

City of Clinton, Iowa

Financial and Compliance Report
Year Ended June 30, 2016

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CITY OF CLINTON, IOWA

List of Principal Officials

June 30, 2016

ELECTED OFFICIALS

(Fiscal Year 2016)

Mayor

Mark S. Vulich

Council Member

Julie Allessee

Council Member

Paul Gassman

Council Member

Ed O'Neill

Council Member

Tom Determann

Council Member

Sean Connell

Council Member

Lynn McGraw

Council Member

Cody Seeley

APPOINTED OFFICIALS

City Administrator

Jessica Kinser

City Attorney

Lynch Dallas Firm

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

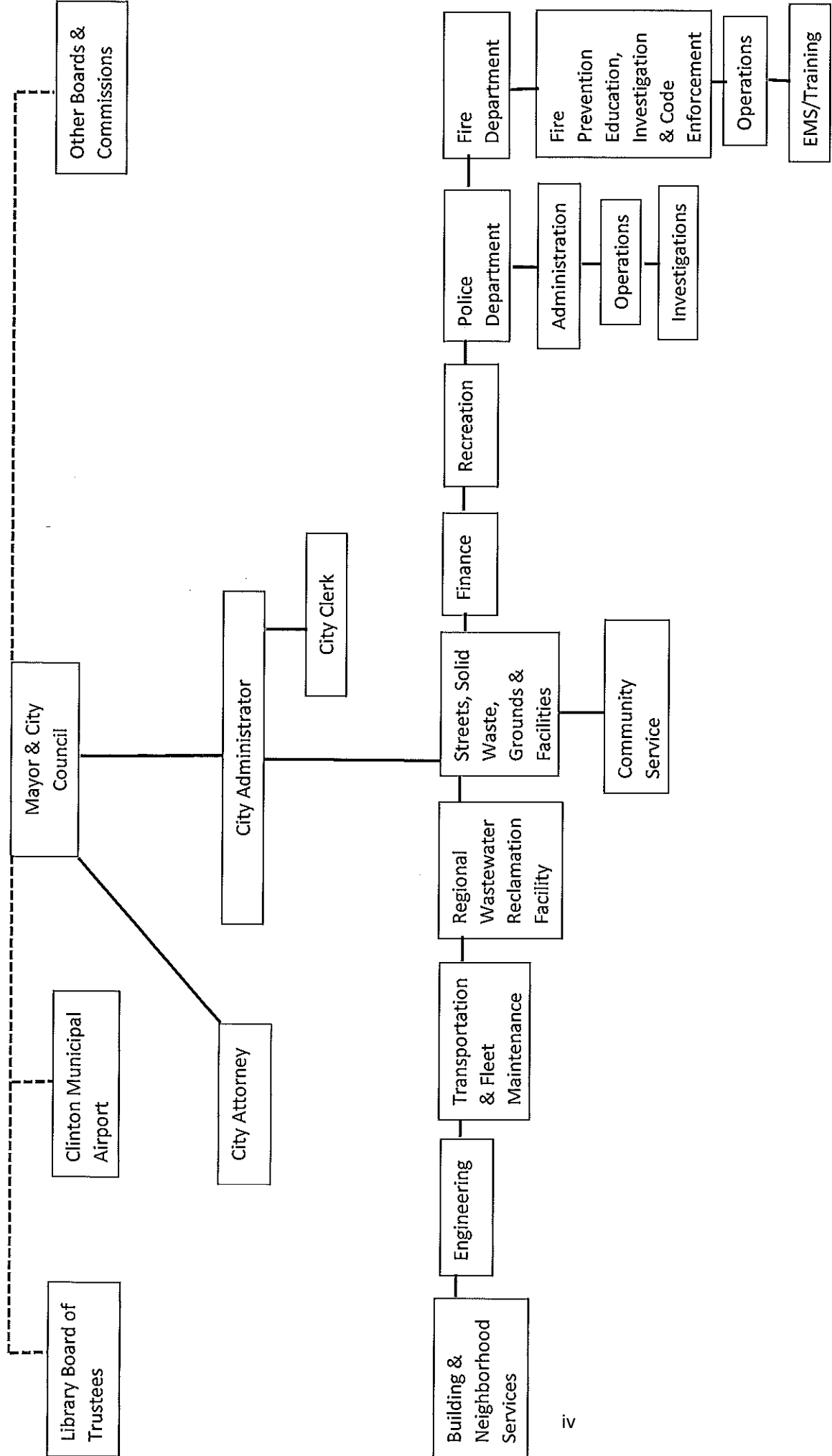
Kevin Gyrion

City Engineer

Jason Craft

Building & Neighborhood Services

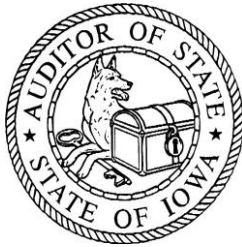
Jeff Chapman



Contracted Services:
Human Resources
Information Technology

FINANCIAL SECTION

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OFFICE OF AUDITOR OF STATE STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

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, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of Funding Progress for the Retiree Health Plan, the Budgetary Comparison Information, the Schedules of the City's Proportionate Share of the Net Pension Liability and the Schedules of City Contributions on pages 4 through 14 and 63 through 73 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 which 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 U.S. generally accepted auditing standards, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2015 (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in the combining nonmajor fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented in the compliance section for purposes of additional analysis and is also not a required part of the basic financial statements.

The supplementary 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Other Information Sections on pages i through iv and 86 through 102 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2017 on our consideration of the City of Clinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Clinton's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 15, 2017

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City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

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, 2016.

Financial Highlights

The assets of the City of Clinton, Iowa exceeded its liabilities at the close of the most recent fiscal year by \$137,384,195 (net position). Of this amount, (\$11,709,382) deficit is unrestricted. As of June 30, 2015, assets exceeded liabilities by \$136,216,383. Of this amount, (\$10,076,964) deficit was unrestricted.

For fiscal year 2016, the City's net position increased \$1,167,812. Governmental activities net position decreased (\$392,806) and business-type activities net position increased \$1,560,618. For fiscal year 2015, the City's total net position increased \$3,685,153. Governmental activities net position increased \$967,470 and business-type activities net position increased \$2,717,683.

As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,259,518, a decrease of (\$1,288,643) in comparison with the prior year. Approximately 17% of this amount, \$878,947, is unassigned fund balance which is available for spending at the City's discretion. As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$6,548,161, an increase of \$2,033,134 in comparison with the prior year. Approximately 30.0% of this amount, \$1,992,824, is unassigned fund balance which was available for spending at the City's discretion.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,137,661, or 14.1% of total General Fund expenditures, compared to \$1,992,824, or 13.4%, as of June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, 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 years (e.g., uncollected taxes and earned but unused vacation leave).

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

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 maintains thirteen 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, Tax Increment Financing Fund, Road Use Tax Fund, Capital Projects Fund and Debt Service Fund which are considered to be major funds. Data from the other six nonmajor 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 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 an internal service fund which is 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 maintains seven enterprise funds. The enterprise fund financial statements provide separate information for the Sewer Fund and Solid Waste Collection Fund as these funds are considered to be major funds of the City. The City also maintains the 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 activities, it is 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 City. 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 does not have fiduciary funds.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

Notes to basic financial statements – The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information – The required supplementary information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability and related contributions for the City's retirement plans, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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. Supplementary information includes the Schedule of Expenditures of Federal Awards. 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 increased from a year ago. Table 1 reflects total net position of \$137,384,195 at June 30, 2016, which represents an increase of \$1,167,812 from June 30, 2015.

Table 1 - City of Clinton's Net Position

	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015	Business-Type Activities June 30, 2016	Business-Type Activities June 30, 2015	Total June 30, 2016	Total June 30, 2015
Current and other assets	\$ 27,805,736	\$ 27,964,760	\$ 10,403,736	\$ 11,107,825	\$ 38,209,472	\$ 39,072,585
Capital assets	110,607,022	105,726,847	137,768,319	136,253,031	248,375,341	241,979,878
Total assets	138,412,758	133,691,607	148,172,055	147,360,856	286,584,813	281,052,463
Deferred outflows of resources	2,533,694	2,513,397	520,037	282,820	3,053,731	2,796,217
Noncurrent liabilities	50,071,719	42,914,582	70,485,287	72,643,758	120,557,006	115,558,340
Other liabilities	8,279,908	6,838,389	5,783,336	4,121,111	14,063,244	10,959,500
Total liabilities	58,351,627	49,752,971	76,268,623	76,764,869	134,620,250	126,517,840
Deferred inflows of resources	17,044,732	20,509,134	589,367	605,323	17,634,099	21,114,457
Net position:						
Net investment in capital assets	76,741,882	77,789,498	67,034,319	63,265,183	143,776,201	141,054,681
Restricted	5,317,376	5,238,666	-	-	5,317,376	5,238,666
Unrestricted	(16,509,165)	(17,085,265)	4,799,783	7,008,301	(11,709,382)	(10,076,964)
Total net position	\$ 65,550,093	\$ 65,942,899	\$ 71,834,102	\$ 70,273,484	\$ 137,384,195	\$ 136,216,383

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

Of the City's net position, 104.7% reflects its net investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, infrastructure, machinery and equipment) less accumulated depreciation and any outstanding debt used to acquire those assets. As of June 30, 2015, the City's net investment in capital assets was 103.6% of total net position. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted 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.

The restricted portion of the City's net position is 3.9% of total net position as of June 30, 2016 and was 3.8% of total net position as of June 30, 2015. Restricted net position represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was (\$11,709,382) as of June 30, 2016 and (\$10,076,964) as of June 30, 2015.

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2016. 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.

City of Clinton, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2016

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

	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total 2016	Total 2015
Revenues:						
Program revenues:						
Charges for service	\$ 2,761,833	\$ 3,254,723	\$ 12,358,667	\$ 12,473,029	\$ 15,120,500	\$ 15,727,752
Operating grants and contributions	4,924,755	3,816,693	1,438,151	786,681	6,362,906	4,603,374
Capital grants and contributions	1,626,109	1,485,993	603,720	488,827	2,229,829	1,974,820
General revenues:						
Property tax	15,390,178	15,840,172	-	-	15,390,178	15,840,172
Hotel/motel tax	442,044	391,746	-	-	442,044	391,746
Local option sales tax	3,262,691	3,289,995	-	-	3,262,691	3,289,995
Tax increment financing	2,020,284	2,033,285	-	-	2,020,284	2,033,285
Gaming tax	230,570	225,019	-	-	230,570	225,019
Investment earnings	45,166	36,824	15,654	26,905	60,820	63,729
Total revenues	30,703,630	30,374,450	14,416,192	13,775,442	45,119,822	44,149,892
Expenses:						
Public safety	10,302,945	9,588,973	-	-	10,302,945	9,588,973
Public works	7,960,047	5,894,997	-	-	7,960,047	5,894,997
Culture and recreation	3,053,858	3,160,462	-	-	3,053,858	3,160,462
Community and economic development	2,552,959	2,084,627	-	-	2,552,959	2,084,627
General government	1,933,315	2,917,121	-	-	1,933,315	2,917,121
Interest on long-term debt	1,092,060	914,941	-	-	1,092,060	914,941
Sewer	-	-	11,302,065	10,248,182	11,302,065	10,248,182
Solid waste	-	-	1,626,241	1,510,316	1,626,241	1,510,316
Transit	-	-	2,085,044	2,085,462	2,085,044	2,085,462
Airport operations	-	-	1,222,316	1,262,432	1,222,316	1,262,432
Marina	-	-	821,160	797,226	821,160	797,226
Total expenses	26,895,184	24,561,121	17,056,826	15,903,618	43,952,010	40,464,739
Excess (deficiency) before transfers	3,808,446	5,813,329	(2,640,634)	(2,128,176)	1,167,812	3,685,153
Transfers	(4,201,252)	(4,845,859)	4,201,252	4,845,859	-	-
Change in net position	(392,806)	967,470	1,560,618	2,717,683	1,167,812	3,685,153
Net position, beginning	65,942,899	64,975,429	70,273,484	67,555,801	136,216,383	132,531,230
Net position, ending	\$ 65,550,093	\$ 65,942,899	\$ 71,834,102	\$ 70,273,484	\$ 137,384,195	\$ 136,216,383

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

The City's total net position increased \$1,167,812 during the year ended June 30, 2016. The governmental activities net position decreased (\$392,806) and the business-type activities net position increased \$1,560,618. The governmental activities net position decreased due to the City bonding for capital projects activities that are not capitalized. The business-type activities net position increased due to capital asset additions acquired through grants.

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 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Public safety	\$ 10,302,945	\$ 9,588,973	\$ 8,812,435	\$ 7,669,229
Public works	7,960,047	5,894,997	2,259,176	869,326
Culture and recreation	3,053,858	3,160,462	2,473,580	2,605,173
Community and economic development	2,552,959	2,084,627	2,528,021	2,084,627
General government	1,933,315	2,917,121	417,215	1,860,416
Interest on long-term debt	1,092,060	914,941	1,092,060	914,941
Total	\$ 26,895,184	\$ 24,561,121	\$ 17,582,487	\$ 16,003,712

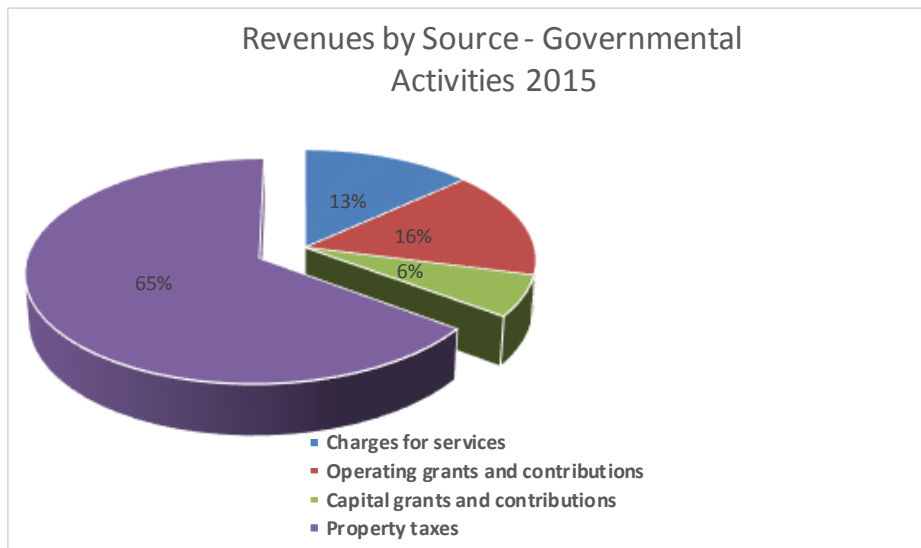
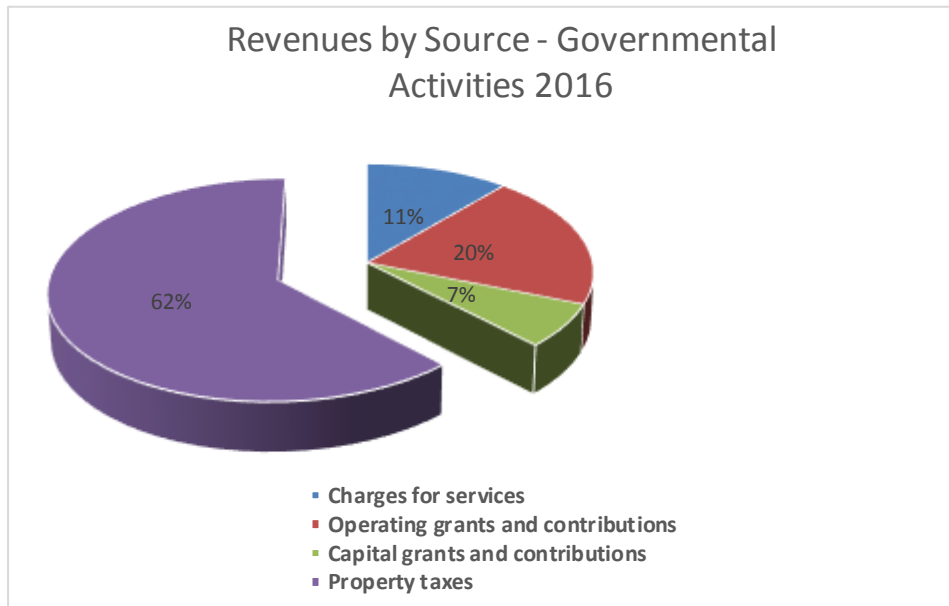
Net cost of services is 65.4% of total cost of services for the year ended June 30, 2016 and 65.2% for the year ended June 30, 2015. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

Governmental Activities

The graphs below show the percentage of the total governmental activities revenues allocated by each significant revenue type for 2016 and 2015.



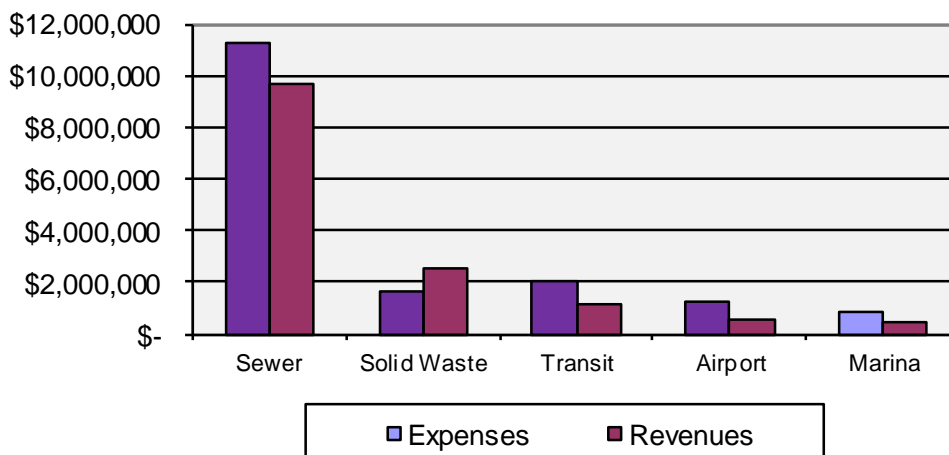
City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

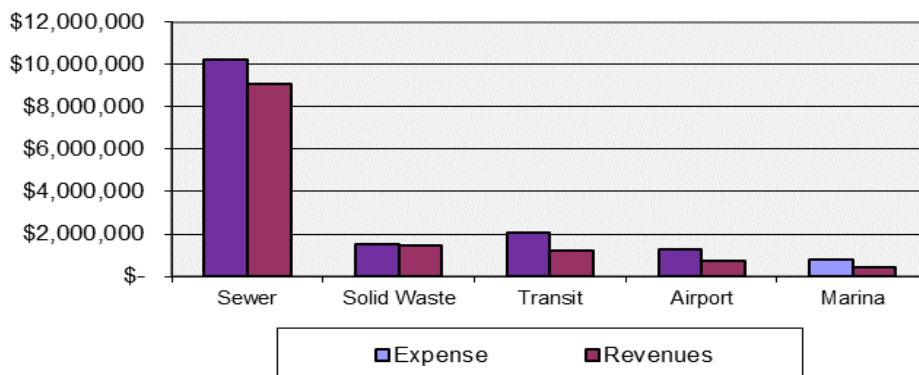
Business-type activities: For the year ended June 30, 2016, the business-type activities increased the City's net position \$1,560,618. For the year ended June 30, 2015, business-type activities increased the City's net position \$2,717,683.

Total business-type activities' revenue for the fiscal year ended June 30, 2016 was \$14,416,192. All but \$15,654 of this revenue was generated for specific business-type activity expenses. For the fiscal year ended June 30, 2015, total business-type activities' revenue was \$13,775,442. All but \$26,905 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 fiscal years 2016 and 2015.

**Expenses and Program Revenues - Business-Type Activities
2016**



**Expenses and Program Revenues - Business-Type Activities
2015**



City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

Financial Analysis of the City's Funds

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

Governmental funds – The focus of the City'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 City's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City itself or a group or individual which has been delegated authority to assign resources for use for particular purposes by the City Council.

As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,259,518, a decrease of (\$1,288,643) from June 30, 2015. The City's unassigned fund balance was \$878,947 as of June 30, 2016 compared to \$1,992,824 as of June 30, 2015. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate it is 1) not in spendable form - \$109,400, 2) legally required to be maintained intact or restricted for particular purposes or by third parties - \$4,271,171 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 \$2,137,661. Total fund balance of the General Fund increased \$151,689 from \$2,084,522 at June 30, 2015 to \$2,236,211 at June 30, 2016. 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 14.1% of total General Fund expenditures compared to approximately 13.4% in the prior year, while total fund balance represents approximately 14.7% of General fund expenditures compared to approximately 14.1% in the prior year.

The General Fund's largest revenue source is taxes, which consists of property tax, utility replacement excise tax, hotel/motel tax and other taxes. These sources contribute approximately 75.8% 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 10.5% of the City's General Fund revenues were derived from charges for service.

The fund balance of the City's General Fund increased \$151,689 during the current fiscal year. This was due primarily to transfers in from other funds.

The Special Revenue, Local Option Sales Tax Fund accounts for the local option sales tax. Fund balance decreased (\$172,129) from \$774,540 at June 30, 2015 to \$602,411 at June 30, 2016 due to transfers to other funds exceeding the local option sales tax collected.

The Special Revenue, Employee Benefits Fund accounts for the property tax levied specifically to fund the City's required contribution to the state retirement systems. Fund balance increased \$102,163 from \$610,017 at June 30, 2015 to \$712,180 at June 30, 2016.

The Special Revenue, Tax Increment Financing Fund accounts for property tax for urban renewal. Fund balance increased \$42,846 from \$257,574 at June 30, 2015 to \$300,420 at June 30, 2016.

The Special Revenue, Road Use Tax fund accounts for taxes for road and street improvements. Fund balance increased \$150,938 from \$1,064,839 in 2015 to \$1,215,777 in 2016.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

The Special Revenue, Tax Increment Financing Fund accounts for property tax for urban renewal. Fund balance increased \$42,846 from \$257,574 at June 30, 2015 to \$300,420 at June 30, 2016.

The Special Revenue, Road Use Tax fund accounts for taxes for road and street improvements. Fund balance increased \$150,938 from \$1,064,839 in 2015 to \$1,215,777 in 2016.

The Capital Projects Fund fund balance decreased (\$2,024,329) to a deficit (\$1,258,714) at June 30, 2016 from \$765,615 at June 30, 2015. This decrease was due to expending more on capital projects than the proceeds received on the issuance of long-term debt to fund planned capital projects.

The Debt Service Fund fund balance increased \$126,208 from \$70,162 at June 30, 2015 to \$196,370 at June 30, 2016. The Debt Service Fund continues to service debt as it comes due.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The Sewer Fund had a change in net position of \$1,666,942 primarily due to transfers in from other funds. The Solid Waste Collection Fund had a change in net position of \$884,249 primarily due to capital contributions. Charges for service in the Sewer Fund, Transit System Fund, Airport Operations Fund, and Marina Fund are not adequate to meet operating expenses. These funds have net operating losses for the fiscal year.

Budgetary Highlights

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

During the year, one budget amendment increased budgeted expenditures \$3,270,382. 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, community and economic development and capital outlay functions which were overbudget by \$3,805, \$505,970 and \$1,332,819, respectively.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$248,375,341 (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 various street improvements as well as water pollution control infrastructure and pump stations.

City of Clinton's Capital Assets Net of Depreciation						
	Governmental Activities		Business-Type		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 23,253,732	\$ 22,602,525	\$ 3,654,071	\$ 3,654,071	\$ 26,907,803	\$ 26,256,596
Construction-in-progress	2,618,006	1,866,893	1,340,100	2,790,579	3,958,106	4,657,472
Intangible assets	15,693	26,527	1,365	1,912	17,058	28,439
Machinery and equipment	3,531,698	1,975,871	2,785,002	2,925,204	6,316,700	4,901,075
Land Improvements	1,255,377	1,359,729	440,955	468,893	1,696,332	1,828,622
Buildings	10,375,104	10,877,975	11,645,468	12,103,122	22,020,572	22,981,097
Infrastructure	69,557,412	67,017,327	117,901,358	114,309,250	187,458,770	181,326,577
Total	\$ 110,607,022	\$ 105,726,847	\$ 137,768,319	\$ 136,253,031	\$ 248,375,341	\$ 241,979,878

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

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2016

Debt - As of June 30, 2016, the City had general obligation loan notes and general obligation bonds payable totaling \$32,655,000 compared to \$26,945,000 as of June 30, 2015. For the year ended June 30, 2016, the City paid \$3,250,000 in principal and \$902,398 in interest on outstanding general obligation debt. The City issued \$8,960,000 of general obligation capital loan notes for capital improvements. As of June 30, 2016, the City had \$70,734,000 in sewer revenue notes. The City paid \$2,333,000 in principal and drew \$79,152 of new proceeds.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds and notes	\$ 32,655,000	\$ 26,945,000	\$ -	\$ -	\$ 32,655,000	\$ 26,945,000
TIF bonds	754,000	754,000	-	-	754,000	754,000
Sewer revenue notes	-	-	70,734,000	72,987,848	70,734,000	72,987,848
Due to other government	5,252,591	5,325,432	-	-	5,252,591	5,325,432
Total	\$ 38,661,591	\$ 33,024,432	\$ 70,734,000	\$ 72,987,848	\$ 109,395,591	\$ 106,012,280

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 increased with tax year 2016 to \$1,391,162,510 from \$1,367,364,346 in 2015.
- The unemployment rate for Clinton County for June 2016 was 5.6% compared to 4.1% for the State of Iowa and 4.9% 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.

City of Clinton, Iowa

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets and Deferred Outflows of Resources			
Assets:			
Current assets:			
Cash and investments	\$ 8,294,269	\$ 5,905,045	\$ 14,199,314
Receivables:			
Property tax:			
Delinquent	684,156	-	684,156
Succeeding year	13,935,198	-	13,935,198
Tax increment financing:			
Delinquent	446	-	446
Succeeding year	1,839,215	-	1,839,215
Special assessments	221,016	836,168	1,057,184
Accounts, net of allowances for uncollectibles of \$759,161	317,578	2,336,480	2,654,058
Other	383,265	210,812	594,077
Intergovernmental	2,166,341	963,455	3,129,796
Prepaid items	103,916	12,112	116,028
Internal balances	(139,664)	139,664	-
Total current assets	27,805,736	10,403,736	38,209,472
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	23,253,732	3,654,071	26,907,803
Construction-in-progress	2,618,006	1,340,100	3,958,106
Depreciable:			
Machinery and equipment	15,307,826	10,226,525	25,534,351
Land improvements	3,804,534	878,650	4,683,184
Buildings	19,874,924	25,043,576	44,918,500
Intangibles	193,583	56,357	249,940
Infrastructure	141,874,168	184,521,326	326,395,494
Less accumulated depreciation	(96,319,751)	(87,952,286)	(184,272,037)
Total capital assets	110,607,022	137,768,319	248,375,341
Total assets	138,412,758	148,172,055	286,584,813
Deferred Outflows of Resources:			
Pension related deferred outflows	2,533,694	520,037	3,053,731

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	2,742,085	2,680,117	5,422,202
Contracts payable	82,059	316,038	398,097
Deposits	63,750	-	63,750
Claims payable	378,155	-	378,155
Accrued liabilities	176,764	-	176,764
Unearned revenue	-	135,675	135,675
Accrued interest payable	428,196	164,097	592,293
Compensated absences	441,899	99,409	541,308
Current portion of early retirement	177,000	18,000	195,000
Current portion of litigation payable	450,000	-	450,000
Current portion of bonds and notes	3,340,000	2,370,000	5,710,000
Total current liabilities	8,279,908	5,783,336	14,063,244
Noncurrent liabilities:			
Other postemployment benefits obligation	1,446,568	412,868	1,859,436
Early retirement	514,500	87,000	601,500
Litigation payable	1,350,000	-	1,350,000
Net pension liability	10,982,920	1,621,419	12,604,339
Due to other government	5,252,591	-	5,252,591
General obligation notes and bonds, net	29,771,140	-	29,771,140
TIF bonds	754,000	-	754,000
Sewer revenue notes	-	68,364,000	68,364,000
Total noncurrent liabilities	50,071,719	70,485,287	120,557,006
Total liabilities	58,351,627	76,268,623	134,620,250
Deferred inflows of resources:			
Succeeding year property tax	13,935,198	-	13,935,198
Tax increment financing	1,839,215	-	1,839,215
Pension related deferred inflows	1,270,319	589,367	1,859,686
Total deferred inflows of resources	17,044,732	589,367	17,634,099
Net Position:			
Net investment in capital assets	76,741,882	67,034,319	143,776,201
Restricted for:			
Nonexpendable endowment corpus	7,000	-	7,000
Streets	1,238,883	-	1,238,883
Capital improvements	881,742	-	881,742
Community programs and services	1,707,646	-	1,707,646
Employee benefits	854,531	-	854,531
Other purposes	51,723	-	51,723
Debt service	575,851	-	575,851
Unrestricted	(16,509,165)	4,799,783	(11,709,382)
Total net position	\$ 65,550,093	\$ 71,834,102	\$ 137,384,195

City of Clinton, Iowa

Statement of Activities
Year Ended June 30, 2016

Functions/Programs:	Expenses	Program Revenues	
		Charges for Sales and Services	Operating Grants and Contributions
Governmental activities:			
Public safety	\$ 10,302,945	\$ 1,126,196	\$ 131,136
Public works	7,960,047	704,529	3,603,411
Culture and recreation	3,053,858	539,375	40,903
Community and economic development	2,552,959	-	24,938
General government	1,933,315	391,733	1,124,367
Interest and fiscal charges on long-term debt	1,092,060	-	-
Total governmental activities	26,895,184	2,761,833	4,924,755
Business-type activities:			
Sewer	11,302,065	9,035,203	617,804
Solid waste collection	1,626,241	2,030,427	-
Transit system	2,085,044	321,816	820,347
Airport operations	1,222,316	482,541	-
Marina	821,160	488,680	-
Total business-type activities	17,056,826	12,358,667	1,438,151
Total	\$ 43,952,010	\$ 15,120,500	\$ 6,362,906

General Revenues

Taxes:

Property taxes
Hotel/motel tax
Local option sales tax
Tax increment financing
Gaming tax
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			
Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ 233,178	\$ (8,812,435)	\$ -	\$ (8,812,435)
1,392,931	(2,259,176)	-	(2,259,176)
-	(2,473,580)	-	(2,473,580)
-	(2,528,021)	-	(2,528,021)
-	(417,215)	-	(417,215)
-	(1,092,060)	-	(1,092,060)
1,626,109	(17,582,487)	-	(17,582,487)
-	-	(1,649,058)	(1,649,058)
495,572	-	899,758	899,758
-	-	(942,881)	(942,881)
108,148	-	(631,627)	(631,627)
-	-	(332,480)	(332,480)
603,720	-	(2,656,288)	(2,656,288)
<u>\$ 2,229,829</u>	<u>(17,582,487)</u>	<u>(2,656,288)</u>	<u>(20,238,775)</u>
15,390,178	-	15,390,178	
442,044	-	442,044	
3,262,691	-	3,262,691	
2,020,284	-	2,020,284	
230,570	-	230,570	
45,166	15,654	60,820	
(4,201,252)	4,201,252	-	
17,189,681	4,216,906	21,406,587	
(392,806)	1,560,618	1,167,812	
65,942,899	70,273,484	136,216,383	
<u>\$ 65,550,093</u>	<u>\$ 71,834,102</u>	<u>\$ 137,384,195</u>	

City of Clinton, Iowa

Balance Sheet
Governmental Funds
June 30, 2016

Assets	General	Special Revenue		
		Local Option Sales Tax	Employee Benefits	Tax Increment Financing
Cash and investments	\$ 2,087,937	\$ 48,721	\$ 665,678	\$ 320,497
Receivables, net of allowance \$143,150:				
Property tax:				
Delinquent	380,930	-	189,599	-
Succeeding year	7,396,296	-	3,851,926	-
Tax increment financing:				
Delinquent	-	-	-	446
Succeeding year	-	-	-	1,839,215
Service fees	225,077	-	-	-
Intergovernmental	135,705	617,806	-	-
Special assessments	33,691	-	-	-
Other	52,312	-	-	-
Prepaid items	98,550	-	-	-
Due from other funds	88,264	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 10,498,762	\$ 666,527	\$ 4,707,203	\$ 2,160,158
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ 229,133	\$ -	\$ 746	\$ 20,523
Deposits payable	-	-	-	-
Contracts payable	-	-	-	-
Accrued liabilities	176,764	-	-	-
Due to other funds	-	-	-	-
Total liabilities	405,897	-	746	20,523
Deferred inflows of resources, unavailable revenue:				
Succeeding year property tax	7,396,296	-	3,851,926	-
Tax increment financing	-	-	-	1,839,215
Special assessments	33,691	-	-	-
Local option sales tax	-	64,116	-	-
Delinquent taxes	293,906	-	142,351	-
Hotel/motel taxes	132,761	-	-	-
Grants	-	-	-	-
Total deferred inflows of resources	7,856,654	64,116	3,994,277	1,839,215
Fund balances:				
Nonspendable:				
Prepaid items	98,550	-	-	-
Endowment corpus	-	-	-	-
Restricted:				
Debt service	-	-	-	300,420
Streets	-	-	-	-
Capital improvements	-	301,206	-	-
Employee benefits	-	-	712,180	-
Community programs and services	-	301,205	-	-
Other	-	-	-	-
Unassigned	2,137,661	-	-	-
Total fund balances	2,236,211	602,411	712,180	300,420
Total liabilities, deferred inflows of resources and fund balances	\$ 10,498,762	\$ 666,527	\$ 4,707,203	\$ 2,160,158

See Notes to Basic Financial Statements.

Road Use Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
\$ 1,273,642	\$ 18,606	\$ -	\$ 1,249,836	\$ 5,664,917
-	-	99,317	14,310	684,156
-	-	2,369,365	317,611	13,935,198
-	-	-	-	446
-	-	-	-	1,839,215
-	-	-	-	225,077
273,313	1,078,189	-	61,328	2,166,341
-	17,822	-	169,503	221,016
5,425	264,853	23,328	37,347	383,265
-	-	-	3,850	102,400
-	-	31,050	-	119,314
-	-	210,000	-	210,000
<u>\$ 1,552,380</u>	<u>\$ 1,379,470</u>	<u>\$ 2,733,060</u>	<u>\$ 1,853,785</u>	<u>\$ 25,551,345</u>

\$ 313,497	\$ 2,005,084	\$ -	\$ 41,881	\$ 2,610,864
-	2,563	-	61,187	63,750
-	82,059	-	-	82,059
-	-	-	-	176,764
-	-	88,264	-	88,264
<u>313,497</u>	<u>2,089,706</u>	<u>88,264</u>	<u>103,068</u>	<u>3,021,701</u>

-	-	2,369,365	317,611	13,935,198
-	-	-	-	1,839,215
-	17,822	-	169,503	221,016
-	-	-	-	64,116
-	-	79,061	8,740	524,058
-	-	-	-	132,761
23,106	530,656	-	-	553,762
<u>23,106</u>	<u>548,478</u>	<u>2,448,426</u>	<u>495,854</u>	<u>17,270,126</u>

-	-	-	3,850	102,400
-	-	-	7,000	7,000
-	-	196,370	-	496,790
1,215,777	-	-	-	1,215,777
-	-	-	-	301,206
-	-	-	-	712,180
-	-	-	1,196,140	1,497,345
-	-	-	47,873	47,873
-	(1,258,714)	-	-	878,947
<u>1,215,777</u>	<u>(1,258,714)</u>	<u>196,370</u>	<u>1,254,863</u>	<u>5,259,518</u>

<u>\$ 1,552,380</u>	<u>\$ 1,379,470</u>	<u>\$ 2,733,060</u>	<u>\$ 1,853,785</u>	<u>\$ 25,551,345</u>
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City of Clinton, Iowa

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2016**

Total governmental fund balances \$ 5,259,518

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	\$ 206,926,773	
Accumulated depreciation	(96,319,751)	110,607,022

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

Special assessments	221,016	
Local option sales tax	64,116	
Delinquent property tax	524,058	
Hotel/motel taxes	132,761	
Grants	553,762	1,495,713

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

General obligation bonds and notes, current	(3,340,000)	
General obligation bonds and notes, noncurrent	(29,315,000)	
Bond premium	(456,140)	
TIF bonds, noncurrent	(754,000)	
Accrued interest payable	(428,196)	
Litigation payable, current	(450,000)	
Litigation payable, noncurrent	(1,350,000)	
Compensated absences, current	(441,899)	
Early retirement, current	(177,000)	
Early retirement, noncurrent	(514,500)	
Net OPEB obligation	(1,446,568)	
Due to other government	(5,252,591)	
Net pension liability	(10,982,920)	(54,908,814)

Pension related deferred outflows of resources and deferred inflows of
resources are not due and payable in the current year and, therefore,
are not reported in the governmental funds, as follows:

Deferred outflows of resources	2,533,694	
Deferred inflows of resources	(1,270,319)	1,263,375

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
statement of net position:

Other current assets	2,723,369	
Other current liabilities	(509,376)	
Internal Service Fund allocated to business-type activities	(380,714)	1,833,279

Net position of governmental activities		<u>\$ 65,550,093</u>
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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, 2016

	Special		
	General	Local Option Sales Tax	Employee Benefits
Revenues:			
Property tax	\$ 8,646,972	\$ -	\$ 4,180,339
Tax increment financing	-	-	-
Other city tax	309,283	3,278,644	-
Licenses and permits	466,207	-	-
Use of money and property	371,619	5	-
Intergovernmental	591,837	-	198,303
Charges for service	1,236,729	-	-
Miscellaneous	193,890	-	-
Total revenues	11,816,537	3,278,649	4,378,642
Expenditures:			
Current:			
Public safety	10,688,217	-	-
Public works	-	-	-
Culture and recreation	2,726,142	-	-
Community and economic development	578,509	-	-
General government	1,178,459	-	6,479
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	15,171,327	-	6,479
Revenues over (under) expenditures	(3,354,790)	3,278,649	4,372,163
Other financing sources (uses):			
Issuance of long-term debt	-	-	-
Bond issuance premium	-	-	-
Transfers in	4,891,149	-	-
Transfers out	(1,384,670)	(3,450,778)	(4,270,000)
Total other financing sources (uses)	3,506,479	(3,450,778)	(4,270,000)
Net change in fund balances	151,689	(172,129)	102,163
Fund balances, beginning of year	2,084,522	774,540	610,017
Fund balances (deficits), ending of year	<u>\$ 2,236,211</u>	<u>\$ 602,411</u>	<u>\$ 712,180</u>

See Notes to Basic Financial Statements.

Revenue					
Tax Increment Financing	Road Use Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 2,303,309	\$ 365,662	\$ 15,496,282
2,020,284	-	-	-	-	2,020,284
-	-	-	-	230,570	3,818,497
-	8,310	-	-	20,120	494,637
-	175	56,215	-	1,005	429,019
-	3,370,966	1,251,395	234,245	304,131	5,950,877
-	-	-	-	68,581	1,305,310
-	103,009	487,134	-	75,559	859,592
2,020,284	3,482,460	1,794,744	2,537,554	1,065,628	30,374,498
-	-	-	-	34,399	10,722,616
-	3,231,522	8,138	-	28,329	3,267,989
-	-	-	-	261,411	2,987,553
1,562,795	-	-	-	418,784	2,560,088
-	-	-	450,000	318,169	1,953,107
-	-	10,768,473	-	16,283	10,784,756
-	-	72,841	3,250,000	-	3,322,841
-	-	-	902,398	-	902,398
-	-	173,500	5,850	-	179,350
1,562,795	3,231,522	11,022,952	4,608,248	1,077,375	36,680,698
457,489	250,938	(9,228,208)	(2,070,694)	(11,747)	(6,306,200)
-	-	8,960,000	-	-	8,960,000
-	-	258,809	-	-	258,809
-	-	1,829,885	2,196,902	1,146,703	10,064,639
(414,643)	(100,000)	(3,844,815)	-	(800,985)	(14,265,891)
(414,643)	(100,000)	7,203,879	2,196,902	345,718	5,017,557
42,846	150,938	(2,024,329)	126,208	333,971	(1,288,643)
257,574	1,064,839	765,615	70,162	920,892	6,548,161
\$ 300,420	\$ 1,215,777	\$ (1,258,714)	\$ 196,370	\$ 1,254,863	\$ 5,259,518

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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, 2016

Net change in fund balances - governmental funds		\$ (1,288,643)
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 capital outlays exceeded depreciation in the current year:		
Capital outlay		9,808,214
Depreciation:		
Public safety	(480,051)	
Public works	(3,773,631)	
Culture and recreation	(175,536)	
General government	(498,821)	(4,928,039)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Special assessments	(56,286)	
Local option sales tax	(15,953)	
Delinquent taxes	(106,104)	
Hotel/motel tax	132,761	
Grants	374,714	329,132
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension expense	(870,663)	
Change in compensated absences	(17,546)	
Change in other postemployment benefits obligation	(63,234)	
Change in litigation payable	450,000	
Change in early retirement payable	190,500	(310,943)
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		380,791 (94,359)
The current year City employer share of IPERS and MFPRSI contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the statement of net position.		
		1,617,321
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:		
Repayment of due to other government	72,841	
Issuance of long-term debt	(8,960,000)	
Bond premium	(258,809)	
Bond premium amortization	41,018	
Repayment of bonds and notes principal	3,250,000	
Accrued interest payable	(51,330)	(5,906,280)
Change in net position of governmental activities		\$ (392,806)

See Notes to Basic Financial Statements.

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City of Clinton, Iowa

Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise			Total	Internal Service
	Sewer	Solid Waste Collection	Nonmajor Enterprise	Enterprise Funds	Health Insurance
Assets					
Current assets:					
Cash and investments	\$ 4,177,546	\$ -	\$ 1,727,499	\$ 5,905,045	\$ 2,629,352
Receivables, net of allowance for uncollectible amounts of \$616,011:					
Service fees	1,741,266	595,214	-	2,336,480	92,501
Special assessments	631,314	204,854	-	836,168	-
Other	16,653	1,744	192,415	210,812	-
Intergovernmental	341,329	-	622,126	963,455	-
Prepays	-	-	12,112	12,112	1,516
Due from other funds	685,968	-	-	685,968	-
Total current assets	7,594,076	801,812	2,554,152	10,950,040	2,723,369
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	2,377,526	-	1,276,545	3,654,071	-
Construction-in-progress	1,340,100	-	-	1,340,100	-
Depreciable:					
Machinery and equipment	4,124,553	1,220,554	4,881,418	10,226,525	-
Land improvements	519,058	36,000	323,592	878,650	-
Buildings	18,684,198	136,000	6,223,378	25,043,576	-
Intangibles	35,756	-	20,601	56,357	-
Infrastructure	155,374,365	-	29,146,961	184,521,326	-
Accumulated depreciation	(66,632,647)	(650,394)	(20,669,245)	(87,952,286)	-
Total noncurrent assets	115,822,909	742,160	21,203,250	137,768,319	-
Total assets	123,416,985	1,543,972	23,757,402	148,718,359	2,723,369
Deferred outflows of resources					
Pension related deferred outflows	214,797	88,658	216,582	520,037	-
Liabilities and Net Position					
Current liabilities:					
Accounts payable	2,607,611	33,516	38,990	2,680,117	131,221
Contracts payable	316,038	-	-	316,038	-
Early retirement payable	-	-	18,000	18,000	-
Unearned revenue	135,675	-	-	135,675	-
Due to other funds	-	685,968	31,050	717,018	-
Accrued interest payable	164,097	-	-	164,097	-
Compensated absences	35,771	13,110	50,528	99,409	-
Claims payable	-	-	-	-	378,155
Notes payable	2,370,000	-	-	2,370,000	-
Total current liabilities	5,629,192	732,594	138,568	6,500,354	509,376
Noncurrent liabilities:					
Other postemployment benefits obligation	198,177	66,059	148,632	412,868	-
Early retirement payable	-	-	87,000	87,000	-
Notes payable	68,364,000	-	-	68,364,000	-
Net pension liability	669,717	249,562	702,140	1,621,419	-
Advances from other funds	-	-	210,000	210,000	-
Total noncurrent liabilities	69,231,894	315,621	1,147,772	70,695,287	-
Total liabilities	74,861,086	1,048,215	1,286,340	77,195,641	509,376
Deferred inflows of resources					
Pension related deferred inflows	243,434	89,339	256,594	589,367	-
Net position:					
Net investment in capital assets	45,088,909	742,160	21,203,250	67,034,319	-
Unrestricted	3,438,353	(247,084)	1,227,800	4,419,069	2,213,993
Total net position	\$ 48,527,262	\$ 495,076	\$ 22,431,050	\$ 71,453,388	\$ 2,213,993

See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Reconciliation of Enterprise Funds Net Position
to the Statement of Net Position
June 30, 2016**

Total enterprise funds net position	\$ 71,453,388
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Amounts reported for enterprise funds in the statement of net position are different because:

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

380,714

Net position of business-type activities

<u>\$ 71,834,102</u>

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	Enterprise			Total Enterprise Funds	Internal Service
	Sewer	Solid Waste Collection	Nonmajor Enterprise		Health Insurance
Operating revenues:					
Charges for service	\$ 8,979,201	\$ 2,022,850	\$ 727,078	\$ 11,729,129	\$ 3,382,918
Property rental	-	2,905	388,606	391,511	-
Miscellaneous	56,002	4,672	177,353	238,027	-
Total operating revenues	9,035,203	2,030,427	1,293,037	12,358,667	3,382,918
Operating expenses:					
Personal services	1,447,858	564,737	1,407,515	3,420,110	-
Commodities	-	126,990	622,543	749,533	-
Contractual services	2,373,840	305,058	382,809	3,061,707	3,002,127
Repairs, maintenance and utilities	1,047,455	317,292	145,618	1,510,365	-
Depreciation	4,284,365	151,719	1,602,596	6,038,680	-
Total operating expenses	9,153,518	1,465,796	4,161,081	14,780,395	3,002,127
Operating income (loss)	(118,315)	564,631	(2,868,044)	(2,421,728)	380,791
Nonoperating revenues (expenses):					
Investment earnings	15,654	-	-	15,654	-
Interest expense and fiscal charges	(2,193,016)	-	-	(2,193,016)	-
Intergovernmental	617,804	-	928,495	1,546,299	-
Loss on sale of capital assets	-	(175,954)	(1,820)	(177,774)	-
Net nonoperating revenues (expenses)	(1,559,558)	(175,954)	926,675	(808,837)	-
Income (loss) before transfers and capital contributions	(1,677,873)	388,677	(1,941,369)	(3,230,565)	380,791
Capital contributions	-	495,572	-	495,572	-
Transfers in	3,344,815	-	928,729	4,273,544	-
Transfers out	-	-	(72,292)	(72,292)	-
Change in net position	1,666,942	884,249	(1,084,932)	1,466,259	380,791
Total net position, beginning of year	46,860,320	(389,173)	23,515,982	69,987,129	1,833,202
Total net position, end of year	\$ 48,527,262	\$ 495,076	\$ 22,431,050	\$ 71,453,388	\$ 2,213,993

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, 2016**

Net changes in net position in enterprise funds	\$ 1,466,259
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Amounts reported for enterprise fund activities in the statement of activities
are different because:

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

94,359

Change in net position of business-type activities

<u>\$ 1,560,618</u>

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Sewer	Enterprise Solid Waste Collection	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Cash flows from operating activities:					
Receipts from customers and users	\$ 10,098,931	\$ 2,110,450	\$ 1,323,092	\$ 13,532,473	\$ 3,340,000
Payments to suppliers	(1,670,665)	(742,907)	(1,266,486)	(3,680,058)	(3,061,265)
Payments to employees	(1,491,888)	(601,760)	(1,458,814)	(3,552,462)	-
Net cash provided by (used in) operating activities	6,936,378	765,783	(1,402,208)	6,299,953	278,735
Cash flows from noncapital financing activities:					
Intergovernmental	380,344	-	361,118	741,462	-
Proceeds from interfund accounts	-	685,997	-	685,997	-
Payments to interfund accounts	(685,968)	(1,451,780)	(323,481)	(2,461,229)	-
Transfers in	3,344,815	-	928,729	4,273,544	-
Transfers out	-	-	(72,292)	(72,292)	-
Net cash provided by (used in) noncapital financing activities	3,039,191	(765,783)	894,074	3,167,482	-
Cash flows from capital and related financing activities:					
Purchase of capital assets	(7,088,703)	-	(147,467)	(7,236,170)	-
Payment on debt	(2,333,000)	-	-	(2,333,000)	-
Proceeds from long-term debt	79,152	-	-	79,152	-
Interest on debt	(2,196,524)	-	-	(2,196,524)	-
Net cash (used in) capital and related financing activities	(11,539,075)	-	(147,467)	(11,686,542)	-
Cash flows from investing activities, investment earnings	15,654	-	-	15,654	-
Increase (decrease) in cash and cash equivalents	(1,547,852)	-	(655,601)	(2,203,453)	278,735
Cash and cash equivalents, beginning of year	5,725,398	-	2,383,100	8,108,498	2,350,617
Cash and cash equivalents, end of year	\$ 4,177,546	\$ -	\$ 1,727,499	\$ 5,905,045	\$ 2,629,352

(Continued)

City of Clinton, Iowa

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2016

	Enterprise			Total	Internal Service
	Sewer Revenue	Solid Waste Collection	Nonmajor Enterprise	Enterprise Funds	Health Insurance
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (118,315)	\$ 564,631	\$ (2,868,044)	\$ (2,421,728)	\$ 380,791
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	4,284,365	151,719	1,602,596	6,038,680	-
Change in assets and liabilities:					
Receivables	796,474	77,448	30,055	903,977	(42,918)
Special assessments	267,220	2,575	-	269,795	-
Prepays	-	-	1,292	1,292	371
Unearned revenue	34	-	-	34	-
Accounts payable	1,750,630	6,433	(116,808)	1,640,255	(71,572)
Compensated absences	(2,939)	(2,724)	(2,893)	(8,556)	-
Pension liability and related deferrals	(50,907)	(25,799)	(46,541)	(123,247)	-
Claims payable	-	-	-	-	12,063
Early retirement benefit	-	-	(21,000)	(21,000)	-
Other postemployment benefits obligation	9,816	(8,500)	19,135	20,451	-
Net cash provided by (used in) operating activities	\$ 6,936,378	\$ 765,783	\$ (1,402,208)	\$ 6,299,953	\$ 278,735
Schedule of noncash items, capital and related financing activities:					
Capital assets contributed	\$ -	\$ 495,572	\$ -	\$ 495,572	\$ -

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 City 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 the City 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

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 City's primary operating fund. It accounts for all financial resources 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 tax provides 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.

Tax Increment Financing Fund: A special revenue fund used to account for the revenues from the tax authorized by ordinance in the urban renewal district and used to pay principal and interest on general obligation and other indebtedness incurred for urban renewal projects.

Road Use Tax Fund: A special revenue fund used to account for the revenues from the state tax restricted for street improvements.

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, which 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 and general obligation refunding bonds.

The other governmental funds of the City are considered nonmajor. The City's nonmajor special revenue funds are the 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 only earnings, and not principal, may be used to support programs of the City. The City's nonmajor permanent funds are the Hayes Trust Fund and the Boyd Henningsen Trust Fund.

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

Sewer 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.

Solid Waste Collection Fund: To account for the operation and maintenance of the City's solid waste collection system. Services are primarily supported from user fees.

The other enterprise funds of the City are considered nonmajor and are the Transit System Fund, Airport Operations Fund, Dock Operations Fund, Marina Fund and Parking System 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)

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 Assessor's Office, Clinton Housing Authority, and certain retirees have the ability to participate in the plan, but at their cost.

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 year or soon enough thereafter to pay liabilities of the current year. 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 year 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 expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to operating activities for employee health insurance benefits. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the internal service fund and 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.

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 represents 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 2016 tax levy recorded as taxes receivable was certified in March 2016 based on the 2015 assessed valuations. These taxes are due in two installments, on September 1, 2016 and March 1, 2017 with a 1.5% per month penalty for delinquent payment. Since the 2016 tax levy is budgeted and levied for the 2017 fiscal year, 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 the government-wide and fund financial statements. Reported prepaid items in the governmental funds are reported as nonspendable fund balance to indicate the balances are not available for appropriation.

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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential.

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, 2016, 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, 2016. 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 reports 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 reports deferred outflows of resources for unrecognized items not yet charged to pension expense and contributions from the City after the measurement date but before the end of the City's reporting period.

In addition to liabilities, the balance sheet and/or statement of net position reports 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 fund financial statements report unavailable revenues from taxes, special assessments, and grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the City's government-wide financial statements, only the succeeding year property taxes and tax increment financing taxes are reported as deferred inflows 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)

The City also reports deferred inflows of resources in the Statement of Net Position for the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and the Municipal Fire and Police Retirement System (MFPRSI) and additions to/deductions from IPERS' and MFPRSI's fiduciary net position have been determined on the same basis as they are reported by IPERS and MFPRSI. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 the 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 the proprietary funds and government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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, 2016. 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.

The City first applies 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, community and economic development and capital outlay functions for the year ended June 30, 2016.

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 the Code of Iowa and is administered by an appointed investment management company. The Trust 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 Trust 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. As of June 30, 2016, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$222,264 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, the City 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, 2016, 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 of June 30, 2016 follows:

Depository accounts	\$ 13,977,050
Iowa Public Agency Investment Trust	222,264
Total	<u>\$ 14,199,314</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, 2016:

	June 30, 2015 Balance	Additions	Deletions	June 30, 2016 Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 22,602,525	\$ 651,207	\$ -	\$ 23,253,732
Construction-in-progress	1,866,893	5,645,892	4,894,779	2,618,006
Total capital assets not being depreciated	24,469,418	6,297,099	4,894,779	25,871,738
Capital assets being depreciated:				
Machinery and equipment	15,775,893	2,128,733	2,596,800	15,307,826
Land Improvements	3,804,534	-	-	3,804,534
Buildings	19,786,305	88,619	-	19,874,924
Intangibles	193,583	-	-	193,583
Infrastructure	135,685,626	6,188,542	-	141,874,168
Total capital assets being depreciated	175,245,941	8,405,894	2,596,800	181,055,035
Less accumulated depreciation for:				
Machinery and equipment	13,800,022	572,906	2,596,800	11,776,128
Land Improvements	2,444,805	104,352	-	2,549,157
Buildings	8,908,330	591,490	-	9,499,820
Intangibles	167,056	10,834	-	177,890
Infrastructure	68,668,299	3,648,457	-	72,316,756
Total accumulated depreciation	93,988,512	4,928,039	2,596,800	96,319,751
Total capital assets being depreciated, net	81,257,429	3,477,855	-	84,735,284
Governmental activities capital assets, net	\$ 105,726,847	\$ 9,774,954	\$ 4,894,779	\$ 110,607,022

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2015 Balance	Additions	Deletions	June 30, 2016 Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 3,654,071	\$ -	\$ -	\$ 3,654,071
Construction-in-progress	2,790,579	4,975,899	6,426,378	1,340,100
Total capital assets not being depreciated	6,444,650	4,975,899	6,426,378	4,994,171
Machinery and equipment	10,232,696	801,572	807,743	10,226,525
Land Improvements	878,650	-	-	878,650
Buildings	25,043,576	-	-	25,043,576
Intangibles	56,357	-	-	56,357
Infrastructure	176,140,677	8,380,649	-	184,521,326
Total capital assets being depreciated	212,351,956	9,182,221	807,743	220,726,434
Less accumulated depreciation for:				
Machinery and equipment	7,307,492	764,000	629,969	7,441,523
Land Improvements	409,757	27,938	-	437,695
Buildings	12,940,454	457,654	-	13,398,108
Intangibles	54,445	547	-	54,992
Infrastructure	61,831,427	4,788,541	-	66,619,968
Total accumulated depreciation	82,543,575	6,038,680	629,969	87,952,286
Total capital assets being depreciated, net	129,808,381	3,143,541	177,774	132,774,148
Business-type activities capital assets, net	\$ 136,253,031	\$ 8,119,440	\$ 6,604,152	\$ 137,768,319

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

Governmental Activities:	
Public safety	\$ 480,051
Public works	3,773,631
Culture and recreation	175,536
General government	498,821
Total depreciation expense, governmental activities	\$ 4,928,039
Business-Type Activities:	
Sewer	\$ 4,284,365
Solid waste	151,719
Transit	553,604
Airport operations	684,359
Marina	364,633
Total depreciation expense, business-type activities	\$ 6,038,680

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, 2016 is as follows:

	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
Governmental Activities					
General obligation bonds and notes	\$ 26,945,000	\$ 8,960,000	\$ 3,250,000	\$ 32,655,000	\$ 3,340,000
Bond premium	238,349	258,809	41,018	456,140	-
TIF bonds	754,000	-	-	754,000	-
Compensated absences	424,353	712,258	694,712	441,899	441,899
Early retirement	882,000	-	190,500	691,500	177,000
Litigation payable	2,250,000	-	450,000	1,800,000	450,000
Net OPEB liability	1,383,334	63,234	-	1,446,568	-
Net pension liability	8,891,967	2,090,953	-	10,982,920	-
Due to other government	5,325,432	-	72,841	5,252,591	-
Total	\$ 47,094,435	\$ 12,085,254	\$ 4,699,071	\$ 54,480,618	\$ 4,408,899
Business-Type Activities					
Sewer revenue notes	\$ 72,987,848	\$ 79,152	\$ 2,333,000	\$ 70,734,000	\$ 2,370,000
Compensated absences	107,965	154,630	163,186	99,409	99,409
Early retirement	126,000	-	21,000	105,000	18,000
Net OPEB liability	392,417	20,451	-	412,868	-
Net pension liability	1,491,493	129,926	-	1,621,419	-
Total	\$ 75,105,723	\$ 384,159	\$ 2,517,186	\$ 72,972,696	\$ 2,487,409

Governmental activities:

Noncurrent due to other government: Pursuant to a Chapter 28E agreement between the City and Clinton County, the County is participating in the City-managed Lincolnway Railport Project by contributing \$6,000,000 of the series 2010B general obligation bond proceeds to the City to be used solely for the purpose designated in the Clinton County Lincolnway Railport urban renewal area. The City is to repay the County from a portion of the sale of property in the Industrial Park. If the County has not been reimbursed by December 2020, the City will reimburse the County for any unpaid balance due on the monies advanced by the County for the project. As of June 30, 2016, \$6,000,000 of bond proceeds had been advanced to the City and repayments of \$747,409 have been made.

Compensated absences, early retirement and other postemployment benefits: Compensated absences, early retirement and other postemployment 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 \$73,279 for the year ended June 30, 2016. 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 \$6,209.

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 due in 2019. As of June 30, 2016, the City owed \$1,800,000 in regards to the judgment.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

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, 2016 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	\$ 3,510,000
Corporate purpose bond	08/26/09	1.75 - 5.00	4,600,000	2,660,000
				<u>6,170,000</u>
Capital loan note	10/10/12	0.60 - 1.90	3,065,000	2,530,000
Capital loan note	02/20/13	1.00 - 2.15	4,975,000	2,690,000
Capital loan note, taxable	02/20/13	0.50 - 1.30	2,095,000	715,000
Capital loan note	10/23/13	3.00 - 4.00	4,155,000	3,855,000
Capital loan note, taxable	05/12/14	1.20 - 2.00	335,000	255,000
Capital loan note	10/07/14	1.31 - 3.80	3,225,000	3,210,000
Capital loan note, taxable	05/13/15	0.70 - 2.30	625,000	525,000
Capital loan note, taxable	05/13/15	2.00 - 3.25	4,050,000	3,880,000
Capital loan note	09/08/15	2.00 - 4.00	5,130,000	5,130,000
Capital loan note, taxable	01/12/16	3.00 - 4.00	3,305,000	3,170,000
Capital loan note	05/11/16	1.45 - 2.65	525,000	525,000
				<u>26,485,000</u>
Total				<u>\$ 32,655,000</u>

During 2016, the following capital loan notes were issued:

In September 2015, the City issued \$5,130,000 in General Obligation Capital Loan Notes Series 2015C to provide funds to pay costs of street, sidewalk and trail improvements, costs of equipping city transit, grounds, facilities, and parks department and various other improvements city-wide. The notes have an outstanding balance of \$5,130,000 which matures in annual amounts ranging from \$100,000 to \$445,000 through June 1, 2032 with interest rates ranging from 2.00% to 4.00%.

In January 2016, the City issued \$3,305,000 in Taxable General Obligation Capital Loan Notes Series 2016A to provide funds to pay the costs of sewer and storm sewer utility improvements. The notes have an outstanding balance of \$3,170,000 which matures in annual amounts ranging from \$135,000 to \$230,000 through June 1, 2034 with interest rates ranging from 3.00% to 4.00%.

In May 2016, the City issued \$525,000 in General Obligation Capital Loan Notes Series 2016B to provide funds to pay the costs of aiding in the planning, undertaking and carrying out of urban renewal projects. The notes have an outstanding balance of \$525,000 which matures in annual amounts ranging from \$100,000 to \$110,000 through June 1, 2021 with interest rates ranging from 1.45% to 2.65%.

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:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022-2026	980,000	146,690	1,126,690
2027-2028	200,000	14,200	214,200
Total	<u>\$ 6,170,000</u>	<u>\$ 1,077,043</u>	<u>\$ 7,247,043</u>

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>
2017	\$ 2,290,000	\$ 680,738	\$ 2,970,738
2018	2,145,000	645,672	2,790,672
2019	2,140,000	604,818	2,744,818
2020	2,145,000	561,936	2,706,936
2021	2,180,000	516,916	2,696,916
2022-2026	7,815,000	1,914,184	9,729,184
2027-2031	5,600,000	935,935	6,535,935
2032-2034	2,170,000	129,687	2,299,687
Total	<u>\$ 26,485,000</u>	<u>\$ 5,989,886</u>	<u>\$ 32,474,886</u>

In addition, to the extent funds are available, the City has an Urban Renewal Tax Increment Bond at June 30, 2016 (TIF Bonds) with an original amount of \$800,000 plus, to the extent funds are available, interest at 6% per year and an outstanding balance at June 30, 2016 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 \$0 and \$2,020,284, respectively.

Business-type activities: Sewer revenue notes have been issued to provide funds for sewer plant improvements. Notes payable at June 30, 2016 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding</u>
Sewer revenue notes	08/03/06	3.00	\$ 2,478,000	\$ 1,416,000
Sewer revenue notes	12/13/07	3.00	9,898,000	6,623,000
Sewer revenue notes	07/06/11	3.00	9,797,000	8,435,000
Sewer revenue notes	07/06/11	3.00	4,577,000	3,941,000
Sewer revenue notes	09/15/10	3.00	46,660,000	41,965,000
Sewer revenue notes	11/30/12	1.75	2,179,000	1,810,000
Sewer revenue notes	08/09/13	0.76	7,205,000	6,544,000
Total				<u>\$ 70,734,000</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

During the fiscal year ended June 30, 2016, the City drew \$79,152 on the \$7,205,000 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 agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance.

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>
2017	\$ 2,400,000	\$ 1,952,847	\$ 4,352,847
2018	2,469,000	1,889,519	4,358,519
2019	2,538,000	1,824,258	4,362,258
2020	2,610,000	1,757,019	4,367,019
2021	2,685,000	1,687,712	4,372,712
2022-2026	14,626,000	7,321,706	21,947,706
2027-2031	13,911,000	5,351,045	19,262,045
2032-2036	13,197,000	3,558,427	16,755,427
2037-2041	13,959,000	1,633,490	15,592,490
2042	2,339,000	70,170	2,409,170
Total	<u>\$ 70,734,000</u>	<u>\$ 27,046,193</u>	<u>\$ 97,780,193</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 2042. Total principal and interest remaining to be paid on the sewer revenue notes and total customer net revenues were \$97,780,193 and \$4,166,050, respectively, and principal and interest payments were \$4,347,285.

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 revenue 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's net revenues for the year ended June 30, 2016 were less than the required 110% of note principal and interest falling due during the year.

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 had to 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 the retiree shall continue to receive such payment on the first of each month until the month in which the retiree becomes eligible for Medicare.

At June 30, 2016, the City has obligations to eleven participants with a total liability of \$796,500. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$211,500.

Note 6. Interfund Receivables, Payables and Transfers

The following is a schedule of transfers for the year ended June 30, 2016:

	Transfers In	Transfers Out
Governmental activities:		
Major governmental funds:		
General	\$ 4,891,149	\$ 1,384,670
Special revenue:		
Local option sales tax	-	3,450,778
Employee benefits	-	4,270,000
Tax increment financing	-	414,643
Road use tax	-	100,000
Capital projects	1,829,885	3,844,815
Debt service	2,196,902	-
Nonmajor governmental funds	1,146,703	800,985
Total governmental activities	10,064,639	14,265,891
Business-type activities:		
Major enterprise funds, Sewer	3,344,815	-
Nonmajor enterprise funds	928,729	72,292
Total business-type activities	4,273,544	72,292
Total	\$ 14,338,183	\$ 14,338,183

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.

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.

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, 2016 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities:		
Major governmental funds:		
General	\$ 88,264	\$ -
Debt service	241,050	88,264
Business-type activities:		
Major enterprise funds:		
Sewer	685,968	-
Solid waste collection	-	685,968
Nonmajor enterprise funds	-	241,050
Total	\$ 1,015,282	\$ 1,015,282

An interfund advance of \$241,050 is due from the Enterprise, Airport Operations Fund to the Debt Service Fund for partial repayment of bonds issued. The advance will be repaid over the next nine years.

Note 7. Risk Management

The City is a member of 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 746 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty 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, 2016 were \$343,945.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 7. Risk Management (Continued)

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the City's financial statements. As of June 30, 2016, 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 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 \$3.1 million for 2016. 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 \$378,155 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.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 7. Risk Management (Continued)

Changes in reported liabilities for the fiscal year ended June 30, 2016 are summarized as follows:

	2016	2015
Claims payable, beginning of year	\$ 366,092	\$ 471,897
Claims expense	2,690,729	2,145,282
Claims payments	(2,678,666)	(2,251,087)
Claims payable, end of year	<u>\$ 378,155</u>	<u>\$ 366,092</u>

Note 8. Pension and Retirement Systems

Iowa Public Employees Retirement System (IPERS):

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$452,827.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$3,524,825 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's collective proportion was .0713457%, which was a decrease of 0.010411% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$184,892. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,252	\$ -
Changes of assumptions	97,047	-
Net difference between projected and actual earnings on pension plan investments	-	(293,355)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(460,494)
City contributions subsequent to the measurement date	452,827	-
Total	\$ 603,126	\$ (753,849)

\$452,827 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (210,333)
2018	(210,333)
2019	(210,333)
2020	50,050
2021	(22,601)
Total	\$ (603,550)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum
Salary Increases (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	28%	2.04%
Domestic equity	24%	6.29%
International equity	16%	6.75%
Private equity/debt	11%	11.32%
Real estate	8%	3.48%
Credit opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other real assets	2%	6.24%
Cash	1%	-0.71%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 6,171,334	\$ 3,524,825	\$ 1,290,981

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required City contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to IPERS by June 30, 2016.

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Municipal Fire and Police Retirement System of Iowa (MFPRSI):

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2% for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract indicating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by acts of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 were \$1,435,418. If approved by the state legislature, state appropriations may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – *Financial Reporting for Pension Plans*, (GASB 67). There were no state appropriations to MFPRSI for the fiscal year ended June 30, 2016.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$9,079,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was .01932575%, which was a decrease of .00037389% from its proportion measured as of June 30, 2014.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

For the year ended June 30, 2016, the City recognized pension expense of \$809,018. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 244,059	\$ (15,516)
Changes of assumptions	683,161	-
Net difference between projected and actual earnings on pension plan investments	-	(934,569)
Changes in proportion and differences between City contributions and proportionate share of contributions	87,967	(155,752)
City contributions subsequent to the measurement date	1,435,418	-
Total	\$ 2,450,605	\$ (1,105,837)

\$1,435,418 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (227,156)
2018	(227,156)
2019	(227,156)
2020	543,046
2021	47,772
Total	\$ (90,650)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of Inflation	3.00% per annum
Salary Increases	4.50% to 15.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 1/12 of the 1971 GAM table and 11/12 of the 1994 GAM table with no projection of future mortality improvement.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0%	6.5%
Domestic Equities	12.5%	6.0%
Master Limited Partnerships (MLP)	5.0%	8.5%
International Equities	12.5%	7.0%
Core Investments		40.0%
Tactical Asset Allocation		35.0%
Private Equity		15.0%
Private Non-Core Real Estate	5.0%	9.3%
Private Core Real Estate	5.0%	6.8%
Real Estate		10.0%
		100.0%

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 15,807,703	\$ 9,079,514	\$ 3,489,175

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

MFPRSI's Fiduciary Net Position – Detailed information about the MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.MFPRSI.org.

Payables to the MFPRSI – All legally required City contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2016.

Pension Plan Total Information is as follows:

	IPERS			MFPRSI	
	Governmental	Business-type	Total	Governmental	Total
	Activities	Activities		Activities	
Net pension liability	\$(1,903,406)	\$(1,621,419)	\$(3,524,825)	\$(9,079,514)	\$(12,604,339)
Deferred outflows of resources					
related to pensions	83,089	520,037	603,126	2,450,605	3,053,731
Deferred inflows of resources					
related to pensions	(164,482)	(589,367)	(753,849)	(1,105,837)	(1,859,686)
Pension expense	61,645	123,247	184,892	809,018	993,910

Note 9. Other Postemployment Benefits

Plan description: The City operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 167 active and 9 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 2016, the City contributed \$45,742, which includes \$24,300 and \$21,442 related to the City's explicit and implicit subsidy, respectively, for including the retirees in the plan.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, 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.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits (Continued)

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	\$ 210,241
Interest on net OPEB obligation	44,394
Adjustment to annual required contribution	(125,208)
Annual OPEB cost	129,427
Contributions and payments made	45,742
Increase in net OPEB obligation	83,685
Net OPEB obligation, beginning of year	1,775,751
Net OPEB obligation, end of year	\$ 1,859,436

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016, 2015 and 2014 are as follows in the table below:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 129,427	35.3%	\$ 1,859,436
June 30, 2015	378,745	12.3	1,775,751
June 30, 2014	396,240	16.5	1,443,403

Funded status and funding progress: As of July 1, 2015, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$1,575,696 and the actuarial value of assets was none, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,575,596. The covered payroll (annual payroll of active employees covered by the plan) was \$10,119,361 and the ratio of the UAAL to the covered payroll was 15.57%.

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the City 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.

Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate and an annual health care cost trend rate of 6%. 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, 2016 was 30 years.

City of Clinton, Iowa

Notes to Basic Financial Statements

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 Net Position

At June 30, 2016, the Capital Projects Fund had a deficit fund balance of \$1,258,714. The Capital Projects Fund deficit is the result of capital project expenditures exceeding debt issued for the capital projects. The City has issued new debt in fiscal year 2017 to fund the expenditures.

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 sewer improvements, asphalt, and various street construction in progress at the end of the year. The total amount of contracts outstanding for these projects is approximately \$10 million. As of June 30, 2016, costs of \$4 million have been incurred on the projects. The remaining contractual amounts on these projects total approximately \$6 million as of June 30, 2016 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 in the applicable fund.

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

The City adopted the following statements during the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

Notes to Basic Financial Statements

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015, will be effective for the City beginning with its year ending June 30, 2016. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Standard also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

The implementation of the above statements did not have a material impact to the City's financial statements.

As of June 30, 2016, 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the City beginning with its year ending June 30, 2017. This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the City's financial position and results of operations, including the City's ability to raise revenue sources in the futures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the City beginning with its year ending June 30, 2017. The objective of this Statement is to address the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provided defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate state or local government employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, issued January 2016, will be effective for the City beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the City beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, will be effective for the City beginning with its year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Note 14. Development Agreements

In order to encourage development within designated Urban Renewal Areas, the City Council has approved development rebate agreements related to two different projects. Rebates are to be paid only after certain conditions have been met by each project developer and are to be paid over many years in the form of a rebate of a predetermined percentage of future property taxes generated by the property. It is estimated outstanding commitments of approximately \$8 million exist, of which \$1.4 million is likely to be eligible to be paid in the next fiscal year. The payments will be expensed in the period in which they are paid. No liability for these obligations is recognized due to the fact the agreements are conditional and the payments are to be funded by future property taxes received on the project. Obligations for one of the agreements is subject to annual appropriation.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 15. Subsequent Events

In October 2016, the City issued \$5,335,000 of general obligation capital loan notes. The notes are being issued to pay the costs of opening, widening, extending, grading and construction, reconstruction, repairing of street and bridge improvements, with related utility work; rehabilitation and improvement of parks already owned, including facilities, equipment and improvements commonly found in city parks; equipping the police, fire, and street departments, and the City airport; acquisition of an ambulance; equipping and improvements to City facilities; equipping the parks department and other essential corporate purposes.

In March 2017, the City issued \$4,110,000 of general obligation capital loan notes. The notes are being issued to pay the costs of sewer improvements.

The notes are payable from a continuing annual levy of property tax against all taxable property of the City.

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]
2016	7/1/2015	\$ -	\$ 1,575,696	\$ 1,575,696	- %	\$ 10,119,361	15.57 %
2015	7/1/2013	-	3,192,421	3,192,421	-	9,573,543	33.35
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

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2015. 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% discount rate, (2) The projected annual health care cost rate is 6%.
4. The amortization method is level dollar amount over 30 years on a closed basis.

City of Clinton, Iowa

**Budgetary Comparison Schedule
Budget and Actual - All Governmental and Enterprise Funds
Required Supplementary Information
Year Ended June 30, 2016**

	Governmental Fund Types Actual	Enterprise Fund Types Actual	Total Actual
Revenues:			
Taxes	\$ 15,496,282	\$ -	\$ 15,496,282
Tax increment financing	2,020,284	-	2,020,284
Other city tax	3,818,497	-	3,818,497
Licenses and permits	494,637	-	494,637
Use of money and property	429,019	407,165	836,184
Intergovernmental	5,950,877	2,041,871	7,992,748
Charges for service	1,305,310	11,729,129	13,034,439
Miscellaneous	859,592	238,027	1,097,619
Total revenues	30,374,498	14,416,192	44,790,690
Expenditures/expenses:			
Public safety	10,722,616	-	10,722,616
Public works	3,267,989	-	3,267,989
Culture and recreation	2,987,553	-	2,987,553
Community and economic development	2,560,088	-	2,560,088
General government	1,953,107	-	1,953,107
Debt service	4,404,589	-	4,404,589
Capital outlay	10,784,756	-	10,784,756
Business-type	-	17,151,185	17,151,185
Total expenditures/expenses	36,680,698	17,151,185	53,831,883
Excess (deficiency) of revenues over (under) expenditures/expenses	(6,306,200)	(2,734,993)	(9,041,193)
Other financing sources (uses)			
Bond proceeds	9,218,809	-	9,218,809
Transfers in	10,064,639	4,273,544	14,338,183
Transfers out	(14,265,891)	(72,292)	(14,338,183)
Net change in fund balance/net position	(1,288,643)	1,466,259	177,616
Balance, beginning of year	6,548,161	69,987,129	76,535,290
Balance, end of year	\$ 5,259,518	\$ 71,453,388	\$ 76,712,906

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 14,306,022	\$ 14,311,816	\$	1,184,466
2,115,479	2,115,479		(95,195)
5,135,273	5,135,273		(1,316,776)
463,425	463,425		31,212
755,965	756,296		79,888
6,525,740	7,913,614		79,134
12,977,401	13,214,136		(179,697)
1,799,041	1,846,252		(748,633)
44,078,346	45,756,291		(965,601)
11,027,594	11,048,976		326,360
2,699,550	3,532,641		264,652
2,950,810	2,983,748		(3,805)
2,054,118	2,054,118		(505,970)
1,713,495	1,996,782		43,675
4,740,087	4,740,087		335,498
7,850,681	9,451,937		(1,332,819)
21,771,678	22,270,106		5,118,921
54,808,013	58,078,395		4,246,512
(10,729,667)	(12,322,104)		3,280,911
11,831,087	11,831,087		(2,612,278)
21,042,146	21,301,635		(6,963,452)
(21,042,146)	(21,042,146)		6,703,963
1,101,420	(231,528)		409,144
10,716,615	10,716,615		65,818,675
\$ 11,818,035	\$ 10,485,087	\$	66,227,819

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City of Clinton, Iowa

**Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Two Fiscal Years**

	2016*	2015*
City's proportion of the net pension liability	0.0713457%	0.0817562%
City's proportionate share of the net pension liability	\$ 3,524,825	\$ 3,242,376
City's covered-employee payroll	\$ 4,887,928	\$ 5,336,473
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.1%	60.8%
Plan fiduciary net pension as a percentage of the total pension liability	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Notes to Required Supplementary Information.

City of Clinton, Iowa

**Required Supplementary Information
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years**

	2016		2015		2014		2013	
Statutorily required contribution	\$	453	\$	437	\$	479	\$	434
Contributions in relation to the statutorily required contribution		(453)		(437)		(479)		(434)
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-
City's covered-employee payroll	\$	5,074	\$	4,888	\$	5,336	\$	4,987
Contributions as a percentage of covered-employee payroll		8.93%		8.94%		8.98%		8.71%

NOTE: Amounts in thousands

See Notes to Required Supplementary Information.

2012	2011	2010	2009	2008	2007
\$ 447	\$ 409	\$ 352	\$ 300	\$ 280	\$ 260
(447)	(409)	(352)	(300)	(280)	(260)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,519	\$ 5,870	\$ 5,296	\$ 4,728	\$ 4,613	\$ 4,515
8.09%	6.96%	6.66%	6.35%	6.08%	5.76%

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City of Clinton, Iowa

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

Municipal Fire and Police Retirement System of Iowa

Last Two Fiscal Years

	2016*	2015*
City's proportion of the net pension liability	0.01932575%	0.01969964%
City's proportionate share of the net pension liability	\$ 9,079,514	\$ 7,141,084
City's covered-employee payroll	\$ 5,068,334	\$ 5,030,678
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.14%	141.95%
Plan fiduciary net pension as a percentage of the total pension liability	83.04%	86.27%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Notes to Required Supplementary Information.

City of Clinton

Required Supplementary Information

Schedule of City Contributions

Municipal Fire and Police Retirement System of Iowa

Last Ten Fiscal Years

	2016	2015	2014	2013
Statutorily required contribution	\$ 1,435	\$ 1,541	\$ 1,515	\$ 1,271
Contributions in relation to the statutorily required contribution	(1,435)	(1,541)	(1,515)	(1,271)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 5,169	\$ 5,068	\$ 5,031	\$ 4,865
Contributions as a percentage of covered-employee payroll	27.76%	30.41%	30.12%	26.13%

Note: Amounts reported in thousands

See Notes to Required Supplementary Information.

2012	2011	2010	2009	2008	2007
\$ 1,186	\$ 1,025	\$ 841	\$ 892	\$ 1,179	\$ 1,246
(1,186)	(1,025)	(841)	(892)	(1,179)	(1,246)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,789	\$ 5,033	\$ 4,916	\$ 4,698	\$ 4,616	\$ 4,458
24.77%	20.37%	17.11%	18.99%	25.55%	27.96%

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City of Clinton, Iowa

Notes to Required Supplementary Information

Note 1. Budgetary Information

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds except internal service 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 budget. The legal level of control (the level on which expenditures may not legally exceed appropriations) is at the aggregated function level, not by fund. 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 nine 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 activities. During the year, one budget amendment increased budgeted expenditures by \$3,270,382. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues.

During the year ended June 30, 2016, expenditures in the culture and recreation, community and economic development and capital outlay functions exceeded the amounts budgeted.

Note 2. Iowa Public Employees' Retirement System

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered payroll. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

City of Clinton, Iowa

Notes to Required Supplementary Information

Note 2. Iowa Public Employees' Retirement System (Continued)

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Note 3. Municipal Fire and Police Retirement System

Changes of benefit terms: There were no significant changes of benefit terms.

Changes of assumptions: Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

SUPPLEMENTARY AND OTHER INFORMATION

City of Clinton, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue		
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability
Assets			
Cash and investments	\$ 190,491	\$ 386,341	\$ 46,085
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Intergovernmental	-	61,328	-
Special assessments	-	-	-
Other	37,347	-	-
Prepaid items	-	-	3,850
Total assets	\$ 227,838	\$ 447,669	\$ 49,935
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,448	\$ 15,117	\$ -
Deposits payable	-	-	-
Total liabilities	2,448	15,117	-
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	-	-	-
Special assessments	-	-	-
Delinquent taxes	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances:			
Nonspendable:			
Prepaid items	-	-	3,850
Endowments, corpus	-	-	-
Restricted:			
Community programs and services	225,390	432,552	-
Other purposes	-	-	46,085
Total fund balances	225,390	432,552	49,935
Total liabilities, deferred inflows of resources and fund balances	\$ 227,838	\$ 447,669	\$ 49,935

Permanent							
Miscellaneous		Hayes Trust	Boyd Henningsen		Total		
\$	618,131	\$	3,747	\$	5,041	\$	1,249,836
	14,310		-		-		14,310
	317,611		-		-		317,611
	-		-		-		61,328
	169,503		-		-		169,503
	-		-		-		37,347
	-		-		-		3,850
\$	1,119,555	\$	3,747	\$	5,041	\$	1,853,785
\$	24,316	\$	-	\$	-	\$	41,881
	61,187		-		-		61,187
	85,503		-		-		103,068
	317,611		-		-		317,611
	169,503		-		-		169,503
	8,740		-		-		8,740
	495,854		-		-		495,854
	-		-		-		3,850
	-		3,000		4,000		7,000
	538,198		-		-		1,196,140
	-		747		1,041		47,873
	538,198		3,747		5,041		1,254,863
\$	1,119,555	\$	3,747	\$	5,041	\$	1,853,785

City of Clinton, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2016**

	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability	Miscellaneous
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ 365,662
Other city tax	230,570	-	-	-
Licenses and permits	-	-	-	20,120
Use of money and property	-	-	-	1,005
Intergovernmental	20,266	236,628	-	47,237
Charges for service	39,005	-	-	29,576
Miscellaneous	-	72	-	75,487
Total revenues	289,841	236,700	-	539,087
Expenditures:				
Current:				
Public safety	17,949	-	-	16,450
Public works	-	-	-	28,329
Culture and recreation	208,397	-	-	53,014
Community and economic development	-	215,478	-	203,306
General government	-	-	286,530	31,639
Capital outlay	10,133	-	-	6,150
Total expenditures	236,479	215,478	286,530	338,888
Revenue over (under) expenditures	53,362	21,222	(286,530)	200,199
Other financing sources (uses):				
Transfers in	414,075	146,812	285,816	300,000
Transfers out	(409,020)	(100,000)	-	(291,965)
Total other financing sources (uses)	5,055	46,812	285,816	8,035
Net change in fund balances	58,417	68,034	(714)	208,234
Fund balances, beginning of year	166,973	364,518	50,649	329,964
Fund balances, end of year	\$ 225,390	\$ 432,552	\$ 49,935	\$ 538,198

Permanent			
Hayes Trust	Boyd Henningsen Trust	Total	
\$ -	\$ -	\$	365,662
-	-		230,570
-	-		20,120
-	-		1,005
-	-		304,131
-	-		68,581
-	-		75,559
-	-		1,065,628
-	-		34,399
-	-		28,329
-	-		261,411
-	-		418,784
-	-		318,169
-	-		16,283
-	-		1,077,375
-	-		(11,747)
-	-		1,146,703
-	-		(800,985)
-	-		345,718
-	-		333,971
3,747	5,041		920,892
\$ 3,747	\$ 5,041	\$	1,254,863

City of Clinton, Iowa

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016

	Transit System	Airport Operations	Dock Operations
Assets			
Current assets:			
Cash and investments	\$ 913,245	\$ 139,313	\$ 24,666
Receivables, net of allowance for uncollectible amounts of \$0:			
Other	51,593	99,812	-
Intergovernmental	622,126	-	-
Prepays	1,500	-	-
Total current assets	1,588,464	239,125	24,666
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	84,600	790,945	-
Depreciable:			
Machinery and equipment	4,554,416	310,202	-
Land improvements	-	131,200	-
Buildings	2,152,608	3,318,565	-
Intangibles	8,200	-	-
Infrastructure	15,800	19,655,020	-
Accumulated depreciation	(3,994,188)	(13,884,097)	-
Total noncurrent assets	2,821,436	10,321,835	-
Total assets	4,409,900	10,560,960	24,666
Deferred outflows of resources			
Pension related deferred outflows	193,971	22,611	-
Liabilities			
Current liabilities:			
Accounts payable	13,175	6,907	-
Early retirement payable	18,000	-	-
Due to other funds	-	31,050	-
Compensated absences	44,118	6,410	-
Total current liabilities	75,293	44,367	-
Noncurrent liabilities:			
Other postemployment benefits obligation	127,989	20,643	-
Early retirement payable	87,000	-	-
Net pension liability	631,644	70,496	-
Advance from other funds	-	210,000	-
Total noncurrent liabilities	846,633	301,139	-
Total liabilities	921,926	345,506	-
Deferred inflows of resources			
Pension related deferred inflows	230,970	25,624	-
Net position:			
Investment in capital assets	2,821,436	10,321,835	-
Unrestricted	629,539	(109,394)	24,666
Total net position	\$ 3,450,975	\$ 10,212,441	\$ 24,666

Marina	Parking System	Total
\$ 639,937	\$ 10,338	\$ 1,727,499
41,010	-	192,415
-	-	622,126
10,612	-	12,112
691,559	10,338	2,554,152
184,000	217,000	1,276,545
16,800	-	4,881,418
39,692	152,700	323,592
752,205	-	6,223,378
-	12,401	20,601
9,326,625	149,516	29,146,961
(2,476,343)	(314,617)	(20,669,245)
7,842,979	217,000	21,203,250
8,534,538	227,338	23,757,402
-	-	216,582
18,908	-	38,990
-	-	18,000
-	-	31,050
-	-	50,528
18,908	-	138,568
-	-	148,632
-	-	87,000
-	-	702,140
-	-	210,000
-	-	1,147,772
18,908	-	1,286,340
-	-	256,594
7,842,979	217,000	21,203,250
672,651	10,338	1,227,800
\$ 8,515,630	\$ 227,338	\$ 22,431,050

City of Clinton, Iowa

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2016

	Transit System	Airport Operations	Dock Operations
Operating revenues:			
Charges for services	\$ 289,178	\$ 348,746	\$ -
Property rental	-	127,365	-
Miscellaneous	32,638	6,430	-
Total operating revenues	321,816	482,541	-
Operating expenses:			
Personal services	1,223,829	183,670	-
Commodities	228,110	270,561	-
Contractual services	69,842	48,211	-
Repairs, maintenance and utilities	39,137	38,598	-
Depreciation	553,604	684,359	-
Total operating expenses	2,114,522	1,225,399	-
Operating (loss)	(1,792,706)	(742,858)	-
Nonoperating revenues (expenses):			
Loss on sale of capital assets	-	(1,820)	-
Intergovernmental	820,347	108,148	-
Total nonoperating revenues (expenses)	820,347	106,328	-
(Loss) before transfers	(972,359)	(636,530)	-
Transfers in	630,779	297,950	-
Transfers out	(15,000)	(28,950)	(15,000)
Change in net position	(356,580)	(367,530)	(15,000)
Total net position, beginning of year	3,807,555	10,579,971	39,666
Total net position, end of year	\$ 3,450,975	\$ 10,212,441	\$ 24,666

Marina	Parking System	Total
\$ 89,154	\$ -	\$ 727,078
261,241	-	388,606
138,285	-	177,353
488,680	-	1,293,037
16	-	1,407,515
123,872	-	622,543
264,756	-	382,809
67,883	-	145,618
364,633	-	1,602,596
821,160	-	4,161,081
(332,480)	-	(2,868,044)
-	-	(1,820)
-	-	928,495
-	-	926,675
(332,480)	-	(1,941,369)
-	-	928,729
(13,342)	-	(72,292)
(345,822)	-	(1,084,932)
8,861,452	227,338	23,515,982
\$ 8,515,630	\$ 227,338	\$ 22,431,050

City of Clinton, Iowa

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2016

	Transit System	Airport Operations	Dock Operations
Cash flows from operating activities:			
Receipts from customers and users	\$ 279,898	\$ 554,678	\$ -
Payments to suppliers	(353,345)	(354,781)	-
Payments to employees	(1,278,654)	(180,144)	-
Net cash provided by (used in) operating activities	(1,352,101)	19,753	-
Cash flows from noncapital financing activities:			
Intergovernmental	252,970	108,148	-
Payments to interfund accounts	-	(323,481)	-
Transfers in	630,779	297,950	-
Transfers (out)	(15,000)	(28,950)	(15,000)
Net cash provided by (used in) noncapital financing activities	868,749	53,667	(15,000)
Cash flows from capital and related financing activities:			
Purchase of capital assets	(16,000)	(131,467)	-
Increase (decrease) in cash and cash equivalents	(499,352)	(58,047)	(15,000)
Cash and cash equivalents, beginning of year	1,412,597	197,360	39,666
Cash and cash equivalents, end of year	<u>\$ 913,245</u>	<u>\$ 139,313</u>	<u>\$ 24,666</u>

(Continued)

Marina		Parking System	Total
\$	488,491	\$ 25	\$ 1,323,092
	(558,360)	-	(1,266,486)
	(16)	-	(1,458,814)
	(69,885)	25	(1,402,208)
	-	-	361,118
	-	-	(323,481)
	-	-	928,729
	(13,342)	-	(72,292)
	(13,342)	-	894,074
	-	-	(147,467)
	(83,227)	25	(655,601)
	723,164	10,313	2,383,100
\$	639,937	\$ 10,338	\$ 1,727,499

City of Clinton, Iowa

Combining Statement of Cash Flows (Continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2016

	Transit System	Airport Operations	Dock Operations	Marina
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:				
Operating (loss)	\$ (1,792,706)	\$ (742,858)	\$ -	\$ (332,480)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:				
Depreciation	553,604	684,359	-	364,633
Change in assets and liabilities:				
Receivables	(41,918)	72,137	-	(189)
Prepays	1,500	-	-	(208)
Accounts payable	(17,756)	2,589	-	(101,641)
Compensated absences	(2,907)	14	-	-
Pension liability and related deferrals	(41,182)	(5,359)	-	-
Early retirement benefit	(21,000)	-	-	-
Other postemployment benefits obligations	10,264	8,871	-	-
Net cash provided by (used in) operating activities	\$ (1,352,101)	\$ 19,753	\$ -	\$ (69,885)

Parking System		Total
<hr/>		
\$	-	\$ (2,868,044)
	-	1,602,596
	25	30,055
	-	1,292
	-	(116,808)
	-	(2,893)
	-	(46,541)
	-	(21,000)
	-	19,135
<hr/>		
<u>\$</u>	<u>25</u>	<u>\$ (1,402,208)</u>

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OTHER INFORMATION

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, 2016

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund
Assets				
Cash and investments	\$ -	\$ -	\$ 392,968	\$ -
Receivables, net of allowance for uncollectible amounts of \$563,400:				
Service fees	1,657	-	-	-
Special assessments	-	-	-	-
Other	8,065	-	-	-
Intergovernmental	-	-	-	-
Due from other accounts	-	-	-	-
Total assets	9,722	-	392,968	-
Liabilities and Net Position				
Liabilities:				
Accounts payable	130,069	-	-	-
Contracts payable	-	-	-	-
Total liabilities	130,069	-	-	-
Net position:				
Unrestricted	(120,347)	-	392,968	-
Total liabilities and net position	\$ 9,722	\$ -	\$ 392,968	\$ -

Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ 403,598	\$ 1,455,363	\$ 1,925,617	\$ 4,177,546
-	1,739,609	-	1,741,266
-	631,314	-	631,314
-	8,588	-	16,653
-	-	341,329	341,329
-	-	685,968	685,968
403,598	3,834,874	2,952,914	7,594,076
-	20,425	2,457,117	2,607,611
-	-	316,038	316,038
-	20,425	2,773,155	2,923,649
403,598	3,814,449	179,759	4,670,427
\$ 403,598	\$ 3,834,874	\$ 2,952,914	\$ 7,594,076

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, 2016**

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund	Sewer Reserve Fund
Operating revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	49,290	-	-	-	-
Total operating revenues	49,290	-	-	-	-
Operating expenses:					
Personal services	1,491,888	-	-	-	-
Contractual services	1,216,419	-	-	-	-
Repairs, maintenance and utilities	1,023,120	-	364,450	-	-
Capital outlay/improvements	290,000	-	-	-	-
Total operating expenses	4,021,427	-	364,450	-	-
Operating income (loss)	(3,972,137)	-	(364,450)	-	-
Nonoperating revenues (expenses):					
Intergovernmental	-	-	-	-	-
Investment earnings	-	-	-	-	-
Interest expense	-	-	-	(2,193,016)	-
Issuance of new debt	-	-	-	-	-
Principal payments	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	(2,193,016)	-
Income (loss) before transfers	(3,972,137)	-	(364,450)	(2,193,016)	-
Transfers in	3,955,862	65,522	-	4,480,188	-
Transfers out	-	-	-	(2,336,508)	-
Change in net position	(16,275)	65,522	(364,450)	(49,336)	-
Total net position, beginning of year	(104,072)	(65,522)	757,418	49,336	403,598
Total net position, end of year	<u>\$ (120,347)</u>	<u>\$ -</u>	<u>\$ 392,968</u>	<u>\$ -</u>	<u>\$ 403,598</u>

Sewer Revenue Fund	Sewer Improvement	Total
\$ 8,979,034	\$ 167	\$ 8,979,201
6,712	-	56,002
8,985,746	167	9,035,203
-	-	1,491,888
-	2,617,275	3,833,694
-	-	1,387,570
-	4,998,700	5,288,700
-	7,615,975	12,001,852
8,985,746	(7,615,808)	(2,966,649)
-	617,804	617,804
15,654	-	15,654
-	(3,508)	(2,196,524)
-	79,152	79,152
-	(2,333,000)	(2,333,000)
15,654	(1,639,552)	(3,816,914)
9,001,400	(9,255,360)	(6,783,563)
-	6,546,322	15,047,894
(9,366,571)	-	(11,703,079)
(365,171)	(2,709,038)	(3,438,748)
4,179,620	2,888,797	8,109,175
\$ 3,814,449	\$ 179,759	\$ 4,670,427

City of Clinton, Iowa

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES				
Taxes	\$ 21,335,063	\$ 21,540,640	\$ 21,340,941	\$ 21,060,047
Licenses and permits	494,637	448,407	397,268	390,214
Use of money and property	429,019	312,866	1,879,184	535,225
Intergovernmental	5,950,877	5,212,646	4,844,194	5,425,060
Charges for services	1,305,310	1,247,042	1,235,039	1,045,323
Miscellaneous	859,592	899,941	799,992	1,504,955
TOTAL REVENUES	<u>\$ 30,374,498</u>	<u>\$ 29,661,542</u>	<u>\$ 30,496,618</u>	<u>\$ 29,960,824</u>
EXPENDITURES				
Current				
Public safety	\$ 10,722,616	\$ 10,957,543	\$ 10,776,743	\$ 10,117,478
Public works	3,267,989	2,951,147	2,606,996	2,471,001
Culture and recreation	2,987,553	3,036,703	3,142,259	2,919,245
Community and economic development	2,560,088	2,084,627	1,877,259	2,028,721
General government	1,953,107	2,169,653	2,478,543	2,762,672
Debt service	4,404,589	4,264,112	3,992,096	8,468,734
Capital outlay	10,784,756	5,321,941	7,760,095	8,221,941
TOTAL EXPENDITURES	<u>\$ 36,680,698</u>	<u>\$ 30,785,726</u>	<u>\$ 32,633,991</u>	<u>\$ 36,989,792</u>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 20,061,933	\$ 19,459,376	\$ 18,966,982	\$ 17,685,612	\$ 16,696,773	\$ 16,356,349
388,142	280,236	756,662	278,034	302,729	271,733
166,362	409,167	433,911	467,610	505,698	533,043
5,077,516	15,396,842	4,401,029	3,287,033	6,943,004	8,325,118
1,276,132	1,257,521	1,365,157	1,230,528	1,566,224	1,518,430
2,301,813	326,379	529,325	558,340	723,501	938,498
<u>\$ 29,271,898</u>	<u>\$ 37,129,521</u>	<u>\$ 26,453,066</u>	<u>\$ 23,507,157</u>	<u>\$ 26,737,929</u>	<u>\$ 27,943,171</u>
\$ 10,099,168	\$ 10,522,406	\$ 9,451,323	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189
2,931,985	3,831,214	3,364,814	3,449,917	3,147,176	2,819,417
3,016,460	3,056,645	2,691,561	2,882,200	2,560,291	2,525,097
2,749,648	2,500,810	1,933,560	966,803	1,346,733	1,175,920
1,656,335	1,860,914	2,288,430	2,432,760	1,128,739	1,047,609
3,477,659	3,348,133	3,993,984	4,750,160	4,445,382	4,755,246
7,817,225	10,061,875	6,267,321	6,986,200	7,915,554	7,553,288
<u>\$ 31,748,480</u>	<u>\$ 35,181,997</u>	<u>\$ 29,990,993</u>	<u>\$ 31,100,977</u>	<u>\$ 29,958,648</u>	<u>\$ 28,979,766</u>

City of Clinton, Iowa

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Taxes				
Property tax and tax increment financing	\$ 16,190,472	\$ 16,195,117	\$ 16,568,522	\$ 16,287,628
Mobile home taxes	55,851	5,031	4,528	4,528
Utility excise taxes	1,270,243	1,304,792	1,151,368	1,151,368
Local option sales taxes	3,278,644	3,298,910	3,064,314	3,064,314
Hotel/motel taxes	309,283	511,771	361,661	361,661
Gaming/Cable television franchise fees	230,570	225,019	179,083	179,083
Other taxes	-	-	11,465	11,465
	<u>21,335,063</u>	<u>21,540,640</u>	<u>21,340,941</u>	<u>21,060,047</u>
Intergovernmental				
Road use taxes	3,296,194	3,080,523	2,671,825	2,606,751
Other federal/state revenues	2,407,076	1,883,123	1,953,220	2,605,406
County contributions	132,256	75,988	49,284	50,948
School district contributions	115,351	173,012	169,865	161,955
	<u>5,950,877</u>	<u>5,212,646</u>	<u>4,844,194</u>	<u>5,425,060</u>
TOTAL	<u>\$ 27,285,940</u>	<u>\$ 26,753,286</u>	<u>\$ 26,185,135</u>	<u>\$ 26,485,107</u>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 14,972,295	\$ 14,488,035	\$ 14,498,220	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048
5,205	5,713	6,179	7,544	6,029	6,717
1,129,203	1,001,996	684,958	699,751	710,877	747,851
3,429,223	3,345,242	2,931,452	3,412,843	2,883,810	3,211,844
332,554	313,352	252,413	348,364	357,639	303,726
190,496	142,155	142,675	144,091	143,701	143,163
-	-	-	-	-	-
<u>20,058,976</u>	<u>19,296,493</u>	<u>18,515,897</u>	<u>17,674,662</u>	<u>16,696,771</u>	<u>16,356,349</u>
2,529,235	2,559,000	2,445,174	2,301,748	2,379,640	2,323,732
7,607,513	10,892,450	7,474,466	3,032,831	5,411,763	6,290,529
105,757	78,385	58,088	42,726	46,731	50,893
-	-	-	-	-	-
<u>10,242,505</u>	<u>13,529,835</u>	<u>9,977,728</u>	<u>5,377,305</u>	<u>7,838,134</u>	<u>8,665,154</u>
<u>\$ 30,301,481</u>	<u>\$ 32,826,328</u>	<u>\$ 28,493,625</u>	<u>\$ 23,051,967</u>	<u>\$ 24,534,905</u>	<u>\$ 25,021,503</u>

City of Clinton, Iowa

**Schedule of Actual Property Valuation Comparison (Non TIF)
(Unaudited)
For the Last Ten Years**

Fiscal Year:	2007	2008	2009	2010
January 1 Valuation	2005	2006	2007	2008
Residential property	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206	\$ 809,102,152
Commercial property	239,709,838	254,475,073	258,943,100	263,428,838
Industrial property	92,280,556	103,889,045	113,859,248	144,102,110
Utilities	87,104,661	86,562,503	84,928,187	87,449,615
Other	446,750	446,750	446,750	446,750
Subtotal	1,100,532,053	1,163,025,557	1,252,731,491	1,304,529,465
Agricultural land	10,961,103	10,898,984	10,628,345	10,611,413
TOTAL	\$ 1,111,493,156	\$ 1,173,924,541	\$ 1,263,359,836	\$ 1,315,140,878

2011	2012	2013	2014	2015	2016
2009	2010	2011	2012	2013	2014
\$ 824,901,714	\$ 873,107,272	\$ 838,077,699	\$ 844,469,640	\$ 846,761,092	\$ 858,489,381
264,671,175	270,207,165	263,324,605	290,590,290	281,717,781	286,195,257
143,732,802	193,742,825	223,544,136	172,403,126	149,910,562	155,096,660
519,907,540	151,620,680	162,756,342	167,379,969	188,751,208	197,285,390
446,750	446,750	446,750	446,750	446,750	446,750
1,753,659,981	1,489,124,692	1,488,149,532	1,475,289,775	1,467,587,393	1,497,513,438
13,514,673	15,324,520	17,773,135	17,535,589	26,798,891	23,827,771
<u>\$ 1,767,174,654</u>	<u>\$ 1,504,449,212</u>	<u>\$ 1,505,922,667</u>	<u>\$ 1,492,825,364</u>	<u>\$ 1,494,386,284</u>	<u>\$ 1,521,341,209</u>

City of Clinton, Iowa

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

Fiscal Year:	2007	2008	2009	2010
<u>January 1 Valuation</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential property	\$ 310,556,419	\$ 323,640,980	\$ 345,681,673	\$ 364,473,337
Commercial property	237,440,179	254,475,073	258,177,965	263,428,838
Industrial property	92,280,556	103,889,045	113,859,248	144,102,110
Utilities	65,194,081	62,171,994	64,187,274	63,694,959
Other	446,750	446,750	446,750	446,750
Subtotal	705,917,985	744,623,842	782,352,910	836,145,994
Less military exemptions	3,851,234	3,817,898	3,647,514	3,578,990
TOTAL	<u>\$ 702,066,751</u>	<u>\$ 740,805,944</u>	<u>\$ 778,705,396</u>	<u>\$ 832,567,004</u>
Agricultural land	<u>\$ 10,420,888</u>	<u>\$ 10,961,103</u>	<u>\$ 9,576,396</u>	<u>\$ 9,955,176</u>

2011	2012	2013	2014	2015	2016
2009	2010	2011	2012	2013	2014
\$ 383,571,449	\$ 421,511,650	\$ 422,003,802	\$ 443,940,901	\$ 457,007,659	\$ 475,424,868
264,671,175	270,207,165	263,324,605	290,590,290	265,401,457	253,434,239
143,732,802	193,742,825	223,544,136	172,403,126	142,412,661	138,981,191
66,006,035	94,263,469	101,857,832	102,341,142	101,402,573	123,730,880
446,750	446,750	446,750	446,750	446,750	-
858,428,211	980,171,859	1,011,177,125	1,009,722,209	966,671,100	991,571,178
3,456,758	3,389,160	3,313,228	3,226,184	3,113,212	3,002,092
<u>\$ 854,971,453</u>	<u>\$ 976,782,699</u>	<u>\$ 1,007,863,897</u>	<u>\$ 1,006,496,025</u>	<u>\$ 963,557,888</u>	<u>\$ 988,569,086</u>
<u>\$ 8,950,487</u>	<u>\$ 10,576,243</u>	<u>\$ 10,194,936</u>	<u>\$ 10,494,318</u>	<u>\$ 11,409,968</u>	<u>\$ 11,899,550</u>

City of Clinton, Iowa

Schedule of General Obligation Bond and Capital Loan Note Maturities
June 30, 2016

Year Ending June 30	Principal	Interest	Total
2017	\$ 3,340,000	\$ 955,624	\$ 4,295,624
2018	3,435,000	878,348	4,313,348
2019	3,010,000	781,619	3,791,619
2020	3,025,000	698,611	3,723,611
2021	3,080,000	612,031	3,692,031
2022	2,330,000	520,941	2,850,941
2023	1,875,000	460,873	2,335,873
2024	1,665,000	406,146	2,071,146
2025	1,720,000	360,529	2,080,529
2026	1,205,000	312,385	1,517,385
2027	1,260,000	273,331	1,533,331
2028	1,305,000	231,073	1,536,073
2029	1,240,000	188,082	1,428,082
2030	980,000	145,337	1,125,337
2031	1,015,000	112,312	1,127,312
2032	1,055,000	75,700	1,130,700
2033	620,000	37,612	657,612
2034	495,000	16,375	511,375
Total	\$ 32,655,000	\$ 7,066,929	\$ 39,721,929

City of Clinton, Iowa

Schedule of General Obligation Bond Maturities
June 30, 2016

Summary

Year Ending June 30	Principal	Interest	Total
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
Total	<u>\$ 6,170,000</u>	<u>\$ 1,077,043</u>	<u>\$ 7,247,043</u>

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

Year Ending June 30	Principal	Interest	Total
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
Total	<u>\$ 3,510,000</u>	<u>\$ 663,500</u>	<u>\$ 4,173,500</u>

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

Year Ending June 30	Principal	Interest	Total
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
Total	<u>\$ 2,660,000</u>	<u>\$ 413,543</u>	<u>\$ 3,073,543</u>

City of Clinton, Iowa

Schedule of General Obligation Capital Loan Note Maturities
June 30, 2016

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	\$ 3,225,000	\$ 625,000	\$ 4,050,000	\$ 5,130,000	\$ 3,305,000	\$ 525,000	Total	
2017	\$ 402,730	\$ 379,568	\$ 363,230	\$ 424,700	\$ 89,420	\$ 332,228	\$ 108,916	\$ 274,452	\$ 247,487	\$ 236,362	\$ 111,645	\$ 2,970,738	
2018	184,080	386,218	364,680	415,700	88,400	373,446	107,916	272,852	245,486	237,312	114,582	2,790,672	
2019	517,356	311,043	-	406,700	86,700	298,014	111,516	274,252	393,485	233,112	112,640	2,744,818	
2020	526,050	311,918	-	397,700	-	298,204	114,730	275,552	438,488	233,912	110,382	2,706,936	
2021	528,550	307,718	-	393,700	-	297,700	112,530	276,752	432,488	234,562	112,916	2,696,916	
2022	529,880	308,098	-	389,550	-	296,496	-	272,852	436,487	235,063	-	2,468,426	
2023	-	307,968	-	400,250	-	299,678	-	273,952	430,287	235,413	-	1,947,548	
2024	-	307,458	-	400,350	-	297,136	-	274,952	432,537	235,613	-	1,948,046	
2025	-	311,558	-	405,150	-	299,120	-	275,852	434,537	235,662	-	1,961,879	
2026	-	-	-	149,500	-	300,494	-	276,442	441,287	235,562	-	1,403,285	
2027	-	-	-	145,650	-	301,264	-	276,606	466,800	233,561	-	1,423,881	
2028	-	-	-	151,800	-	301,436	-	276,326	465,400	236,361	-	1,431,323	
2029	-	-	-	147,000	-	301,020	-	275,700	468,700	235,662	-	1,428,082	
2030	-	-	-	152,200	-	-	-	273,800	464,525	234,812	-	1,125,337	
2031	-	-	-	152,000	-	-	-	276,750	465,000	233,562	-	1,127,312	
2032	-	-	-	156,600	-	-	-	274,400	462,800	236,900	-	1,130,700	
2033	-	-	-	150,800	-	-	-	271,900	-	234,912	-	657,612	
2034	-	-	-	-	-	-	-	273,612	-	237,763	-	511,375	
Total	\$ 2,688,646	\$ 2,931,547	\$ 727,910	\$ 4,839,350	\$ 264,520	\$ 3,996,236	\$ 555,608	\$ 4,947,004	\$ 6,725,794	\$ 4,236,106	\$ 562,165	\$ 32,474,886	

Summary - Capital Loan Note Principal

Year Ending												
June 30	\$ 3,065,000	\$ 4,975,000	\$ 2,095,000	\$ 4,155,000	\$ 335,000	\$ 3,225,000	\$ 625,000	\$ 4,050,000	\$ 5,130,000	\$ 3,305,000	\$ 525,000	Total
2017	\$ 365,000	\$ 335,000	\$ 355,000	\$ 300,000	\$ 85,000	\$ 235,000	\$ 100,000	\$ 180,000	\$ 100,000	\$ 135,000	\$ 100,000	\$ 2,290,000
2018	150,000	345,000	360,000	300,000	85,000	280,000	100,000	180,000	100,000	140,000	105,000	2,145,000
2019	485,000	275,000	-	300,000	85,000	210,000	105,000	185,000	250,000	140,000	105,000	2,140,000
2020	500,000	280,000	-	300,000	-	215,000	110,000	190,000	300,000	145,000	105,000	2,145,000
2021	510,000	280,000	-	305,000	-	220,000	110,000	195,000	300,000	150,000	110,000	2,180,000
2022	520,000	285,000	-	310,000	-	225,000	-	195,000	310,000	155,000	-	2,000,000
2023	-	290,000	-	330,000	-	235,000	-	200,000	310,000	160,000	-	1,525,000
2024	-	295,000	-	340,000	-	240,000	-	205,000	320,000	165,000	-	1,565,000
2025	-	305,000	-	355,000	-	250,000	-	210,000	330,000	170,000	-	1,620,000
2026	-	-	-	110,000	-	260,000	-	215,000	345,000	175,000	-	1,105,000
2027	-	-	-	110,000	-	270,000	-	220,000	380,000	180,000	-	1,160,000
2028	-	-	-	120,000	-	280,000	-	225,000	390,000	190,000	-	1,205,000
2029	-	-	-	120,000	-	290,000	-	230,000	405,000	195,000	-	1,240,000
2030	-	-	-	130,000	-	-	-	235,000	415,000	200,000	-	980,000
2031	-	-	-	135,000	-	-	-	245,000	430,000	205,000	-	1,015,000
2032	-	-	-	145,000	-	-	-	250,000	445,000	215,000	-	1,055,000
2033	-	-	-	145,000	-	-	-	255,000	-	220,000	-	620,000
2034	-	-	-	-	-	-	-	265,000	-	230,000	-	495,000
Total	\$ 2,530,000	\$ 2,690,000	\$ 715,000	\$ 3,855,000	\$ 255,000	\$ 3,210,000	\$ 525,000	\$ 3,880,000	\$ 5,130,000	\$ 3,170,000	\$ 525,000	\$ 26,485,000

Summary - Capital Loan Note Interest

Year Ending													
June 30	\$ 3,065,000	\$ 4,975,000	\$ 2,095,000	\$ 4,155,000	\$ 335,000	\$ 3,225,000	\$ 625,000	\$ 4,050,000	\$ 5,130,000	\$ 3,305,000	\$ 525,000	Total	
2017	\$ 37,730	\$ 44,568	\$ 8,230	\$ 124,700	\$ 4,420	\$ 97,228	\$ 8,916	\$ 94,452	\$ 147,487	\$ 101,362	\$ 11,645	\$ 680,738	
2018	34,080	41,218	4,680	115,700	3,400	93,446	7,916	92,852	145,486	97,312	9,582	645,672	
2019	32,356	36,043	-	106,700	1,700	88,014	6,516	89,252	143,485	93,112	7,640	604,818	
2020	26,050	31,918	-	97,700	-	83,204	4,730	85,552	138,488	88,912	5,382	561,936	
2021	18,550	27,718	-	88,700	-	77,700	2,530	81,752	132,488	84,562	2,916	516,916	
2022	9,880	23,098	-	79,550	-	71,496	-	77,852	126,487	80,063	-	468,426	
2023	-	17,968	-	70,250	-	64,678	-	73,952	120,287	75,413	-	422,548	
2024	-	12,458	-	60,350	-	57,136	-	69,952	112,537	70,613	-	383,046	
2025	-	6,558	-	50,150	-	49,120	-	65,852	104,537	65,662	-	341,879	
2026	-	-	-	39,500	-	40,494	-	61,442	96,287	60,562	-	298,285	
2027	-	-	-	35,650	-	31,264	-	56,606	86,800	53,561	-	263,881	
2028	-	-	-	31,800	-	21,436	-	51,326	75,400	46,361	-	226,323	
2029	-	-	-	27,000	-	11,020	-	45,700	63,700	40,662	-	188,082	
2030	-	-	-	22,200	-	-	-	38,800	49,525	34,812	-	145,337	
2031	-	-	-	17,000	-	-	-	31,750	35,000	28,562	-	112,312	
2032	-	-	-	11,600	-	-	-	24,400	17,800	21,900	-	75,700	
2033	-	-	-	5,800	-	-	-	16,900	-	14,912	-	37,612	
2034	-	-	-	-	-	-	-	8,612	-	7,763	-	16,375	
Total	\$ 158,646	\$ 241,547	\$ 12,910	\$ 984,350	\$ 9,520	\$ 786,236	\$ 30,608	\$ 1,067,004	\$ 1,595,794	\$ 1,066,106	\$ 37,165	\$ 5,989,886	

City of Clinton, Iowa

**Computation of Legal Debt Margin
June 30, 2016**

Actual Property Valuation-January 1, 2014 (Includes TIF valuation)	<u><u>\$ 1,588,447,900</u></u>
Debt limit, 5% of total actual valuation	\$ 79,422,395
Debt applicable to debt limit, debt service:	
General obligation loan notes and bonds	32,655,000
Due to other government	5,252,591
Tax increment financing indebtedness	<u>8,773,106</u>
Legal debt margin	<u><u>\$ 32,741,698</u></u>

City of Clinton, Iowa

Miscellaneous Statistics

(Unaudited)

June 30, 2016

Date Chartered	January 28.1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal)	
Full-time Equivalent	170
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:	2
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:	1
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, 2016

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
Indirect:				
Pass-through Iowa Economic Development Authority				
Community Development Block Grants/State's				
Program and Non-entitlement Grants in Hawaii	14.228	15-WS-002	\$ -	\$ 572,804
Community Development Block Grants/State's				
Program and Non-entitlement Grants in Hawaii	14.228	14-HSG-002	-	199,583
Total U.S. Department of Housing and Urban Development			-	772,387
U.S. Department of Justice				
Direct:				
Bureau of Justice Assistance				
Edward Byrne Memorial Justice Assistance	16.738	2015-DJ-BX-0651	-	20,266
Grant Program				
Equitable Sharing Program	16.922	IA0230100	-	6,688
Total U.S. Department of Justice			-	26,954
U.S. Department of Transportation				
Indirect:				
Pass-through Iowa Department of Transportation				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction Program	20.205	STP-U-1415(625)--70-23	-	1,107,074
Highway Planning and Construction Program	20.205	BROS-1415(628)-8J-23	-	23,106
Subtotal Highway Planning and Construction Cluster			-	1,130,180
Formula Grants for Rural Areas	20.509	IA018-0031-141-16	-	601,454
Formula Grants for Rural Areas	20.509	IA018-0031-141-15	-	57
			-	601,511
Total U.S. Department of Transportation			-	1,731,691
Environmental Protection Agency				
Direct:				
Office of Solid Waste and Emergency Response				
Superfund State, Political Subdivision, and Indian				
Tribe Site-Specific Cooperative Agreements	66.802	OSWER-OEM-PROD MC5104A	-	13,708
U.S. Department of Homeland Security				
Direct:				
Federal Emergency Management Agency				
Assistance to Firefighters Grant	97.044	N/A	-	233,178
Total Expenditures of Federal Awards			\$ -	\$ 2,777,918

See Notes to Schedule of Expenditures of Federal Awards.

City of Clinton, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the entity.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to the revenue. In the governmental funds, revenue from federal grants is recognized when the revenue is both measureable and available. In proprietary funds, revenue from federal grants is recognized when it is earned.

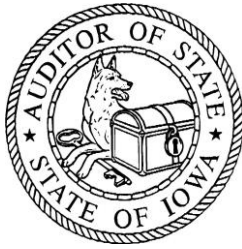
Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

City of Clinton



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clinton's internal control over financial reporting to determine the audit procedures 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 of Clinton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 a material misstatement of City of Clinton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-16 through II-C-16 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-16 and II-E-16 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the 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 of Clinton's Responses to the Findings

The City of Clinton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Clinton'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

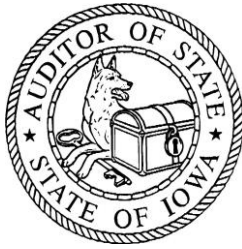
We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clinton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

March 15, 2017

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

City of Clinton



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Clinton, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The City of Clinton's major federal programs are identified in Part I 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 grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Clinton'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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe 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 of Clinton's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Clinton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance


The management of the City of Clinton 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 of Clinton'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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-16, we consider to be a material weakness.

The City of Clinton's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Clinton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State

March 15, 2017

City of Clinton
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Clinton did not qualify as a low-risk auditee.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Finance, Airport, Marina, Parks and Recreation and Municipal Transit Administration (MTA)
(2) Generally, one individual may have control over collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist. A listing of mail receipts is not prepared. Only one individual in the Finance office is responsible for collecting utility payments made in the city drop box located outside City Hall.	Finance, Airport, Marina, Parks and Recreation and MTA
(3) Bank accounts were not reconciled by an individual who does not sign checks. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Finance
(4) Cashiers work from one main cash drawer.	Finance
(5) All individuals have the ability to void receipts, including individuals who perform daily balancing. No report is maintained or review performed over voided receipts.	Finance, Airport and Marina
(6) Several offices maintain a separate set of records. A reconciliation between the office's records and records at the Finance office is not performed.	Airport and Marina

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Cause – The City offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials and personnel from other City offices, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will continue to look for controls available to us from the outside and develop processes to make financial transactions more transparent. In addition, the Finance Director will ask to see if federal funds for grants can be wired to the City's bank account.

Conclusion – Response acknowledged. Each office should utilize current personnel, including elected officials and personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

II-B-16 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - During the audit, we identified a material amount of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Cause – City policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the City's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City's financial statements were necessary.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Recommendation – The City should implement procedures to ensure amounts are properly recorded in the City's financial statements.

Response – These are fixed for fiscal year 2016. Reconciliation procedures will be examined more closely in the future to keep this from happening again.

Conclusion – Response accepted.

II-C-16 Reconciliation of Utility Billings, Collection and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared for both sewer and solid waste utilities. Also, utility collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent accounts and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Finance Director will work on establishing a monthly reconciliation of utility accounts receivables.

Conclusion – Response accepted.

II-D-16 Restrictive Endorsements

Criteria – An effective internal control system provides for internal controls related to the restrictive endorsement of checks to ensure accuracy and completeness of deposits.

Condition – Checks are not restrictively endorsed upon receipt in the Marina, Airport and Transit offices.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Cause – Policies have been established and procedures have not been implemented to provide compensating controls for deposits.

Effect – Lack of policy and procedure could result in undeposited or misplaced department revenues.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received.

Response – Endorsement stamps were ordered mid-way through the year and put into practice at the Marina, Airport and Transit offices.

Conclusion – Response accepted.

II-E-16 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – During our review of internal control, the existing control activities in the City's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer systems were noted:

The City does not have written policies for:

- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Backups are not being performed on all servers with financial data.

Also, the City does not have a written disaster recovery plan.

Cause – Management has not required written policies for the above computer based controls or back-up procedures.

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer systems. A written disaster recovery plan should be developed and backups should be performed.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Response – The City is working on a password policy for computer use. The IT staff person is also aware and working on proper backup procedures for servers.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 14-HSG-002, 15-WS-002

Federal Award Year: 2016

U.S. Department of Housing and Urban Development

Passed through the Iowa Economic Development Authority

CFDA Number 20.205: Highway Planning and Construction

Pass-through Agency Number: STP-U-1415(625)-70-23, BROS-1415(628)-8J-23

Federal Award Year: 2016

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

III-A-16 Segregation of Duties over Federal Revenue – The City did not properly
(2016-001) segregate collection, deposit and record-keeping for revenues, including
those related to federal programs. See item II-A-16.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the culture and recreation, community and economic development 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 have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – A budget amendment was done in April of 2016 for the fiscal year 2016 budget. However, the end of year accruals exceeded what was anticipated for the amendment.

Conclusion – Response accepted.

- IV-B-16 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-16 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lynn McGraw, City Council, Owner of Happy Joe's Pizza Recreation	Food	\$ 61
Joshua and Marissa Mussmann, Engineering Employees, Owner of JT Contracting	Concrete Work	44,472

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the City Council Member does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year. The transaction with the City Engineering Employees does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- IV-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- IV-F-16 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Although minutes of City Council proceedings were published, the publications did not include a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and publish a summary of all receipts.

Response – We will begin publishing the summary of receipts during the fiscal year.

Conclusion – Response accepted.

- IV-G-16 Deposits and Investments – Deposits and investments were in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy, except for the following:

Interest income from the investment of note proceeds was not credited to the Capital Projects Fund. In addition, interest earned on the Special Revenue, Tax Increment Financing Fund balance is not credited to the fund. In accordance with Chapter 12C.9 of the Code of Iowa, such interest shall be used to pay the principal or interest of the indebtedness or credited to the Capital Projects Fund for which the indebtedness was issued.

A resolution naming official depositories has been approved by the City. However, maximum deposit amounts for each bank were not included on the depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should credit interest to the proper funds in accordance with Chapter 12C.9 of the Code of Iowa. In addition, the City should adopt a new depository resolution which establishes maximum deposit amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – We will do an end of year allocation to those funds as required by Chapter 12C.9 of the Code of Iowa. The City will also adopt a new depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

- IV-H-16 Revenue Bonds and Notes – The sewer revenue note resolution requires the City to establish, levy and collect rents and other charges for the products and services provided by its sewer system, which rents, rates and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of such sewer system and (B) to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue note and any other obligations secured by a pledge of the net revenues falling due in the same year. The City's fiscal year 2016 net operating revenues of \$4,166,050 is less than 110% of the required debt service payment of \$4,347,285.

Recommendation – The City should ensure the net revenues are not less than 110% of the amount of annual principal and interest, as required by the sewer note resolution.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Response – The City will work to ensure that operating revenues are not less than 110% of the amount of annual principal and interest.

Conclusion – Response accepted.

- IV-I-16 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. However, the City did not report the TIF debt outstanding on the Levy Authority.

Recommendation – The City should ensure the TIF debt outstanding reported includes all TIF debt issued during the fiscal year and the total balance of all annual appropriation obligations.

Response – The City will work to ensure the accuracy of the Annual Urban Renewal Report prior to approval and submission to the State.

Conclusion – Response accepted.

- IV-J-16 Financial Condition – The Capital Projects Fund had a deficit fund balance of \$1,258,714 at June 30, 2016.

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

Response – The City will work to ensure that fund balances are not in a deficit position at the end of the fiscal year.

Conclusion – Response accepted.

- IV-K-16 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – While the City is in the practice of submitting outstanding claims to the Great Iowa Treasure Hunt, the City has a larger project that we continued to work on during the fiscal year to determine if our outstanding checks listing is accurate, or if there are checks that are stuck in the system that have actually been cashed.


Conclusion – Response accepted.

City of Clinton

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Anthony M. Heibult, Senior Auditor
David A. Cook, CPA, Staff Auditor
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Justin M. Gibbons, Assistant Auditor
Justin D. Jones, Assistant Auditor
Zachery J. Koziolk, Assistant Auditor
Jason J. Miller, Assistant Auditor
Cody J. Pifer, Assistant Auditor

A handwritten signature in black ink, appearing to read "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly distinguishable.

Andrew E. Nielsen, CPA
Deputy Auditor of State