>	<u>(2,137,373)</u>
4,490,000	-	-	4,490,000
144,145	-	-	144,145
1,781,917	2,063,858	673,189	10,210,601
(3,240,000)	-	(1,165,961)	(13,944,554)
<u>3,176,062</u>	<u>2,063,858</u>	<u>(492,772)</u>	<u>900,192</u>
(1,096,498)	277,103	(43,230)	(1,237,181)
1,069,924	(82,603)	1,916,429	5,852,208
<u>\$ (26,574)</u>	<u>\$ 194,500</u>	<u>\$ 1,873,199</u>	<u>\$ 4,615,027</u>

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City of Clinton, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

Net change in fund balances - governmental funds \$ (1,237,181)

Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which depreciation exceeded capital outlays in the current year:

Capital outlay		6,209,635
Depreciation:		
Public safety	(336,174)	
Public works	(3,237,692)	
Culture and recreation	(139,326)	
General government	(982,061)	(4,695,253)
		<hr/>

Loss on sale of capital assets (18,255)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Special assessments	9,061	
Local option sales tax	(1,694)	
Delinquent taxes	(384,019)	
Hotel/Motel tax	19,104	
Grants	(147,429)	(504,977)
		<hr/>

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 governmental funds:

Change in compensated absences	14,949	
Change in other postemployment benefits obligation	(213,197)	
Change in litigation payable	450,000	
Change in early retirement payable	216,000	467,752
		<hr/>

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

Change in Internal Service Fund allocation to business-type activities 351,805
(127,331)

The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of discounts, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Issuance of long-term debt	(4,490,000)	
Bond premium	(144,145)	
Bond premium amortization	13,903	
Repayment of bonds and notes principal	3,213,334	
Accrued interest payable	(56,006)	(1,462,914)
		<hr/>
Change in net position of governmental activities		\$ (1,016,719)
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See Notes to Basic Financial Statements.

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City of Clinton, Iowa

Statement of Net Position
Proprietary Funds
June 30, 2014

Assets	Sewer	Nonmajor	Total	Internal Service
	Revenue	Enterprise	Enterprise Funds	Health Insurance
Assets				
Current assets:				
Cash and investments	\$ 1,257,250	\$ 1,739,137	\$ 2,996,387	\$ 1,776,255
Restricted cash and investments	1,095,494	-	1,095,494	-
Due from other funds	1,642,512	-	1,642,512	-
Receivables, net of allowance for uncollectible amounts of \$954,963:				
Service fees	2,541,962	636,848	3,178,810	5,871
Special assessments	822,345	182,959	1,005,304	-
Other	17,936	70,741	88,677	-
Intergovernmental	191,572	748,646	940,218	-
Prepays	3,523	13,142	16,665	1,832
Total current assets	7,572,594	3,391,473	10,964,067	1,783,958
Noncurrent assets:				
Capital assets:				
Nondepreciable:				
Land	2,377,526	1,276,545	3,654,071	-
Construction-in-progress	5,672,681	1,497,454	7,170,135	-
Depreciable:				
Machinery and equipment	4,251,448	5,589,071	9,840,519	-
Land improvements	519,058	359,592	878,650	-
Buildings	18,684,198	4,467,101	23,151,299	-
Intangibles	35,756	20,601	56,357	-
Infrastructure	139,137,513	29,015,494	168,153,007	-
Accumulated depreciation	(58,792,107)	(18,094,590)	(76,886,697)	-
Total noncurrent assets	111,886,073	24,131,268	136,017,341	-
Total assets	\$ 119,458,667	\$ 27,522,741	\$ 146,981,408	\$ 1,783,958
Liabilities and Net Position				
Current liabilities:				
Accounts payable	\$ 492,824	\$ 94,800	\$ 587,624	\$ 214,696
Contracts payable	240,723	68,118	308,841	-
Early retirement payable	13,500	36,000	49,500	-
Unearned revenue	143,064	-	143,064	-
Due to other funds	10,023	1,965,544	1,975,567	-
Accrued interest payable	178,086	-	178,086	-
Compensated absences	46,349	68,363	114,712	-
Claims payable	-	-	-	471,897
Notes payable	3,296,000	-	3,296,000	-
Total current liabilities	4,420,569	2,232,825	6,653,394	686,593
Noncurrent liabilities:				
Other postemployment benefits obligation	202,947	159,459	362,406	-
Early retirement payable	-	126,000	126,000	-
Notes payable	70,499,458	-	70,499,458	-
Total noncurrent liabilities	70,702,405	285,459	70,987,864	-
Total liabilities	75,122,974	2,518,284	77,641,258	686,593
Net position:				
Net investment in capital assets	38,090,615	24,131,268	62,221,883	-
Restricted for capital	1,095,494	-	1,095,494	-
Unrestricted	5,149,584	873,189	6,022,773	1,097,365
Total net position	44,335,693	25,004,457	69,340,150	1,097,365
Total liabilities and net position	\$ 119,458,667	\$ 27,522,741	\$ 146,981,408	1,783,958

See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Reconciliation of Enterprise Funds Net Position
to the Statement of Net Position
June 30, 2014**

Total enterprise funds net position \$ 69,340,150

Amounts reported for enterprise funds in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

127,331

Net position of business-type activities

\$ 69,467,481

See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014**

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Operating revenues:				
Charges for services	\$ 9,134,400	\$ 2,224,341	\$ 11,358,741	\$ 3,964,243
Property rental	-	368,283	368,283	-
Miscellaneous	236,456	243,715	480,171	-
Total operating revenues	9,370,856	2,836,339	12,207,195	3,964,243
Operating expenses:				
Personal services	2,064,567	2,055,387	4,119,954	-
Commodities	-	815,378	815,378	-
Contractual services	1,900,024	571,328	2,471,352	3,612,438
Repairs, maintenance and utilities	1,288,701	512,149	1,800,850	-
Depreciation	3,960,679	1,673,360	5,634,039	-
Total operating expenses	9,213,971	5,627,602	14,841,573	3,612,438
Operating income (loss)	156,885	(2,791,263)	(2,634,378)	351,805
Nonoperating revenues (expenses):				
Investment earnings	20,220	-	20,220	-
Interest expense and fiscal charges	(2,332,588)	-	(2,332,588)	-
Intergovernmental	112,600	1,977,966	2,090,566	-
Gain on sale of capital assets	4,955	4,028	8,983	-
Total nonoperating revenues (expenses)	(2,194,813)	1,981,994	(212,819)	-
Income (loss) before transfers	(2,037,928)	(809,269)	(2,847,197)	351,805
Transfers in	2,960,000	1,473,953	4,433,953	-
Transfers out	(700,000)	-	(700,000)	-
Change in net position	222,072	664,684	886,756	351,805
Total net position, beginning of year	44,113,621	24,339,773	68,453,394	745,560
Total net position, end of year	\$ 44,335,693	\$ 25,004,457	\$ 69,340,150	\$ 1,097,365

See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Reconciliation of the Change in Net Position of
Enterprise Funds to the Statement of Activities
Year Ended June 30, 2014**

Net changes in net position in enterprise funds \$ 886,756

Amounts reported for enterprise fund activities in the statement of activities
are different because:

Internal service funds are used by management to charge the costs
of various activities internally to individual funds. The net expense of
certain activities of internal service funds is reported with
business-type activities.

127,331

Change in net position of business-type activities

\$ 1,014,087

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2014

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,776,037	\$ 2,764,956	\$ 12,540,993	\$ 3,974,215
Payments to suppliers	(3,751,347)	(1,962,786)	(5,714,133)	(3,503,108)
Payments to employees	(2,021,733)	(2,046,989)	(4,068,722)	-
Net cash provided by (used in) operating activities	4,002,957	(1,244,819)	2,758,138	471,107
Cash flows from noncapital financing activities:				
Intergovernmental	112,600	1,298,585	1,411,185	-
Proceeds from interfund accounts	10,023	1,387,978	1,398,001	-
Payments to interfund accounts	(1,642,512)	(51,085)	(1,693,597)	-
Transfers in	2,960,000	1,473,953	4,433,953	-
Transfers out	(700,000)	-	(700,000)	-
Net cash provided by (used in) noncapital financing activities	740,111	4,109,431	4,849,542	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(5,167,775)	(1,668,958)	(6,836,733)	-
Proceeds from sale of capital assets	4,955	4,028	8,983	-
Payment on debt	(2,933,000)	-	(2,933,000)	-
Proceeds from state revolving note	5,553,288	-	5,553,288	-
Interest on debt	(2,329,996)	-	(2,329,996)	-
Net cash (used in) capital and related financing activities	(4,872,528)	(1,664,930)	(6,537,458)	-
Cash flows from investing activities, investment earnings	20,220	-	20,220	-
Increase (decrease) in cash and cash equivalents	(109,240)	1,199,682	1,090,442	471,107
Cash and cash equivalents, beginning of year	2,461,984	539,455	3,001,439	1,305,148
Cash and cash equivalents, end of year	<u>\$ 2,352,744</u>	<u>\$ 1,739,137</u>	<u>\$ 4,091,881</u>	<u>\$ 1,776,255</u>

(Continued)

City of Clinton, Iowa

Statement of Cash Flows (Continued)

Proprietary Funds

Year Ended June 30, 2014

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 156,885	\$ (2,791,263)	\$ (2,634,378)	\$ 351,805
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,960,679	1,673,360	5,634,039	-
Change in assets and liabilities:				
Receivables	579,189	2,942	582,131	9,972
Special assessments	(184,060)	(74,325)	(258,385)	-
Prepays	(523)	(142)	(665)	219
Unearned revenue	10,052	-	10,052	-
Accounts payable	(562,099)	(63,789)	(625,888)	116,905
Compensated absences	(10,249)	15,839	5,590	-
Claims payable	-	(36,000)	(36,000)	(7,794)
Early retirement benefit	(36,000)	28,559	(7,441)	-
Other postemployment benefits obligation	89,083	-	89,083	-
Net cash provided by (used in) operating activities	\$ 4,002,957	\$ (1,244,819)	\$ 2,758,138	\$ 471,107
Schedule of noncash items, capital and related financing activities:				
Payment of contracts payable for acquisition of capital assets	\$ (17,820)	\$ (68,118)	\$ (85,938)	\$ -
State revolving note draws pending	\$ (392,790)	\$ -	\$ (392,790)	\$ -

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Nature of operations:

The City of Clinton, Iowa (City) 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.

Reporting entity:

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.

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a municipal corporation governed by a council, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. 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 or impose specific financial burdens on the City. The City 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

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Basis of presentation:

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

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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund financial statements: Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column within the governmental and enterprise funds in the financial section of the basic financial statements and are detailed in the supplementary information.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures or expenses, as appropriate. The City has the following funds:

Governmental fund types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's major governmental funds:

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

Special Revenue Funds: Are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Local Option Sales Tax Fund: A special revenue fund used to account for revenue from the 1% local option tax approved by the voters of the City. This revenue has been restricted 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 from certain other debt requirements.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Employee Benefits Fund: A special revenue fund 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 restricted to be used for City retirement contributions.

Capital Projects Fund: The Capital Projects Fund is used to account for resources used for the acquisition or construction of major capital improvements and certain capital purchases, with the exception of those that are financed by the enterprise funds.

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

The other governmental funds of the City are considered nonmajor. The City's nonmajor special revenue funds are Road Use Tax Fund, Leisure/Cultural Programs Fund, Community and Economic Development Fund, Tort Liability Fund, and Miscellaneous Fund.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs of the City. The City's nonmajor permanent funds are Hayes Trust Fund and Boyd Henningsen Trust Fund.

Proprietary fund types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise Funds: Are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The following is the City's major enterprise funds:

Sewer Revenue Fund: 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 other enterprise funds of the City are considered nonmajor and are Solid Waste Collection Fund, Transit System Fund, Airport Operations Fund, Dock Operations Fund, Marina Fund and Parking System Fund.

Internal Service Fund: Is used to account for services provided by designated departments to other departments of the City. The City's internal service fund, Health Insurance, 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's Assessor's Office, Clinton Housing Authority, and certain retirees have the ability to participate in the plan, but at their cost.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenue in the year for which they are levied and budgeted for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or matured. Capital asset acquisitions are reported as expenditures in the governmental funds. Issuances of general long-term debt are reported as other financing sources.

Revenues-exchange and nonexchange: Property taxes when levied for, other taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available.

Nonexchange transactions, in which the City receives value without a direct link to giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which it is budgeted and levied for. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguished operating revenues and expenses from nonoperating items. Operating revenues and expense 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 enterprise funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Summary of significant accounting policies:

The significant accounting policies followed by the City include the following:

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.

Investments in the Iowa Public Agency Investment Trust are stated at amortized cost.

Statement of cash flows: For purposes of the statement of cash flows for proprietary fund type funds, the City considers the pooled cash to be cash equivalents as these pooled amounts have the same characteristics of demand deposits. Cash equivalents also include restricted cash.

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

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified 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 year-end and unpaid taxes. Delinquent property tax receivable represents unpaid taxes for the current 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 tax asking and budget certification for the following fiscal year becomes effective on the first day of that fiscal year.

Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The 2014 tax levy recorded as taxes receivable was certified in March 2014 based on the 2013 assessed valuations. These taxes are due in two installments, on September 1, 2014 and the following March 1, 2015 with a 1.5 percent per month penalty for delinquent payment. Since the 2014 tax levy is budgeted and levied for the fiscal year 2015, the revenue is a deferred inflow of resources and is reported as unavailable revenue. Revenue has been recognized for those taxes receivable which represent the prior year's delinquent taxes and which are expected to be collected within 60 days after year-end.

Accounts receivable: Accounts receivable are recorded in the enterprise funds at the time the service is billed. Unbilled usage for services used between scheduled billing dates is estimated and recognized as revenue in the period in which the service is provided. These receivables are net of allowance for doubtful accounts.

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

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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 reported as nonspendable fund balance to indicate that the balances are not available for appropriation.

Restricted assets: Assets which are restricted for specific uses by bonded debt requirements or other external requirements are classified as restricted assets.

Capital assets: Capital assets, including land, construction-in-progress, machinery and equipment, land improvements, buildings, intangibles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide and the proprietary fund statement of net position. 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 initial useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 life of the asset 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, 2014, no interest expense was added to the cost of assets acquired in the business-type activities.

The City's collection of works of art and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to City policy that requires proceeds from the sale of these items to be used to acquire other collection items.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for each capital asset type are as follows:

Machinery and equipment	5-20 years
Land improvements	20 years
Buildings and infrastructure	10-75 years
Intangibles	5-15 years

Unearned revenues: Unearned revenues represent monies received by the City which are not yet earned.

Interfund transactions: 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.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Noncurrent portions of long-term interfund loan receivables are reported as advances within the governmental funds and are offset equally by a fund balance nonspendable amount which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Compensated absences: City employees accumulate earned but unused vacation and compensatory time benefits. For proprietary fund types and the government-wide statements, these accumulations are recorded as expenses and liabilities of the appropriate fund and activity in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation leave, which is payable from available resources, is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. 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 or applicable proprietary fund in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as an expense in the year the costs are incurred. In the governmental fund financial statements, bond premiums are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have items that qualify for reporting in this category.

In addition to liabilities, the balance sheet and/or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements only the succeeding year property tax revenues remain as a deferred inflow of resources and will become an inflow in the year for which they are levied.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

Net position: In proprietary funds, and government-wide financial statements, net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, excludes unspent bond proceeds. There are no unspent bond proceeds as of June 30, 2014. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of \$1,508,033 for community programs and services, \$412,733 for employee benefits, \$235,343 for debt service and \$791,670 for road use tax. Other restricted net position consists of \$365,503 for capital improvements, \$7,000 for trust corpus and \$7,646 from external contributions.

The City first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary and legal appropriation and amendment policies:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The City exceeded the amended budget in the culture and recreation, general government, and capital projects functions for the year ended June 30, 2014.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 2. Deposits and Investments

Authorized deposits and investments: The City is authorized by state statute to invest public funds in interest bearing savings accounts, interest bearing money market accounts, interest bearing checking accounts, obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by the City Council and the Treasurer of the State of Iowa; Iowa Public Agency Investment Trust, prime bankers acceptances that mature within 270 days of purchase; commercial paper or other short-term corporate debt that matures within 270 days of purchase and is rated within the two highest classifications; perfected repurchase agreements; and certain registered investment open-end management investment companies.

Investments are reported at fair value except for the City's investment in the Iowa Public Agency Investment Trust. The Iowa Public Agency Trust is a common law trust established by Iowa code law and is administered by an appointed investment management company. The Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7 like pool as is reported at the net asset value per share which approximates fair value.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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. The investments in the Iowa Public Agency Trust have a maturity of 1 day.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally statistical rating organization. The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$222,199 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investments in the Iowa Public Agency Investment Trust are unrated.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2014, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

A reconciliation of cash and investments as shown on the financial statements for the City follows:

Depository accounts	\$ 9,777,559
Iowa Public Agency Investment Trust	222,199
	<u>\$ 9,999,758</u>
Cash and investments	\$ 8,904,264
Restricted cash and investments	1,095,494
	<u>\$ 9,999,758</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	June 30, 2013 Balance	Additions	Deletions	June 30, 2014 Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 21,293,288	\$ 711,321	\$ 900	\$ 22,003,709
Construction-in-progress	2,740,020	4,192,589	5,506,576	1,426,033
Total capital assets, not being depreciated	24,033,308	4,903,910	5,507,476	23,429,742
Capital assets, being depreciated:				
Machinery and equipment	14,828,285	443,477	63,720	15,208,042
Land Improvements	3,640,836	163,698	-	3,804,534
Buildings	19,346,900	307,898	-	19,654,798
Intangibles	171,663	-	-	171,663
Infrastructure	125,826,039	5,897,228	-	131,723,267
Total capital assets, being depreciated	163,813,723	6,812,301	63,720	170,562,304
Less accumulated depreciation for:				
Machinery and equipment	13,143,320	429,759	46,365	13,526,714
Land Improvements	2,239,134	101,319	-	2,340,453
Buildings	7,711,044	601,010	-	8,312,054
Intangibles	151,233	6,450	-	157,683
Infrastructure	61,509,646	3,556,715	-	65,066,361
Total accumulated depreciation	84,754,377	4,695,253	46,365	89,403,265
Total capital assets, being depreciated, net	79,059,346	2,117,048	17,355	81,159,039
Governmental activities capital assets, net	\$ 103,092,654	\$ 7,020,958	\$ 5,524,831	\$ 104,588,781

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2013			June 30, 2014
	Balance	Additions	Deletions	Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,654,071	\$ -	\$ -	\$ 3,654,071
Construction-in-progress	945,925	6,366,641	142,431	7,170,135
Total capital assets, not being depreciated	4,599,996	6,366,641	142,431	10,824,206
Machinery and equipment	9,450,138	394,381	4,000	9,840,519
Land Improvements	807,670	70,980	-	878,650
Buildings	23,151,299	-	-	23,151,299
Intangibles	56,357	-	-	56,357
Infrastructure	167,955,547	197,460	-	168,153,007
Total capital assets, being depreciated	201,421,011	662,821	4,000	202,079,832
Less accumulated depreciation for:				
Machinery and equipment	6,082,146	693,760	4,000	6,771,906
Land Improvements	355,656	26,163	-	381,819
Buildings	12,070,560	427,378	-	12,497,938
Intangibles	53,351	547	-	53,898
Infrastructure	52,694,945	4,486,191	-	57,181,136
Total accumulated depreciation	71,256,658	5,634,039	4,000	76,886,697
Total capital assets, being depreciated, net	130,164,353	(4,971,218)	-	125,193,135
Business-type activities capital assets, net	\$ 134,764,349	\$ 1,395,423	\$ 142,431	\$ 136,017,341

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

Governmental Activities:	
Public safety	\$ 336,174
Public works	3,237,692
Culture and recreation	139,326
General government	982,061
Total depreciation expense, governmental activities	\$ 4,695,253
Business-Type Activities:	
Sewer	\$ 3,960,679
Solid Waste	142,446
Transit	510,631
Airport Operations	656,103
Marina	364,180
Total depreciation expense, business-type activities	\$ 5,634,039

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt

A summary of the changes in bonded and other long-term debt for the year ended June 30, 2014 is as follows:

Governmental Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation bonds and notes	\$ 20,468,334	\$ 4,490,000	\$ 3,213,334	\$ 21,745,000	\$ 2,700,000
Bond premium	27,029	144,145	13,903	157,271	-
TIF bonds	754,000	-	-	754,000	-
Compensated absences	477,311	804,343	819,292	462,362	462,362
Early retirement	1,300,500	-	216,000	1,084,500	202,500
Litigation payable	3,150,000	-	450,000	2,700,000	450,000
Net OPEB liability	867,800	213,197	-	1,080,997	-
	<u>\$ 27,044,974</u>	<u>\$ 5,651,685</u>	<u>\$ 4,712,529</u>	<u>\$ 27,984,130</u>	<u>\$ 3,814,862</u>

Business-Type Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
Sewer revenue notes	\$ 71,567,960	\$ 5,160,498	\$ 2,933,000	\$ 73,795,458	\$ 3,296,000
Compensated absences	109,122	194,622	189,032	114,712	114,712
Early retirement	247,500	-	72,000	175,500	49,500
Net OPEB liability	244,764	117,642	-	362,406	-
	<u>\$ 72,169,346</u>	<u>\$ 5,472,762</u>	<u>\$ 3,194,032</u>	<u>\$ 74,448,076</u>	<u>\$ 3,460,212</u>

Governmental activities:

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 notes have been issued for general government purposes.

Governmental activities general obligation bonds and notes outstanding at June 30, 2014 are as follows:

Purpose	Date of Issue	Interest Rates	Amount	
			Originally Issued	Amount Outstanding
Corporate purpose bond	09/01/08	3.25 - 4.75	\$ 6,270,000	\$ 5,300,000
Corporate purpose bond	08/26/09	1.75 - 5.00	4,600,000	3,350,000
				<u>8,650,000</u>
Capital loan note	10/10/12	0.60 - 1.90	3,065,000	3,015,000
Capital loan note	02/20/13	1.00 - 2.15	4,975,000	4,270,000
Capital loan note, taxable	02/20/13	0.50 - 1.30	2,095,000	1,420,000
Capital loan note	10/23/13	3.00 - 4.00	4,155,000	4,055,000
Capital loan note, taxable	05/12/14	1.20 - 2.00	335,000	335,000
				<u>13,095,000</u>
Total				<u>\$ 21,745,000</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

During 2014, the following capital loan notes were issued:

In October 2013, the City issued \$4,155,000 General Obligation Capital Loan Notes Series 2013D to provide funds to pay costs of improvements to facilities city-wide; including computer replacements, flooring, and HVAC, ADA Compliance improvements, equipping the fire, police and street departments, improvements to the airport, and improvements to the sewer system. The notes have an outstanding balance of \$4,055,000 which matures in annual amounts ranging from \$100,000 to \$355,000 through June 1, 2033 with interest rates ranging from 3.0 to 4.0 percent.

In May 2014, the City issued \$335,000 in Taxable General Obligation Capital Loan Notes Series 2014A to provide funds for capital improvements. The notes have an outstanding balance of \$335,000 which matures in annual amounts ranging from \$80,000 to \$85,000 through June 1, 2019 with interest rates ranging from 1.2 to 2.0 percent.

Annual debt requirements to maturity for general obligation notes were as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,535,000	\$ 251,473	\$ 1,786,473
2016	1,515,000	236,118	1,751,118
2017	1,440,000	219,648	1,659,648
2018	1,240,000	199,078	1,439,078
2019	1,145,000	176,798	1,321,798
2020	1,080,000	155,668	1,235,668
2021	1,095,000	134,968	1,229,968
2022	1,115,000	112,528	1,227,528
2023	620,000	88,218	708,218
2024	635,000	72,808	707,808
2025	660,000	56,708	716,708
2026	110,000	39,500	149,500
2027	110,000	35,650	145,650
2028	120,000	31,800	151,800
2029	120,000	27,000	147,000
2030	130,000	22,200	152,200
2031	135,000	17,000	152,000
2032	145,000	11,600	156,600
2033	145,000	5,800	150,800
	<u>\$ 13,095,000</u>	<u>\$ 1,894,563</u>	<u>\$ 14,989,563</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

Annual debt requirements to maturity for general obligation bonds were as follows:

Year ending June 30:	Principal	Interest	Total
2015	\$ 1,165,000	\$ 367,601	\$ 1,532,601
2016	1,315,000	325,466	1,640,466
2017	1,050,000	274,886	1,324,886
2018	1,290,000	232,676	1,522,676
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>\$ 8,650,000</u>	<u>\$ 1,770,110</u>	<u>\$ 10,420,110</u>

In addition, the City has an Urban Renewal Tax Increment Bond (TIF Bonds) with an original amount of \$800,000 plus interest at 6% per year and an outstanding balance of \$754,000. The TIF Bonds are not general obligations of the City but are payable solely from the incremental property taxes to be paid in the future with respect to the property financed through the project. The bonds mature on June 30, 2018. For the current year, principal and interest paid and total TIF property tax revenues were \$37,467 and \$1,434,883, respectively.

Business-type activities:

Sewer revenue notes have been issued to provide funds for sewer plant improvements. Notes payable at June 30, 2014 are as follows:

Purpose	Date of Issue	Interest Rates	Amount Originally Issued	Amount Outstanding
Sewer revenue notes	08/03/06	3.00	\$ 2,478,000	\$ 1,649,000
Sewer revenue notes	12/13/07	3.00	9,898,000	7,516,000
Sewer revenue notes	07/06/11	3.00	9,797,000	8,862,000
Sewer revenue notes	07/06/11	3.00	4,577,000	4,135,000
Sewer revenue notes	09/15/10	3.00	46,660,000	43,970,000
Sewer revenue notes	11/30/12	2.00	2,179,000	1,998,000
Sewer revenue notes	08/09/13	1.75	6,550,000	5,665,458
				<u>\$ 73,795,458</u>

During the fiscal year ended June 30, 2014, the City drew \$5,090,458 on the \$6,550,000 sewer revenue note issued in August 2013. The note was not final as of year-end and is projected to include interest at 1.75 percent. The City also drew \$70,040 on the \$4,577,000 sewer revenue note issued in July 2011. The note was not final as of year-end and is projected to include interest at 3 percent.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

Annual debt requirements to maturity for the sewer revenue notes were as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,296,000	\$ 2,135,340	\$ 5,431,340
2016	3,397,000	2,039,345	5,436,345
2017	3,502,000	1,942,060	5,444,060
2018	3,610,000	1,841,713	5,451,713
2019	3,722,000	1,738,225	5,460,225
2020-2024	20,400,000	7,021,765	27,421,765
2025-2029	22,572,000	3,891,308	26,463,308
2030-2032	13,296,458	808,762	14,105,220
	<u>\$ 73,795,458</u>	<u>\$ 21,418,518</u>	<u>\$ 95,213,976</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the sewer revenue notes. 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 and total customer net revenues were \$95,213,976 and \$4,180,472 and principal, interest payments, and service fees were \$5,262,996.

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

- 1) 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.
- 2) 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 the next interest payment and 1/12 of the next principal payment.
- 3) 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 replacement to the system or for note and interest payments which the other accounts might be unable to make.
- 4) 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.

The City was not in compliance with provision #4 above as of June 30, 2014.

Compensated absences, early retirement and other post-employment benefits: Compensated absences, early retirement and other post-employment benefits attributable to governmental activities are generally liquidated by the General Fund. Compensated absences and other post-employment benefits attributable to business-type activities are generally liquidated by the respective enterprise fund.

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 \$68,612 for the year ended June 30, 2014. 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 \$5,808.

Litigation: In September 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, 2014, the City owed \$2,700,000 in regards to the judgment.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 5. 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, 2014, the City has obligations to sixteen participants with a total liability of \$1,260,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$288,000.

Note 6. Interfund Receivables, Payables and Transfers

The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Governmental activities:		
Major governmental funds:		
General	\$ 5,691,637	\$ 1,416,937
Local option sales tax	-	3,290,857
Employee benefits	-	4,830,799
Capital projects	1,781,917	3,240,000
Debt service	2,063,858	-
Nonmajor governmental funds	673,189	1,165,961
Total governmental activities	\$ 10,210,601	\$ 13,944,554
Business-type activities:		
Major enterprise funds, Sewer	2,960,000	700,000
Nonmajor enterprise funds	1,473,953	-
Total governmental activities	\$ 4,433,953	\$ 700,000
Total	\$ 14,644,554	\$ 14,644,554

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 6. Interfund Receivables, Payables and Transfers (Continued)

Individual interfund receivables and payables balances as of June 30, 2014 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities:		
Major governmental funds:		
General	\$ 366,372	\$ -
Local options sales tax	-	174,770
Employee benefits	-	15,368
Debt service	300,000	129,245
Nonmajor governmental funds	-	13,934
Business-type activities:		
Major enterprise fund, Sewer	1,642,512	10,023
Nonmajor enterprise funds	-	1,965,544
Total	\$ 2,308,884	\$ 2,308,884

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Note 7. Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to the destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 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, 2014 were \$416,992.

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 up to

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 7. Risk Management (Continued)

\$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 the 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, 2014, 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. 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 2014. 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 \$471,897 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, 2014 are summarized as follows:

	2014	2013
Claims payable, beginning of the year	\$ 479,691	\$ 519,919
Claims expense	3,138,189	3,157,714
Claims payments	(3,145,983)	(3,197,942)
Claims payable, end of the year	<u>\$ 471,897</u>	<u>\$ 479,691</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems

Iowa Public Employees Retirement System:

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.

Plan members are required to contribute 5.95 percent of their annual covered salary and the City is required to contribute 8.93 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 6.76 percent of their annual covered salary and the City is required to contribute 10.14 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$479,412, \$434,256, and \$446,652, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa:

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

Plan members are required to contribute 9.40 percent of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, and cannot be less than 17 percent of earnable compensation. The City's contribution rate for fiscal year 2013 was 30.12 percent. Contribution requirements are established by state statute. The City's contributions to MFPRSI for the years ended June 30, 2014, 2013, and 2012 were \$1,515,246, \$1,271,080, and \$1,186,430, respectively, which met the required contribution for each year.

Note 9. Other Postemployment Benefits

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 187 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The plan does not issue a stand-alone financial report.

Funding policy: The contribution requirements of plan members are established and may be amended by the City. The current funding policy of the City is to pay claims as they occur. The required contributions are based on projected pay-as-you-go financing. For fiscal year 2014, the City contributed \$65,401 which includes \$36,132 and \$29,269 related to the City's explicit and implicit subsidy, respectively for including the retirees in the plan.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the 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, the amount actuarially contributed to the plan and changes in the City's annual OPEB obligation:

Annual required contribution	\$ 441,657
Interest on net OPEB obligation	27,814
Adjustment to annual required contribution	(73,231)
Annual OPEB cost	<u>396,240</u>
Contributions and payments made	<u>65,401</u>
Increase in net OPEB obligation	330,839
Net OPEB obligation, beginning of year	1,112,564
Net OPEB obligation, end of year	<u><u>\$ 1,443,403</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2013 and 2012 are as follows in the table below:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 396,240	16.5%	\$ 1,443,403
June 30, 2013	422,836	17.5	1,112,564
June 30, 2012	422,310	21.0	763,512

Funded status and funding progress: As of July 1, 2013, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$3,192,421 and the actuarial value of assets was none, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,192,421. The covered payroll (annual payroll of active employees covered by the plan) was \$10,107,016 and the ratio of the UAAL to the covered payroll was 31.59 percent.

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. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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.

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

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits (Continued)

In the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 2.5 percent discount rate and an annual health care cost trend rate of 6 percent. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2014 was 30 years.

Note 10. Industrial Development Revenue Bonds

From time to time, the City has issued industrial development 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 11. Deficit Fund Balance

At June 30, 2014, the Capital Projects Fund and Solid Waste Collection Fund had deficit fund balances of \$26,574 and \$223,843, respectively. The Capital Projects Fund deficit is the result of capital expenditures in excess of grants collected and bond proceeds and will be eliminated upon the collection of future grants. The Solid Waste Collection Fund deficit is the result of lost revenue due to problems related to the implementation of a new solid waste collection process that began in fiscal year 2012. The City is working to resolve this deficit balance by implementing a rate structure that was recommended as part of a professionally contracted study in 2012.

Note 12. Commitment and Contingent Liabilities

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has projects related to the airport, pumping station, and various street construction in progress at the end of the year. The total amount of contracts outstanding for these projects is approximately \$12 million. As of June 30, 2014, costs of \$8.5 million have been incurred on the projects. The remaining contractual amounts on these projects total approximately \$3.5 million as of June 30, 2014 and will be paid as work on the projects progresses.

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability applicable fund.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 13. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The City adopted the following statements during the year ended June 30, 2014:

GASB Statement No. 66, *Technical Corrections – 2012*. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of 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.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The implementation of the above statements did not have a material impact to the City's financial statements. As of June 30, 2014, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City are as follows:

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 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and 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. Statement No. 68 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. Each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their "proportionate share" of the plan's net pension liability. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, is effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 13. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013, will be effective upon the implementation of GASB Statement No. 68, beginning with the year ending June 30, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The City's management has not yet determined the effect these GASB Statements will have on the City's financial statements.

Note 14. Subsequent Events

In October 2014, the City issued \$3,225,000 in General Obligation Capital Loan Notes Series 2014B to provide funds to pay costs of street and sidewalk improvements, traffic control devices and street lighting improvements, equipping the police and fire departments, acquisition of an ambulance, the acquisition, restoration or demolition of abandoned, dilapidated or dangerous buildings, structures or properties or abatement of nuisances; improvements to City facilities, and acquiring transit dispatch software. The notes mature in annual amounts ranging from \$15,000 to \$290,000 each June 1st through fiscal year 2029 and bear interest rates from 1.3 to 3.8 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Clinton, Iowa

Required Supplementary Information
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2014	7/1/2013	\$ -	\$ 3,192,421	\$ 3,192,421	- %	\$ 10,107,016	31.59%
2013	7/1/2011	-	3,201,687	3,201,687	-	10,031,926	31.91
2012	7/1/2011	-	3,201,687	3,201,687	-	9,434,000	33.94
2011	7/1/2009	-	2,616,000	2,616,000	-	10,900,000	24.00
2010	7/1/2009	-	2,616,000	2,616,000	-	10,500,000	24.91

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2013. Additional information follows:

1. The actuarial method used to determine the ARC is the entry age actuarial cost method.
2. There are no plan assets.
3. The actuarial assumptions included: (1) 2.5 percent discount rate, (2) The projected annual health care cost rate is 6 percent.
4. The amortization method is level dollar amount over 30 years on an closed basis.

City of Clinton, Iowa

Budgetary Comparison Schedule
Budget and Actual - All Governmental and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2014

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Taxes	\$ 21,340,941	\$ -	\$ 21,340,941
Licenses and permits	397,268	-	397,268
Use of money and property	1,879,184	20,220	1,899,404
Intergovernmental	4,844,194	2,090,566	6,934,760
Charges for services	1,235,039	11,727,024	12,962,063
Miscellaneous	799,992	489,154	1,289,146
Total revenues	30,496,618	14,326,964	44,823,582
Expenditures/expenses:			
Public safety	10,776,743	-	10,776,743
Public works	2,606,996	-	2,606,996
Culture and recreation	3,142,259	-	3,142,259
Community and economic development	1,877,259	-	1,877,259
General government	2,478,543	-	2,478,543
Debt service	3,992,096	-	3,992,096
Capital outlay	7,760,095	-	7,760,095
Business-type	-	17,174,161	17,174,161
Total expenditures/expenses	32,633,991	17,174,161	49,808,152
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,137,373)	(2,847,197)	(4,984,570)
Other financing sources (uses)			
Bond proceeds	4,634,145	-	4,634,145
Transfers in	10,210,601	4,433,953	14,644,554
Transfers out	(13,944,554)	(700,000)	(14,644,554)
Net change in fund balance/net position	(1,237,181)	886,756	(350,425)
Balance, beginning of year	5,852,208	68,453,394	74,305,602
Balance, end of year	\$ 4,615,027	\$ 69,340,150	\$ 73,955,177

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 22,387,719	\$ 21,254,774	\$ 86,167
316,400	219,697	177,571
621,897	618,600	1,280,804
6,035,578	6,877,417	57,343
12,772,493	13,586,033	(623,970)
1,061,109	1,063,138	226,008
43,195,196	43,619,659	1,203,923
11,048,369	10,980,279	203,536
2,661,152	2,708,097	101,101
3,002,876	2,812,133	(330,126)
2,193,391	2,109,666	232,407
2,044,661	1,949,472	(529,071)
4,418,540	4,418,540	426,444
4,220,500	4,294,319	(3,465,776)
25,813,293	26,091,833	8,917,672
55,402,782	55,364,339	5,556,187
(12,207,586)	(11,744,680)	6,760,110
11,275,000	14,821,528	(10,187,383)
20,146,826	20,683,237	(6,038,683)
(20,146,826)	(20,683,237)	6,038,683
\$ (932,586)	\$ 3,076,848	\$ (3,427,273)

City of Clinton, Iowa

Note to Required Supplementary Information

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds. The budget basis of accounting is in accordance with accounting principles generally accepted in the United States of America. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The City Council annually adopts a budget on or before March 15 of each year, which becomes effective July 1 and constitutes the City's appropriation for each program and purpose specified therein until amended. City budgets may be amended for specified purposes and budget amendments must be prepared and adopted in the same manner as the original budgets. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the program level. Appropriations, as adopted and amended, lapse at the end of the fiscal year. The City adopts its annual program budget which includes all funds on a modified accrual basis.

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules-Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of eight functional areas as required by state statute for its legally adopted budget.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, one budget amendment increased budgeted expenditures and transfers out by a total of \$497,968. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues. Also, to adjust revenues for revised estimates in tax increment financing revenues and adjust for refunding of general obligation bonds.

During the year ended June 30, 2014, expenditures in the culture and recreation, general government and capital outlay functions exceeded the amounts budgeted.

SUPPLEMENTARY AND OTHER INFORMATION

City of Clinton, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue			
	Road Use Tax	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
Assets				
Cash and investments	\$ 671,146	\$ 192,411	\$ 364,867	\$ 2,008
Receivables:				
Taxes	-	-	-	-
Intergovernmental	230,864	1,005	-	-
Special assessments	-	-	-	-
Other	40	39,070	-	-
Prepaid insurance	-	-	-	3,850
Prepaid-other	7,506	-	-	-
Total assets	\$ 909,556	\$ 232,486	\$ 364,867	\$ 5,858
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 104,327	\$ 835	\$ -	\$ -
Deposits payable	-	-	-	-
Due to other funds	13,559	375	-	-
Total liabilities	117,886	1,210	-	-
Deferred inflows of resources, unavailable revenue:				
Property taxes	-	-	-	-
Special assessments	-	-	-	-
Delinquent taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	7,506	-	-	3,850
Endowments, corpus	-	-	-	-
Restricted:				
Streets	784,164	-	-	-
Community programs and services	-	231,276	364,867	-
Other purposes	-	-	-	2,008
Total fund balances	791,670	231,276	364,867	5,858
Total liabilities, deferred inflow of resources and fund balances	\$ 909,556	\$ 232,486	\$ 364,867	\$ 5,858

Permanent				
Miscellaneous	Hayes Trust	Boyd Henningsen	Total	
\$ 549,919	\$ 3,747	\$ 5,041	\$ 1,789,139	
2,140,997	-	-	2,140,997	
559	-	-	232,428	
187,693	-	-	187,693	
-	-	-	39,110	
-	-	-	3,850	
-	-	-	7,506	
<u>\$ 2,879,168</u>	<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$ 4,400,723</u>	
\$ 34,158	\$ -	\$ -	\$ 139,320	
53,050	-	-	53,050	
-	-	-	13,934	
<u>87,208</u>	<u>-</u>	<u>-</u>	<u>206,304</u>	
2,127,376	-	-	2,127,376	
187,693	-	-	187,693	
6,151	-	-	6,151	
<u>2,321,220</u>	<u>-</u>	<u>-</u>	<u>2,321,220</u>	
-	-	-	11,356	
-	3,000	4,000	7,000	
-	-	-	784,164	
470,740	-	-	1,066,883	
-	747	1,041	3,796	
<u>470,740</u>	<u>3,747</u>	<u>5,041</u>	<u>1,873,199</u>	
<u>\$ 2,879,168</u>	<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$ 4,400,723</u>	

City of Clinton, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended June 30, 2014

	Special Revenue			
	Road Use Tax	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
Revenues:				
Taxes	\$ -	\$ 162,106	\$ -	\$ -
Licenses and permits	8,905	-	-	-
Use of money and property	175	-	-	-
Intergovernmental	2,726,545	134,077	-	-
Charges for services	-	41,740	-	-
Miscellaneous	153,656	-	-	-
Total revenues	2,889,281	337,923	-	-
Expenditures:				
Current:				
Public safety	-	39,325	-	-
Public works	2,567,050	-	-	-
Culture and recreation	-	248,682	-	-
Community and economic development	-	-	10,000	-
General government	-	-	-	351,911
Capital outlay	-	26,602	-	-
Total expenditures	2,567,050	314,609	10,000	351,911
Revenue over (under) expenditures	322,231	23,314	(10,000)	(351,911)
Other financing sources (uses):				
Transfers in	-	391,358	46,716	231,626
Transfers out	(100,000)	(410,444)	-	-
Total other financing sources (uses)	(100,000)	(19,086)	46,716	231,626
Net change in fund balances	222,231	4,228	36,716	(120,285)
Fund balances, beginning of year	569,439	227,048	328,151	126,143
Fund balances, end of year	\$ 791,670	\$ 231,276	\$ 364,867	\$ 5,858

Permanent				
Miscellaneous	Hayes Trust	Boyd Henningsen Trust		Total
\$ 1,810,590	\$ -	\$ -		\$ 1,972,696
26,115	-	-		35,020
1,068	-	-		1,243
76,208	-	-		2,936,830
30,675	-	-		72,415
38,639	-	-		192,295
<u>1,983,295</u>	<u>-</u>	<u>-</u>		<u>5,210,499</u>
102,488	-	-		141,813
20,137	-	-		2,587,187
42,511	-	-		291,193
1,318,498	-	-		1,328,498
31,934	-	-		383,845
1,819	-	-		28,421
<u>1,517,387</u>	<u>-</u>	<u>-</u>		<u>4,760,957</u>
465,908	-	-		449,542
3,489	-	-		673,189
<u>(655,517)</u>	<u>-</u>	<u>-</u>		<u>(1,165,961)</u>
<u>(652,028)</u>	<u>-</u>	<u>-</u>		<u>(492,772)</u>
(186,120)	-	-		(43,230)
656,860	3,747	5,041		1,916,429
<u>\$ 470,740</u>	<u>\$ 3,747</u>	<u>\$ 5,041</u>		<u>\$ 1,873,199</u>

City of Clinton, Iowa

**Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014**

Assets	Solid Waste Collection	Transit System	Airport Operations	Dock Operations
Current assets:				
Cash and investments	\$ -	\$ 751,855	\$ 332,262	\$ 62,416
Receivables, net of allowance for uncollectible amounts of \$954,963:				
Service fees	636,848	-	-	-
Special assessments	182,959	-	-	-
Other	1,368	10,496	28,575	-
Intergovernmental	-	729,394	19,252	-
Prepays	-	3,000	-	-
Total current assets	821,175	1,494,745	380,089	62,416
Noncurrent assets:				
Capital assets:				
Nondepreciable:				
Land	-	84,600	790,945	-
Construction-in-progress	-	-	1,497,454	-
Depreciable:				
Machinery and equipment	1,117,810	4,143,460	317,801	-
Land improvements	36,000	-	131,200	-
Buildings	136,000	2,152,608	1,426,288	-
Intangibles	-	8,200	-	-
Infrastructure	-	15,800	19,523,553	-
Accumulated depreciation	(573,102)	(2,924,036)	(12,535,645)	-
Total noncurrent assets	716,708	3,480,632	11,151,596	-
Total assets	\$ 1,537,883	\$ 4,975,377	\$ 11,531,685	\$ 62,416
Liabilities and Net Position				
Current liabilities:				
Accounts payable	\$ 29,215	\$ 20,928	\$ 35,472	\$ -
Contracts payable	-	-	68,118	-
Early retirement payable	-	36,000	-	-
Due to other funds	1,653,258	10,491	301,795	-
Compensated absences	17,644	44,181	6,538	-
Total current liabilities	1,700,117	111,600	411,923	-
Noncurrent liabilities:				
Other postemployment benefits obligation	61,609	86,978	10,872	-
Early retirement payable	-	126,000	-	-
Total noncurrent liabilities	61,609	212,978	10,872	-
Total liabilities	1,761,726	324,578	422,795	-
Net position:				
Investment in capital assets	716,708	3,480,632	11,151,596	-
Unrestricted	(940,551)	1,170,167	(42,706)	62,416
Total net position	(223,843)	4,650,799	11,108,890	62,416
Total liabilities and net position	\$ 1,537,883	\$ 4,975,377	\$ 11,531,685	\$ 62,416

	Marina	Parking System	Total
\$	582,291	\$ 10,313	\$ 1,739,137
	-	-	636,848
	-	-	182,959
	30,277	25	70,741
	-	-	748,646
	10,142	-	13,142
	<u>622,710</u>	<u>10,338</u>	<u>3,391,473</u>

	184,000	217,000	1,276,545
	-	-	1,497,454
	10,000	-	5,589,071
	39,692	152,700	359,592
	752,205	-	4,467,101
	-	12,401	20,601
	9,326,625	149,516	29,015,494
	(1,747,190)	(314,617)	(18,094,590)
	<u>8,565,332</u>	<u>217,000</u>	<u>24,131,268</u>
\$	<u>9,188,042</u>	<u>\$ 227,338</u>	<u>\$ 27,522,741</u>

\$	9,185	\$ -	\$ 94,800
	-	-	68,118
	-	-	36,000
	-	-	1,965,544
	-	-	68,363
	<u>9,185</u>	<u>-</u>	<u>2,232,825</u>

	-	-	159,459
	-	-	126,000
	-	-	285,459

	<u>9,185</u>	<u>-</u>	<u>2,518,284</u>
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	8,565,332	217,000	24,131,268
	613,525	10,338	873,189
	<u>9,178,857</u>	<u>227,338</u>	<u>25,004,457</u>

\$	<u>9,188,042</u>	<u>\$ 227,338</u>	<u>\$ 27,522,741</u>
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City of Clinton, Iowa

**Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2014**

	Solid Waste Collection	Transit System	Airport Operations	Dock Operations	Marina
Operating revenues:					
Charges for services	\$ 1,498,705	\$ 253,864	\$ 390,022	\$ -	\$ 81,750
Property rental	3,035	-	115,600	-	249,648
Miscellaneous	1,171	33,969	75,000	-	133,575
Total operating revenues	1,502,911	287,833	580,622	-	464,973
Operating expenses:					
Personal services	658,379	1,248,635	148,373	-	-
Commodities	144,928	277,123	313,542	-	79,785
Contractual services	323,466	76,982	17,833	-	153,047
Repairs, maintenance and utilities	332,144	51,929	85,321	-	42,755
Depreciation	142,446	510,631	656,103	-	364,180
Total operating expenses	1,601,363	2,165,300	1,221,172	-	639,767
Operating (loss)	(98,452)	(1,877,467)	(640,550)	-	(174,794)
Nonoperating revenues (expenses):					
Intergovernmental	-	1,319,316	658,650	-	-
Gain on sale of capital assets	-	4,028	-	-	-
Total nonoperating revenues	-	1,323,344	658,650	-	-
Income (loss) before transfers	(98,452)	(554,123)	18,100	-	(174,794)
Transfers in	-	723,953	750,000	-	-
Change in net position	(98,452)	169,830	768,100	-	(174,794)
Total net position, beginning of year	(125,391)	4,480,969	10,340,790	62,416	9,353,651
Total net position, end of year	\$ (223,843)	\$ 4,650,799	\$ 11,108,890	\$ 62,416	\$ 9,178,857

Parking System	Total
\$ -	\$ 2,224,341
-	368,283
-	243,715
-	2,836,339
-	2,055,387
-	815,378
-	571,328
-	512,149
-	1,673,360
-	5,627,602
-	(2,791,263)
-	1,977,966
-	4,028
-	1,981,994
-	(809,269)
-	1,473,953
-	664,684
227,338	24,339,773
<u>\$ 227,338</u>	<u>\$ 25,004,457</u>

City of Clinton, Iowa

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2014**

	Solid Waste Collection	Transit System	Airport Operations	Dock Operations	Marina
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,474,450	\$ 287,022	\$ 558,754	\$ -	\$ 444,730
Payments to suppliers	(800,431)	(425,434)	(452,266)	-	(284,655)
Payments to employees	(622,934)	(1,280,026)	(144,029)	-	-
Net cash provided by (used in) operating activities	51,085	(1,418,438)	(37,541)	-	160,075
Cash flows from noncapital financing activities:					
Intergovernmental	-	659,187	639,398	-	-
Proceeds from interfund accounts	-	1,121,641	266,337	-	-
Payments to interfund accounts	(51,085)	-	-	-	-
Transfers in	-	723,953	750,000	-	-
Net cash provided by (used in) noncapital financing activities	(51,085)	2,504,781	1,655,735	-	-
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(383,026)	(1,285,932)	-	-
Proceeds from sale of capital assets	-	4,028	-	-	-
Net cash (used in) capital and related financing activities	-	(378,998)	(1,285,932)	-	-
Increase in cash and cash equivalents	-	707,345	332,262	-	160,075
Cash and cash equivalents, beginning of year	-	44,510	-	62,416	422,216
Cash and cash equivalents, end of year	\$ -	\$ 751,855	\$ 332,262	\$ 62,416	\$ 582,291

(Continued)

	Parking System	Total
\$	-	\$ 2,764,956
	-	(1,962,786)
	-	(2,046,989)
	-	(1,244,819)
	-	1,298,585
	-	1,387,978
	-	(51,085)
	-	1,473,953
	-	4,109,431
	-	(1,668,958)
	-	4,028
	-	(1,664,930)
	-	1,199,682
	10,313	539,455
\$	10,313	\$ 1,739,137

City of Clinton, Iowa

Combining Statement of Cash Flows (Continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2014

	Solid Waste Collection	Transit System	Airport Operations	Dock Operations	Marina
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:					
Operating (loss)	\$ (98,452)	\$ (1,877,467)	\$ (640,550)	\$ -	\$ (174,794)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:					
Depreciation	142,446	510,631	656,103	-	364,180
Change in assets and liabilities:					
Receivables	45,864	(811)	(21,868)	-	(20,243)
Special assessments	(74,325)	-	-	-	-
Prepays	-	-	-	-	(142)
Accounts payable	107	(19,400)	(35,570)	-	(8,926)
Compensated absences	4,089	9,687	2,063	-	-
Early retirement benefit	-	(36,000)	-	-	-
Other postemployment benefits obligation	31,356	(5,078)	2,281	-	-
Net cash provided by (used in) operating activities	\$ 51,085	\$ (1,418,438)	\$ (37,541)	\$ -	\$ 160,075
Schedule of noncash items, capital and related financing activities, Payment of contracts payable for acquisition of capital assets	\$ -	\$ -	\$ (68,118)	\$ -	\$ -

Parking System	Total
\$ -	\$ (2,791,263)
-	1,673,360
-	2,942
-	(74,325)
-	(142)
-	(63,789)
-	15,839
-	(36,000)
-	28,559
<u>\$ -</u>	<u>\$ (1,244,819)</u>
<u>\$ -</u>	<u>\$ (68,118)</u>

City of Clinton, Iowa

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2014

	Balance				Balance	
	July 1, 2013	Increases	Decreases		June 30, 2014	
Payroll Clearing Fund						
Assets:						
Cash and investments	\$ 78,885	\$ -	\$ 78,885	\$ -		
Prepaid insurance	59,802	-	59,802	-		
Total assets	\$ 138,687	\$ -	\$ 138,687	\$ -		
Liabilities, accounts payable	\$ 138,687	\$ -	\$ 138,687	\$ -		

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City of Clinton, Iowa

**Schedule of Balance Sheet Accounts Required by Revenue Bond Ordinance
Sewer Revenue Fund-By Account on Bond Ordinance Basis
June 30, 2014**

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund
Assets				
Cash and investments	\$ 199,750	\$ -	\$ -	\$ -
Restricted cash and investments	-	338,076	757,418	-
Due from other funds	-	-	-	-
Receivables, net of allowance for uncollectible amounts of \$897,530:				
Service fees	-	-	-	-
Special assessments	-	-	-	-
Other	8,065	-	-	-
Intergovernmental	-	-	-	-
Prepaid expenses	3,523	-	-	-
Total assets	211,338	338,076	757,418	-
Liabilities and Net Position				
Liabilities:				
Accounts payable	204,476	-	-	-
Contracts payable	-	-	-	-
Total liabilities	204,476	-	-	-
Net position:				
Restricted for capital	-	338,076	757,418	-
Unrestricted	6,862	-	-	-
Total net position	6,862	338,076	757,418	-
Total liabilities and net position	\$ 211,338	\$ 338,076	\$ 757,418	\$ -

Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ -	\$ 292,930	\$ 764,570	\$ 1,257,250
-	-	-	1,095,494
-	-	1,642,512	1,642,512
-	2,541,962	-	2,541,962
-	822,345	-	822,345
-	9,871	-	17,936
-	-	191,572	191,572
-	-	-	3,523
-	3,667,108	2,598,654	7,572,594
-	24,454	263,894	492,824
-	-	240,723	240,723
-	24,454	504,617	733,547
-	-	-	1,095,494
-	3,642,654	2,094,037	5,743,553
-	3,642,654	2,094,037	6,839,047
\$ -	\$ 3,667,108	\$ 2,598,654	\$ 7,572,594

City of Clinton, Iowa

**Schedule of Revenues, Expenses and Changes in Net Position Required by Revenue Bond Ordinance
Sewer Revenue Fund-By Account on Bond Ordinance Basis
Year Ended June 30, 2014**

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund	Sewer Reserve Fund
Operating revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	87,919	-	-	-	-
Total operating revenues	87,919	-	-	-	-
Operating expenses:					
Personal services	2,011,710	-	-	-	-
Commodities	-	-	-	-	-
Contractual services	1,320,431	-	-	-	-
Repairs, maintenance and utilities	721,209	-	-	-	-
Capital outlay/improvements	82,335	-	-	-	-
Total operating expenses	4,135,685	-	-	-	-
Operating income (loss)	(4,047,766)	-	-	-	-
Nonoperating revenues (expenses):					
Investment earnings	-	-	-	-	-
Intergovernmental	7,600	-	-	-	-
Interest expense	-	-	-	(2,332,587)	-
Sale of asset proceeds	4,955	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-
State revolving loan proceeds	-	-	-	-	-
Principal payments	-	-	-	-	-
Total nonoperating revenues (expenses)	12,555	-	-	(2,332,587)	-
Income (loss) before transfers	(4,035,211)	-	-	(2,332,587)	-
Transfers in	4,248,779	-	-	4,908,476	-
Transfers out	(147,279)	(403,598)	-	(2,933,000)	-
Change in net position	66,289	(403,598)	-	(357,111)	-
Total net position, beginning of year	(59,427)	741,674	757,418	357,111	-
Total net position, end of year	\$ 6,862	\$ 338,076	\$ 757,418	\$ -	\$ -

Sewer Revenue Fund	Sewer Improvement	Total
\$ 9,143,309	\$ 1,143	\$ 9,144,452
3,459	145,078	236,456
9,146,768	146,221	9,380,908
-	-	2,011,710
-	-	-
-	579,594	1,900,025
334,870	232,622	1,288,701
-	5,067,620	5,149,955
334,870	5,879,836	10,350,391
8,811,898	(5,733,615)	(969,483)
20,220	-	20,220
-	105,000	112,600
-	-	(2,332,587)
-	-	4,955
-	-	-
-	5,160,498	5,160,498
-	(2,933,000)	(2,933,000)
20,220	2,332,498	32,686
8,832,118	(3,401,117)	(936,797)
147,279	5,893,000	15,197,534
(9,451,065)	-	(12,934,942)
(471,668)	2,491,883	1,325,795
4,114,322	(397,846)	5,513,252
\$ 3,642,654	\$ 2,094,037	\$ 6,839,047

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City of Clinton, Iowa

Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds (Unaudited)
 For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES				
Taxes	\$ 21,340,941	\$ 21,060,047	\$ 20,061,933	\$ 19,459,376
Licenses and permits	397,268	390,214	388,142	280,236
Use of money and property	1,879,184	535,225	166,362	409,167
Intergovernmental	4,844,194	5,425,060	5,077,516	15,396,842
Charges for services	1,235,039	1,045,323	1,276,132	1,257,521
Miscellaneous	799,992	1,504,955	2,301,813	326,379
TOTAL REVENUES	<u>\$ 30,496,618</u>	<u>\$ 29,960,824</u>	<u>\$ 29,271,898</u>	<u>\$ 37,129,521</u>
EXPENDITURES				
Current				
Public safety	\$ 10,776,743	\$ 10,117,478	\$ 10,099,168	\$ 10,522,406
Public works	2,606,996	2,471,001	2,931,985	3,831,214
Culture and recreation	3,142,259	2,919,245	3,016,460	3,056,645
Community and economic development	1,877,259	2,028,721	2,749,648	2,500,810
General government	2,478,543	2,762,672	1,656,335	1,860,914
Debt service	3,992,096	8,468,734	3,477,659	3,348,133
Capital outlay	7,760,095	8,221,941	7,817,225	10,061,875
TOTAL EXPENDITURES	<u>\$ 32,633,991</u>	<u>\$ 36,989,792</u>	<u>\$ 31,748,480</u>	<u>\$ 35,181,997</u>

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 18,966,982	\$ 17,685,612	\$ 16,696,773	\$ 16,356,349	\$ 15,093,950	\$ 14,569,285
756,662	278,034	302,729	271,733	192,010	247,289
433,911	467,610	505,698	533,043	509,542	407,488
4,401,029	3,287,033	6,943,004	8,325,118	6,926,122	4,384,103
1,365,157	1,230,528	1,566,224	1,518,430	1,363,812	1,338,684
529,325	558,340	723,501	938,498	970,657	309,536
<u>\$ 26,453,066</u>	<u>\$ 23,507,157</u>	<u>\$ 26,737,929</u>	<u>\$ 27,943,171</u>	<u>\$ 25,056,093</u>	<u>\$ 21,256,385</u>
\$ 9,451,323	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919	\$ 8,118,198
3,364,814	3,449,917	3,147,176	2,819,417	2,689,177	2,680,519
2,691,561	2,882,200	2,560,291	2,525,097	2,443,820	2,468,359
1,933,560	966,803	1,346,733	1,175,920	1,356,850	1,718,548
2,288,430	2,432,760	1,128,739	1,047,609	1,050,086	972,907
3,993,984	4,750,160	4,445,382	4,755,246	8,379,435	4,140,643
6,267,321	6,986,200	7,915,554	7,553,288	12,522,925	4,852,235
<u>\$ 29,990,993</u>	<u>\$ 31,100,977</u>	<u>\$ 29,958,648</u>	<u>\$ 28,979,766</u>	<u>\$ 37,147,212</u>	<u>\$ 24,951,409</u>

City of Clinton, Iowa

Schedule of Taxes and Intergovernmental Revenues
 All Governmental Funds (Unaudited)
 For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Taxes				
Property taxes	\$ 16,568,522	\$ 16,287,628	\$ 14,972,295	\$ 14,488,035
Mobile home taxes	4,528	4,528	5,205	5,713
Utility excise taxes	1,151,368	1,151,368	1,129,203	1,001,996
Local option sales taxes	3,064,314	3,064,314	3,429,223	3,345,242
Hotel/motel taxes	361,661	361,661	332,554	313,352
Gaming/Cable television franchise fees	179,083	179,083	190,496	142,155
Other taxes	11,465	11,465	-	-
	<u>\$ 21,340,941</u>	<u>\$ 21,060,047</u>	<u>\$ 20,058,976</u>	<u>\$ 19,296,493</u>
Intergovernmental				
Road use taxes	\$ 2,671,825	\$ 2,606,751	\$ 2,529,235	\$ 2,559,000
Bank franchise tax	-	-	-	-
Machinery and equipment tax replacement	-	-	-	-
Other federal/state revenues	1,953,220	2,605,406	7,607,513	10,892,450
County contributions	49,284	50,948	105,757	78,385
School district contributions	169,865	161,955	-	-
	<u>\$ 4,844,194</u>	<u>\$ 5,425,060</u>	<u>\$ 10,242,505</u>	<u>\$ 13,529,835</u>
TOTAL	<u>\$ 26,185,135</u>	<u>\$ 26,485,107</u>	<u>\$ 30,301,481</u>	<u>\$ 32,826,328</u>

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 14,498,220	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678	\$ 10,935,516
6,179	7,544	6,029	6,717	7,492	7,001
684,958	699,751	710,877	747,851	658,333	653,610
2,931,452	3,412,843	2,883,810	3,211,844	2,363,972	2,532,034
252,413	348,364	357,639	303,726	296,306	290,812
142,675	144,091	143,701	143,163	143,172	138,787
-	-	-	-	-	11,508
<u>\$ 18,515,897</u>	<u>\$ 17,674,662</u>	<u>\$ 16,696,771</u>	<u>\$ 16,356,349</u>	<u>\$ 15,093,953</u>	<u>\$ 14,569,268</u>
\$ 2,445,174	\$ 2,301,748	\$ 2,379,640	\$ 2,323,732	\$ 2,323,216	\$ 2,308,180
-	-	-	-	-	5,886
-	-	-	-	-	16
7,474,466	3,032,831	5,411,763	6,290,529	5,264,706	2,588,722
58,088	42,726	46,731	50,893	58,083	40,544
-	-	-	-	-	-
<u>\$ 9,977,728</u>	<u>\$ 5,377,305</u>	<u>\$ 7,838,134</u>	<u>\$ 8,665,154</u>	<u>\$ 7,646,005</u>	<u>\$ 4,943,348</u>
<u>\$ 28,493,625</u>	<u>\$ 23,051,967</u>	<u>\$ 24,534,905</u>	<u>\$ 25,021,503</u>	<u>\$ 22,739,958</u>	<u>\$ 19,512,616</u>

City of Clinton, Iowa

**Schedule of Actual Property Valuation Comparison
(Unaudited)
For the Last Nine Years**

Fiscal Year:	2006	2007	2008	2009
January 1 Valuation	2004	2005	2006	2007
Residential property	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206
Commercial property	212,733,005	239,709,838	254,475,073	258,943,100
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248
Utilities	85,108,878	87,104,661	86,562,503	84,928,187
Other	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
Agricultural land	10,420,888	10,961,103	10,898,984	10,628,345
TOTAL	\$ 1,051,194,994	\$ 1,111,493,156	\$ 1,173,924,541	\$ 1,263,359,836

	2010	2011	2012	2013	2014
	2008	2009	2010	2011	2012
\$	809,102,152	\$ 824,901,714	\$ 873,107,272	\$ 838,077,699	\$ 844,469,640
	263,428,838	264,671,175	270,207,165	263,324,605	290,590,290
	144,102,110	143,732,802	193,742,825	223,544,136	172,403,126
	87,449,615	519,907,540	151,620,680	162,756,342	167,379,969
	446,750	446,750	446,750	446,750	446,750
	1,304,529,465	1,753,659,981	1,489,124,692	1,488,149,532	1,475,289,775
	10,611,413	13,514,673	15,324,520	17,773,135	17,535,589
\$	1,315,140,878	\$ 1,767,174,654	\$ 1,504,449,212	\$ 1,505,922,667	\$ 1,492,825,364

City of Clinton, Iowa

**Schedule of Taxable Property Valuation Comparison
(Unaudited)
For the Last Nine Years**

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

	2010	2011	2012	2013	2014
	2008	2009	2010	2011	2012
\$	364,473,337	\$ 383,571,449	\$ 421,511,650	\$ 422,003,802	\$ 443,940,901
	263,428,838	264,671,175	270,207,165	263,324,605	290,590,290
	144,102,110	143,732,802	193,742,825	223,544,136	172,403,126
	63,694,959	66,006,035	94,263,469	101,857,832	102,341,142
	446,750	446,750	446,750	446,750	446,750
	836,145,994	858,428,211	980,171,859	1,011,177,125	1,009,722,209
	3,578,990	3,456,758	3,389,160	3,313,228	3,226,184
<u>\$</u>	<u>832,567,004</u>	<u>\$ 854,971,453</u>	<u>\$ 976,782,699</u>	<u>\$ 1,007,863,897</u>	<u>\$ 1,006,496,025</u>
<u>\$</u>	<u>9,955,176</u>	<u>\$ 8,950,487</u>	<u>\$ 10,576,243</u>	<u>\$ 10,194,936</u>	<u>\$ 10,494,318</u>

City of Clinton, Iowa

Schedule of General Obligation Bond and Capital Loan Note Maturities
 June 30, 2014

Year Ending June 30	Principal	Interest	Total
2015	\$ 2,700,000	\$ 619,074	\$ 3,319,074
2016	2,830,000	561,584	3,391,584
2017	2,490,000	494,534	2,984,534
2018	2,530,000	431,754	2,961,754
2019	2,015,000	353,599	2,368,599
2020	1,960,000	292,343	2,252,343
2021	1,995,000	230,083	2,225,083
2022	1,445,000	165,043	1,610,043
2023	970,000	126,543	1,096,543
2024	735,000	95,908	830,908
2025	760,000	75,358	835,358
2026	210,000	53,600	263,600
2027	210,000	45,100	255,100
2028	220,000	36,550	256,550
2029	120,000	27,000	147,000
2030	130,000	22,200	152,200
2031	135,000	17,000	152,000
2032	145,000	11,600	156,600
2033	145,000	5,800	150,800
	<u>\$ 21,745,000</u>	<u>\$ 3,664,673</u>	<u>\$ 25,409,673</u>

City of Clinton, Iowa

Schedule of General Obligation Bond Maturities
June 30, 2014

Summary

Year Ending June 30	Principal	Interest	Total
2015	1,165,000	367,601	1,532,601
2016	1,315,000	325,466	1,640,466
2017	1,050,000	274,886	1,324,886
2018	1,290,000	232,676	1,522,676
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>\$ 8,650,000</u>	<u>\$ 1,770,110</u>	<u>\$ 10,420,110</u>

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

Year Ending June 30	Principal	Interest	Total
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>\$ 5,300,000</u>	<u>\$ 1,057,245</u>	<u>\$ 6,357,245</u>

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

Year Ending June 30	Principal	Interest	Total
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>\$ 3,350,000</u>	<u>\$ 712,865</u>	<u>\$ 4,062,865</u>

City of Clinton, Iowa

Schedule of General Obligation Capital Loan Note Maturities
June 30, 2014

Summary - Capital Loan Note Principal and Interest

Year Ending June 30	\$3,065,000	\$4,975,000	\$2,095,000	\$4,155,000	\$335,000	Total
2015	281,130	900,368	368,865	230,700	5,410	1,786,473
2016	284,690	791,968	361,380	227,700	85,380	1,751,118
2017	402,730	379,568	363,230	424,700	89,420	1,659,648
2018	184,080	386,218	364,680	415,700	88,400	1,439,078
2019	517,355	311,043	-	406,700	86,700	1,321,798
2020	526,050	311,918	-	397,700	-	1,235,668
2021	528,550	307,718	-	393,700	-	1,229,968
2022	529,880	308,098	-	389,550	-	1,227,528
2023	-	307,968	-	400,250	-	708,218
2024	-	307,458	-	400,350	-	707,808
2025	-	311,558	-	405,150	-	716,708
2026	-	-	-	149,500	-	149,500
2027	-	-	-	145,650	-	145,650
2028	-	-	-	151,800	-	151,800
2029	-	-	-	147,000	-	147,000
2030	-	-	-	152,200	-	152,200
2031	-	-	-	152,000	-	152,000
2032	-	-	-	156,600	-	156,600
2033	-	-	-	150,800	-	150,800
\$	3,254,465	\$ 4,623,883	\$ 1,458,155	\$ 5,297,750	\$ 355,310	\$ 14,989,563

Summary - Capital Loan Note Principal

Year Ending June 30	\$3,065,000	\$4,975,000	\$2,095,000	\$4,155,000	\$335,000	Total
2015	240,000	840,000	355,000	100,000	-	1,535,000
2016	245,000	740,000	350,000	100,000	80,000	1,515,000
2017	365,000	335,000	355,000	300,000	85,000	1,440,000
2018	150,000	345,000	360,000	300,000	85,000	1,240,000
2019	485,000	275,000	-	300,000	85,000	1,145,000
2020	500,000	280,000	-	300,000	-	1,080,000
2021	510,000	280,000	-	305,000	-	1,095,000
2022	520,000	285,000	-	310,000	-	1,115,000
2023	-	290,000	-	330,000	-	620,000
2024	-	295,000	-	340,000	-	635,000
2025	-	305,000	-	355,000	-	660,000
2026	-	-	-	110,000	-	110,000
2027	-	-	-	110,000	-	110,000
2028	-	-	-	120,000	-	120,000
2029	-	-	-	120,000	-	120,000
2030	-	-	-	130,000	-	130,000
2031	-	-	-	135,000	-	135,000
2032	-	-	-	145,000	-	145,000
2033	-	-	-	145,000	-	145,000
\$	3,015,000	\$ 4,270,000	\$ 1,420,000	\$ 4,055,000	\$ 335,000	\$ 13,095,000

Summary - Capital Loan Note Interest

Year Ending June 30	\$3,065,000	\$4,975,000	\$2,095,000	\$4,155,000	\$335,000	Total
2015	41,130	60,368	13,865	130,700	5,410	251,473
2016	39,690	51,968	11,380	127,700	5,380	236,118
2017	37,730	44,568	8,230	124,700	4,420	219,648
2018	34,080	41,218	4,680	115,700	3,400	199,078
2019	32,355	36,043	-	106,700	1,700	176,798
2020	26,050	31,918	-	97,700	-	155,668
2021	18,550	27,718	-	88,700	-	134,968
2022	9,880	23,098	-	79,550	-	112,528
2023	-	17,968	-	70,250	-	88,218
2024	-	12,458	-	60,350	-	72,808
2025	-	6,558	-	50,150	-	56,708
2026	-	-	-	39,500	-	39,500
2027	-	-	-	35,650	-	35,650
2028	-	-	-	31,800	-	31,800
2029	-	-	-	27,000	-	27,000
2030	-	-	-	22,200	-	22,200
2031	-	-	-	17,000	-	17,000
2032	-	-	-	11,600	-	11,600
2033	-	-	-	5,800	-	5,800
\$	239,465	\$ 353,883	\$ 38,155	\$ 1,242,750	\$ 20,310	\$ 1,894,563

City of Clinton, Iowa

Computation of Legal Debt Margin

June 30, 2014

Actual Property Valuation-January 1, 2012	<u>\$ 1,527,268,476</u>
Debt limit, 5% of total actual valuation	\$ 76,363,424
Debt applicable to debt limit, debt service:	
General obligation loan notes and bonds	21,745,000
Economic development note	<u>754,000</u>
Legal debt margin	<u>\$ 53,864,424</u>

City of Clinton, Iowa

Miscellaneous Statistics (Unaudited) June 30, 2014

Date Chartered	January 28.1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	176
Area in Square Miles	38.4
Population	26,886
City of Clinton Facilities and Services:	
Miles of Streets	123
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	44
Sewer System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	4.5 million
Maximum Daily Capacity in Gallons	18 million
Number of Customers	10,350
Sewer Rate - Residential	\$8.96 per 100 cubic feet
Commercial Class 1	\$8.96 per 100 cubic feet
Commercial Class 2	\$11.648 per 100 cubic feet
Commercial Class 3	\$15.232 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

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CITY OF CLINTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program - Main Apron Rehab	20.106	3-19-0019-019-2013	\$ 487,137
Department of Justice			
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	2013-BUBX13067362	2,423
Community Oriented Policing Grant (COPS)	16.710	2006-CK-WX-0540	21,507
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2012-DJ-BX-0113	57
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2011-DJ-BX-2426	3,189
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2010-DJ-BX-1153	33,421
			<u>36,667</u>
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG)	16.803	2009-SB-B9-1971	7,849
Equitable Sharing Program	16.922	N/A	35,479
			<u>103,925</u>
Total Direct			<u>591,062</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	11-WS-013	61,015
Community Development Block Grants/Entitlement Grants	14.218	08-DRPG-208	1,871
			<u>62,886</u>
Department of Transportation			
Iowa Department of Transportation			
Formula Grants for Rural Areas	20.509	IA-18-X030	657
Formula Grants for Rural Areas-Joint Participation Agreement	20.509	IA-18-X031-141-14	729,394
			<u>730,051</u>
Federal Transit CAP Grant	20.500	IA-04-0129-141-13	6,889
Federal Transit CAP Grant	20.500	IA-04-0129-141-13	2,475
Federal Transit CAP Grant	20.500	IA-04-0129-141-13	9,595
Capital Investment Assistance Project	20.500	IA-04-0117	304,610
			<u>323,569</u>
Highway Planning and Construction (19th Avenue N)	20.205	TSCP-1415(614)-9S-23	430,567
			<u>1,484,187</u>
Department of Homeland Security			
Iowa Homeland Security and Emergency Management Department			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4119	18,867
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH-00164	65,980
			<u>84,847</u>
Department of Justice			
Iowa Governor's Office of Drug Control Policy			
Project Safe Neighborhoods	16.609	10-PSN-6392	7,176
Environmental Protection Agency			
Iowa Financing Authority			
State Revolving Loan Fund			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C0555RT	688,423
Total Indirect			<u>2,327,519</u>
Total expenditures of federal awards			<u>\$ 2,918,581</u>

See notes to the schedule of expenditures of federal awards.

City of Clinton, Iowa

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of City of Clinton, Iowa under programs of the federal government for the year ended June 30, 2014. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Clinton, Iowa, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Clinton, Iowa.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual or accrual basis of accounting. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and has met the eligibility criteria of the federal grant. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal awards is recognized when it is both measurable and available. For proprietary funds, revenue from federal grants is recognized when earned.

City of Clinton, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Number	Comment	Status	Corrective Action or Other Explanation
Finding related to the Financial Statement Audit:			
Material Weaknesses			
II-A-13	The City has not implemented procedures to ensure that accounts receivable, accounts payable, revenue, deferred revenue, capital assets and debt are properly recorded timely and agree to supporting documentation.	Corrected	
II-B-13	The City has not implemented procedures to ensure that sewer and solid waste revenues are recorded timely and that reconciliations are performed on a monthly basis.	Corrected	
II-C-13	The City has not implemented procedures to ensure that grant reimbursements are requested on a timely basis.	Corrected	
Significant Deficiency			
II-D-13	The City should implement procedures to ensure that all journal entries are reviewed and approved by someone other than the preparer.	Corrected	
Instances of Noncompliance			
II-E-13	The Debt Service Fund and the Solid Waste Fund both have deficit fund balances.	Partially Corrected	Corrected for the Debt Service Fund. See similar finding and corrective action plan at 14-IV-J
II-F-13	Expenditures for the year ended June 30, 2013 exceeded the certified budget amount in the general government and capital projects functions.	Not Corrected	See similar finding and corrective action plan at 14-IV-A

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**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***

Independent Auditor's Report

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

We have audited, in accordance with the 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, the 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 (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2014-001 and 2014-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. 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's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Davenport, Iowa
March 4, 2015



**Report on Compliance For Each Major Program and
Report on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Clinton, Iowa (the City)'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's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Davenport, Iowa
March 4, 2015

City of Clinton, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
20.500	Federal Transit - Capital Investment Grants
66.458	Capitalization Grant for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Controls

2014-001

Finding: The City has an improper segregation of duties over the cash disbursements cycle.

Criteria: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual handles a transaction from its inception to its completion.

Condition and Context: The Accounting Specialist has the ability to add and change vendor information, enter invoices, edit and finalize the claims listing for invoices to be approved and paid, post accounts payable payments and has access to print, prepare and process checks.

Effect: Transaction errors or fraud could occur and not be detected in a timely manner.

Cause: There are a limited number of individuals/resources involved in the department and the process.

Recommendation: We recommend the City look for ways to strengthen internal control by realigning or reassigning duties where practical, including but not limited to:

- Someone independent of the process perform a review of all vendor changes to the cash disbursements system.
- Someone independent of the process perform a review of an edit report that shows all invoices that have been voided.
- Someone independent of the process verify the final claims listing that was approved by City Council agrees to the final check register.

Response and Corrective Action Plan: The City has already addressed the finding and has implemented a review of the claims listing to the actual check runs. The Finance Director is investigating ways to comply with the current staffing levels that are in the finance office. The Finance Director has also contacted the City's financial management system support group to see if the City can take away vendor 'add' from the person that currently enters invoices and payments for a vendor.

2014-002

Finding: The City has improper segregation of duties over the payroll cycle.

Criteria: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual handles a transaction from its inception to its completion.

Condition and Context: One individual has the ability to add and remove employees, update employee information including direct deposit information, enter and edit pay rate, edit hours worked, process payroll, print payroll checks and initiate the wire transfer for direct deposits.

Effect: Transaction errors or fraud could occur and not be detected in a timely manner.

Cause: There are a limited number of individuals/resources involved in the department and the process.

(Continued)

City of Clinton, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Recommendation: We recommend the City look for ways to strengthen internal control by realigning or reassigning duties where practical, including but not limited to:

- Someone independent of the process perform a review of an edit report that shows all changes made to employee information, including pay rates.
- Someone independent of the process verify approved hours worked per the employee's timecard agrees to the payroll register.
- Monitoring of payroll check number sequences by someone independent of the payroll process.
- Someone independent of the process review the payroll register for any unusual hours or pay rates.

Response and Corrective Action Plan: The Finance Director has asked the City's financial management system support group if the 'add new employee' and 'rate change' features from the employee who currently enters, and give it to another can be removed.

B. Compliance Findings

None reported

III. Findings and Questioned Costs for Federal Awards

A. Internal Controls

None reported

B. Compliance Findings

None reported

IV. Other Findings Related to Required Statutory Reporting

14-IV-A Certified Budget

Finding: Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the culture and recreation, general government and capital outlay 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response: A budget amendment was done in fiscal year 2014; however, budgeted revenues exceeded actual revenues.

14-IV-B Questionable Expenditures

No questionable disbursements were noted.

14-IV-C Travel Expense

No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

14-IV-D Business Transactions

No business transactions between the City and City officials or employees were noted.

(Continued)

City of Clinton, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

14-IV-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

14-IV-F Council Minutes

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

14-IV-G Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

14-IV-H Revenue Notes

No instances of noncompliance with the provisions of the City's revenue bond resolutions.

14-IV-I Annual Urban Renewal Report

The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

14-IV-J Deficit Balances

Finding: The Capital Projects Fund and the Solid Waste Collection Fund had deficit balances of \$26,574 and \$223,843, respectively, as of June 30, 2014.

Recommendation: The City should monitor fund balance to ensure funds are not operating at a deficit fund balance.

Response: Fund balances are being monitored more closely.

City of Clinton, Iowa

**Corrective Action Plan
Year Ended June 30, 2014**

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
<u>Findings Relating to the Financial Statement Audit:</u>				
Internal Controls:				
2014-001	The City has an improper segregation of duties over the cash disbursements cycle.	See corrective action plan at 2014-001.	June 2015	Anita Dalton Finance Director
2014-002	The City has an improper segregation of duties over the payroll cycle.	See corrective action plan at 2014-002.	June 2015	Anita Dalton Finance Director
<u>Other Finding Related to Required Statutory Reporting:</u>				
14-IV-A	Disbursements exceeded the amount budgeted in the culture and recreation, general government and capital outlay functions.	See corrective action plan at 14-IV-A.	June 2015	Anita Dalton Finance Director
14-IV-J	The Capital Projects Fund and the Solid Waste Collection Fund had deficit fund balances.	See corrective action plan at 14-IV-J.	June 2023	Anita Dalton Finance Director