

# **City of Clinton, Iowa**

Financial and Compliance Report  
Year Ended June 30, 2018



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# CITY OF CLINTON, IOWA

## List of Principal Officials

June 30, 2018

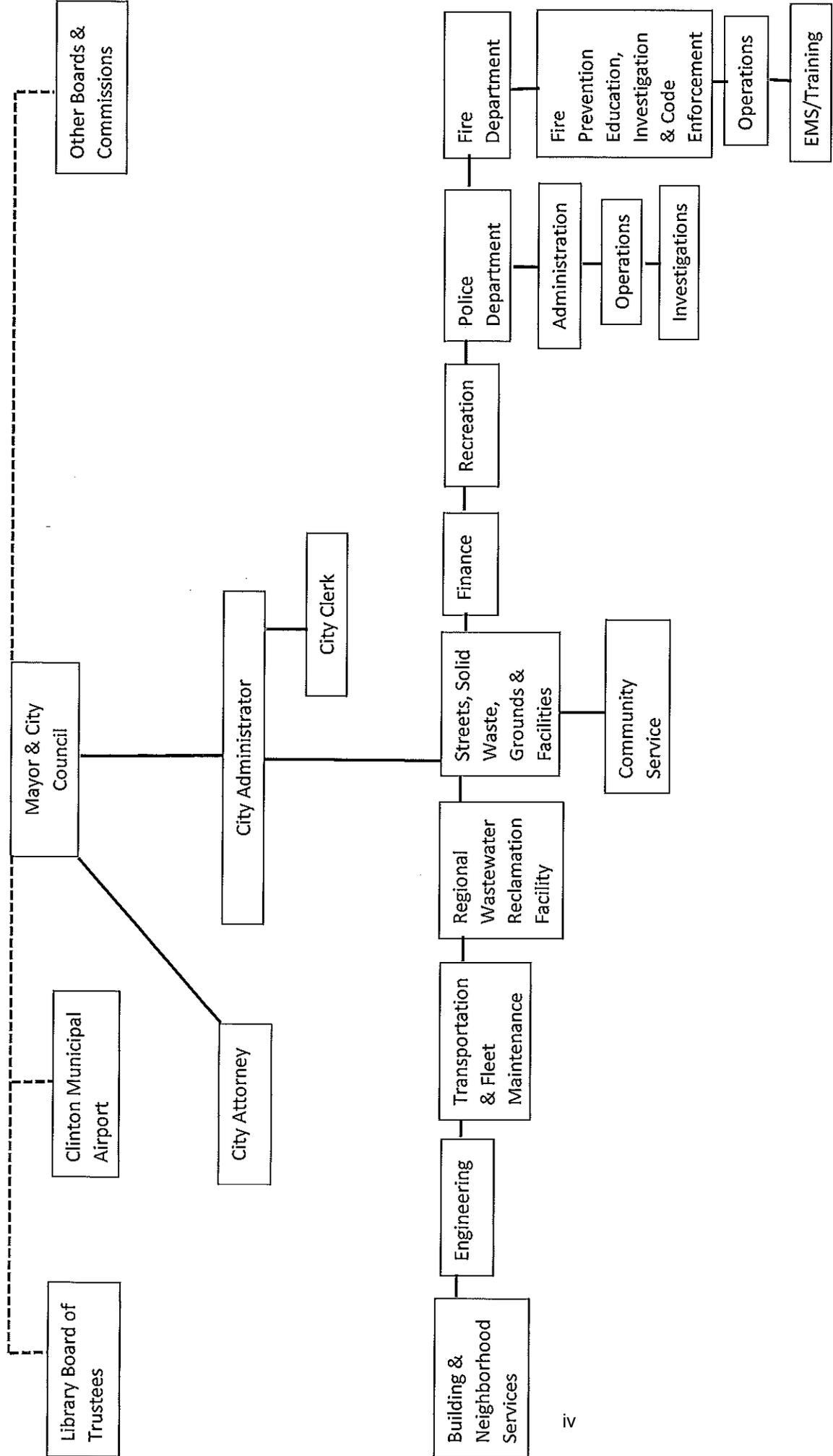
### ELECTED OFFICIALS

(Fiscal Year 2018)

Mayor	Mark S. Vulich
Council Member	Julie Allessee
Council Member	Paul Gassman
Council Member	Bill Schemers
Council Member	Seth Odor
Council Member	Sean Connell
Council Member	Lynn McGraw
Council Member	Cody Seeley

### APPOINTED OFFICIALS

City Administrator	Matt Brooke
City Attorney	Lynch Dallas Firm
City Clerk	Lisa Frederick
Finance Director	Anita Dalton
Airport Manager	Mike Nass
Fire Chief	Mike Brown
Library Director	Interim
Recreation Director	Josh Eggers
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**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2018, 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, 2018, 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.

## Emphasis of a Matter

As discussed in Note 16 to the financial statements, the City of Clinton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedules of the City's Proportionate Share of the Net Pension Liability, the Schedules of City Contributions and the Schedule of Changes in the City's Total OPEB Liability, Related Ratios and Notes on pages 4 through 14 and 64 through 74 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. 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 87 through 104 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, 2019 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 solely 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 effectiveness of the City's 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.



ROB SAND  
Auditor of State

March 15, 2019

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## City of Clinton, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2018

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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, 2018.

#### Financial Highlights

The assets and deferred outflows of the City of Clinton, Iowa exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$135,094,984 (net position). Of this amount, (\$11,326,579) deficit is unrestricted. After the restatements discussed in Note 16 to the financial statements, assets and deferred outflows exceeded liabilities and deferred inflows by \$139,248,797 as of June 30, 2017. Of this amount (\$9,889,979) deficit was unrestricted.

For fiscal year 2018, the City's net position decreased (\$4,153,813) Governmental activities net position decreased (\$28,760) and business-type activities net position decreased (\$4,125,053). For fiscal year 2017, the City's net position increased \$1,837,122 not restated. The amounts presented in Table 2 for fiscal year 2017 were not restated because the information needed to restate these amounts was not available.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$4,762,421, a decrease of (\$6,833,235) in comparison with the prior year. Approximately 29% of this amount, \$1,385,075, is unassigned fund balance which is available for spending at the City's discretion. As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$11,595,656, an increase of \$6,336,138 in comparison with the prior year. Approximately 22% of this amount, \$2,579,346, is unassigned fund balance.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,485,582, or 15.7% of total General Fund expenditures, compared to \$2,579,346, or 17.1%, as of June 30, 2017.

The City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard resulted in a restatement to fiscal year 2017 governmental activities net position of \$21,290 and business-type activities net position of \$6,190.

#### 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 statement comprised three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary and other 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).

## City of Clinton, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2018

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Both of the government-wide financial statements distinguish functions of the City which 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.

**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 of Clinton, Iowa maintains two different types of proprietary funds. The City maintains enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements and maintains 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 to be 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.

**City of Clinton, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2018**

**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.

**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 Changes in the City's Total OPEB Liability and Related Ratios.

**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 decreased from a year ago. Table 1 reflects total net position of \$135,094,984 at June 30, 2018, which represents a decrease of (\$4,153,813) from June 30, 2017.

Table 1 - City of Clinton's Net Position

	Governmental Activities June 30, 2018	Restated Governmental Activities June 30, 2017	Business-Type Activities June 30, 2018	Restated Business-Type Activities June 30, 2017	Total June 30, 2018	Restated Total June 30, 2017
Current and other assets	\$ 27,624,294	\$ 33,668,761	\$ 7,419,657	\$ 14,825,436	\$ 35,043,951	\$ 48,494,197
Capital assets	117,732,281	115,884,574	135,457,213	134,202,931	253,189,494	250,087,505
<b>Total assets</b>	<b>145,356,575</b>	<b>149,553,335</b>	<b>142,876,870</b>	<b>149,028,367</b>	<b>288,233,445</b>	<b>298,581,702</b>
Deferred outflows of resources	4,020,782	5,011,409	634,033	587,934	4,654,815	5,599,343
Noncurrent liabilities	62,798,096	68,904,716	65,986,679	68,431,165	128,784,775	137,335,881
Other liabilities	7,863,420	7,417,684	3,946,911	3,454,460	11,810,331	10,872,144
<b>Total liabilities</b>	<b>70,661,516</b>	<b>76,322,400</b>	<b>69,933,590</b>	<b>71,885,625</b>	<b>140,595,106</b>	<b>148,208,025</b>
Deferred inflows of resources	17,043,114	16,540,857	155,056	183,366	17,198,170	16,724,223
Net position:						
Net investment in capital assets	72,014,096	68,627,689	69,586,213	65,868,931	141,600,309	134,496,620
Restricted	4,475,176	7,470,346	346,078	7,171,810	4,821,254	14,642,156
Unrestricted	(14,816,545)	(14,396,548)	3,489,966	4,506,569	(11,326,579)	(9,889,979)
<b>Total net position</b>	<b>\$ 61,672,727</b>	<b>\$ 61,701,487</b>	<b>\$ 73,422,257</b>	<b>\$ 77,547,310</b>	<b>\$ 135,094,984</b>	<b>\$ 139,248,797</b>

**City of Clinton, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2018**

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Of the City's net position, 104.8% 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, 2017, the City's net investment in capital assets was 96.5% 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 3.5% of total net position as of June 30, 2018 and was 10.5% of total net position as of June 30, 2017. Restricted net position represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was (\$11,326,579) as of June 30, 2018 and (\$9,889,979) as of June 30, 2017.

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2018. 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, 2018

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

	Governmental Activities 2018	Not restated Governmental Activities 2017	Business-Type Activities 2018	Not restated Business-Type Activities 2017	Total 2018	Not restated Total 2017
Revenues:						
Program revenues:						
Charges for service	\$ 3,202,748	\$ 3,261,412	\$ 12,487,670	\$ 12,612,403	\$ 15,690,418	\$ 15,873,815
Operating grants and contributions	3,776,015	5,001,420	859,073	1,115,353	4,635,088	6,116,773
Capital grants and contributions	639,980	3,845,896	141,482	25,616	781,462	3,871,512
General revenues:						
Property tax	15,147,657	15,436,337	-	-	15,147,657	15,436,337
Hotel/motel tax	409,282	408,859	-	-	409,282	408,859
Local option sales tax	3,316,804	3,241,479	-	-	3,316,804	3,241,479
Tax increment financing	1,733,780	1,962,251	-	-	1,733,780	1,962,251
Gaming tax	207,312	216,514	-	-	207,312	216,514
Commercial/industrial tax replacement	649,152	-	-	-	649,152	-
Investment earnings	8,306	32,929	14,163	17,632	22,469	50,561
Other	-	-	108,634	-	108,634	-
<b>Total revenues</b>	<b>29,091,036</b>	<b>33,407,097</b>	<b>13,611,022</b>	<b>13,771,004</b>	<b>42,702,058</b>	<b>47,178,101</b>
Expenses:						
Public safety	11,781,725	11,304,845	-	-	11,781,725	11,304,845
Public works	8,794,021	7,327,133	-	-	8,794,021	7,327,133
Culture and recreation	3,275,507	3,319,506	-	-	3,275,507	3,319,506
Community and economic development	2,278,264	2,718,036	-	-	2,278,264	2,718,036
General government	1,998,727	2,043,144	-	-	1,998,727	2,043,144
Interest on long-term debt	943,329	1,403,281	-	-	943,329	1,403,281
Sewer	-	-	11,935,362	11,641,739	11,935,362	11,641,739
Solid waste	-	-	1,620,179	1,489,545	1,620,179	1,489,545
Transit	-	-	2,261,963	2,205,211	2,261,963	2,205,211
Airport operations	-	-	1,224,992	1,162,048	1,224,992	1,162,048
Marina	-	-	741,802	726,491	741,802	726,491
<b>Total expenses</b>	<b>29,071,573</b>	<b>28,115,945</b>	<b>17,784,298</b>	<b>17,225,034</b>	<b>46,855,871</b>	<b>45,340,979</b>
<b>Excess (deficiency) before transfers</b>	<b>19,463</b>	<b>5,291,152</b>	<b>(4,173,276)</b>	<b>(3,454,030)</b>	<b>(4,153,813)</b>	<b>1,837,122</b>
Transfers	(48,223)	(9,161,048)	48,223	9,161,048	-	-
<b>Change in net position</b>	<b>(28,760)</b>	<b>(3,869,896)</b>	<b>(4,125,053)</b>	<b>5,707,018</b>	<b>(4,153,813)</b>	<b>1,837,122</b>
Net position, beginning, as restated	61,701,487	65,550,093	77,547,310	71,834,102	139,248,797	137,384,195
Net position, ending	\$ 61,672,727	\$ 61,680,197	\$ 73,422,257	\$ 77,541,120	\$ 135,094,984	\$ 139,221,317

The City's total net position decreased (\$4,153,813) during the year ended June 30, 2018. The governmental activities net position decreased (\$28,760) due to the City bonding for capital projects activities that are not capitalized. The business-type activities net position decreased (\$4,125,053) due to decreased transfers in from the governmental activities from the prior year issuance of long-term debt to fund planned projects.

**City of Clinton, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2018**

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	<b>Total Cost of Services 2018</b>	Total Cost of Services 2017	<b>Net Cost of Services 2018</b>	Net Cost of Services 2017
Public safety	\$ 11,781,725	\$ 11,304,845	\$ 10,625,067	\$ 9,948,774
Public works	8,794,021	7,327,133	3,925,818	(1,240,983)
Culture and recreation	3,275,507	3,319,506	2,671,717	2,682,417
Community and economic development	2,278,264	2,718,036	2,278,264	2,712,856
General government	1,998,727	2,043,144	1,008,635	500,872
Interest on long-term debt	943,329	1,403,281	943,329	1,403,281
<b>Total</b>	<b>\$ 29,071,573</b>	<b>\$ 28,115,945</b>	<b>\$ 21,452,830</b>	<b>\$ 16,007,217</b>

Net cost of services is 73.7% of total cost of services for the year ended June 30, 2018 and 56.9% for the year ended June 30, 2017. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

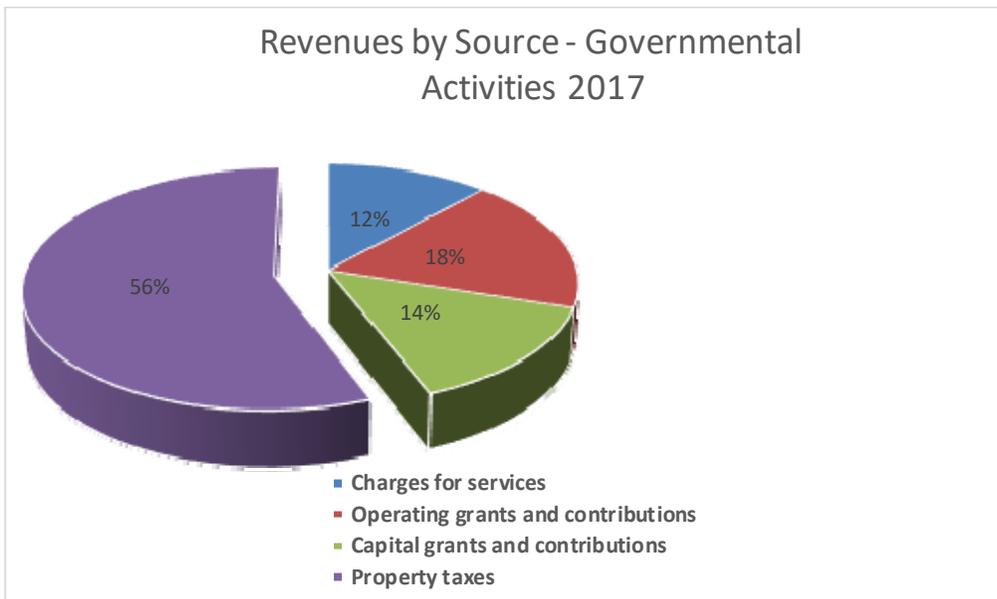
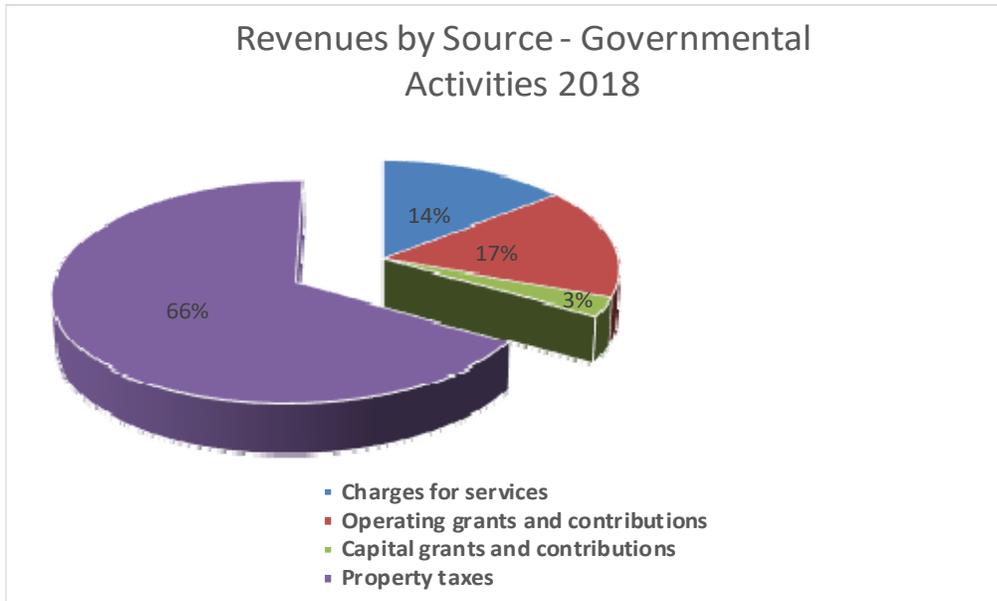
City of Clinton, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2018

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**Governmental Activities**

The graphs below show the percentage of the total governmental activities program and property tax revenues allocated by each significant revenue type for 2018 and 2017.



City of Clinton, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2018

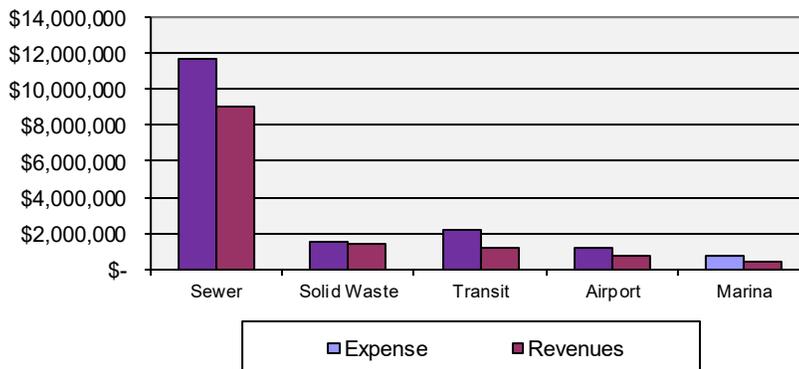
**Business-type activities:** For the year ended June 30, 2018, the business-type activities decreased the City's net position by (\$4,125,053). For the year ended June 30, 2017, the business-type activities increased the City's net position \$5,707,018.

Total business-type activities revenue for the fiscal year ended June 30, 2018 was \$13,611,022. All but \$122,797 of this revenue was generated for specific business-type activity expenses. For the fiscal year ended June 30, 2017, total business-type activities revenue was \$13,771,004. All but \$17,632 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 2018 and 2017.

Expenses and Program Revenues - Business-Type Activities  
2018



Expenses and Program Revenues - Business-Type Activities  
2017



## City of Clinton, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2018

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#### 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 the 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, 2018, the City's governmental funds reported combined ending fund balances of \$4,762,241, a decrease of (\$6,833,235) from June 30, 2017. The City's unassigned fund balance was \$1,385,075 as of June 30, 2018 compared to \$2,579,346 as of June 30, 2017. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate it is 1) not in spendable form- \$63,479, 2) legally required to be maintained intact or restricted for particular purposes or by third parties - \$3,313,867 or 3) committed or assigned 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 \$2,485,582. Total fund balance of the General Fund decreased (\$97,174) from \$2,639,235 at June 30, 2017 to \$2,542,061 at June 30, 2018. 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 15.7% of total General Fund expenditures compared to approximately 17.1% in the prior year, while total fund balance represents approximately 16.1% of General fund expenditures compared to approximately 17.5% 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 75.2% 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 10.27% of the City's General Fund revenues were derived from charges for service.

The fund balance of the City's General Fund decreased (\$97,174) during the current fiscal year. This was due primarily to a decrease in revenues.

The Special Revenue, Local Option Sales Tax Fund accounts for the local option sales tax. Fund balance decreased (\$3,022) from \$299,790 at June 30, 2017 to \$296,768 at June 30, 2018.

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 \$59,483 from \$1,017,644 at June 30, 2017 to \$1,077,127 at June 30, 2018.

The Special Revenue, Tax Increment Financing Fund accounts for property tax for urban renewal. Fund balance decreased (\$62,450) from \$475,536 at June 30, 2017 to \$413,086 at June 30, 2018.

The Special Revenue, Road Use Tax Fund accounts for taxes for road and street improvements. Fund balance decreased (\$420,798) from \$585,522 at June 30, 2017 to \$164,724 at June 30, 2018. The City has used existing fund balance for large equipment purchases, which were not financed by debt.

## City of Clinton, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2018

The Capital Projects Fund fund balance decreased (\$5,908,573) to a deficit of (\$1,100,507) during fiscal year 2018 from \$4,808,246 at June 30, 2017. This decrease was due to expending the proceeds received on the prior year issuance of long-term debt to fund planned capital projects.

The Debt Service Fund fund balance decreased (\$76,768) from \$452,248 at June 30, 2017 to \$375,480 at June 30, 2018. 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 (\$2,808,587) primarily due to decreased transfers in from the Capital Projects fund from the prior year issuance of long-term debt to fund planned projects. The Solid Waste Collection Fund had a change in net position of \$402,238 primarily due to maintaining charges for services and relatively stable costs. 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 by \$2,645,181. 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 public works, community and economic development, general government, and debt services functions which were overbudget by \$465,943, \$937,385, \$140,593 and \$427,366, 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, 2018 totals \$253,189,494 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 23,311,632	\$ 23,311,632	\$ 3,654,071	\$ 3,654,071	\$ 26,965,703	\$ 26,965,703
Construction-in-progress	2,616,023	1,856,373	6,324,289	1,576,081	8,940,312	3,432,454
Intangible assets	5,845	10,229	273	820	6,118	11,049
Machinery and equipment	4,175,397	3,633,501	2,141,781	2,249,120	6,317,178	5,882,621
Land Improvements	1,046,673	1,151,025	606,343	646,349	1,653,016	1,797,374
Buildings	9,846,260	9,974,407	10,730,160	11,187,814	20,576,420	21,162,221
Infrastructure	76,730,451	75,947,407	112,000,296	114,888,676	188,730,747	190,836,083
<b>Total</b>	<b>\$ 117,732,281</b>	<b>\$ 115,884,574</b>	<b>\$ 135,457,213</b>	<b>\$ 134,202,931</b>	<b>\$ 253,189,494</b>	<b>\$ 250,087,505</b>

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, 2018

**Debt** - As of June 30, 2018, the City had general obligation loan notes and general obligation bonds payable totaling \$44,880,000 compared to \$48,830,000 as of June 30, 2017. For the year ended June 30, 2018, the City paid \$3,950,000 in principal and \$1,417,399 in interest on outstanding general obligation debt. As of June 30, 2018, the City had \$65,871,000 in sewer revenue notes. The City paid \$2,468,000 in principal.

Table 5 - City of Clinton's Outstanding Debt, June 30

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds and notes	\$ 44,880,000	\$ 48,830,000	\$ -	\$ -	\$ 44,880,000	\$ 48,830,000
TIF bonds	-	754,000	-	-	-	754,000
Sewer revenue notes	-	-	65,871,000	68,334,000	65,871,000	68,334,000
Due to other government	5,252,591	5,252,591	-	-	5,252,591	5,252,591
<b>Total</b>	<b>\$ 50,132,591</b>	<b>\$ 54,836,591</b>	<b>\$ 65,871,000</b>	<b>\$ 68,334,000</b>	<b>\$ 116,003,591</b>	<b>\$ 123,170,591</b>

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 2018 to \$1,400,854,501 from \$1,373,307,460 in 2017.
- The unemployment rate for Clinton County for June 2018 was 3.3% compared to 2.5% for the State of Iowa and 4.0% 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'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 3<sup>rd</sup> Street, Clinton, Iowa 52733-2958.

City of Clinton, Iowa

Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
Assets:			
Current assets:			
Cash and investments	\$ 8,541,055	\$ 3,688,614	\$ 12,229,669
Receivables:			
Property tax:			
Delinquent	468,366	-	468,366
Succeeding year	14,415,789	-	14,415,789
Tax increment financing:			
Delinquent	107,443	-	107,443
Succeeding year	1,927,211	-	1,927,211
Special assessments	522,326	465,495	987,821
Accounts, net of allowances for uncollectibles of \$978,835	210,380	2,107,457	2,317,837
Other	164,006	76,138	240,144
Intergovernmental	1,629,519	647,992	2,277,511
Prepaid items	59,589	12,571	72,160
Internal balances	(421,390)	421,390	-
<b>Total current assets</b>	<b>27,624,294</b>	<b>7,419,657</b>	<b>35,043,951</b>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	23,311,632	3,654,071	26,965,703
Construction-in-progress	2,616,023	6,324,289	8,940,312
Depreciable:			
Machinery and equipment	17,365,686	11,115,404	28,481,090
Land improvements	3,804,534	1,120,027	4,924,561
Buildings	20,548,940	25,043,576	45,592,516
Intangibles	193,583	56,357	249,940
Infrastructure	157,171,247	188,991,832	346,163,079
Less accumulated depreciation	(107,279,364)	(100,848,343)	(208,127,707)
<b>Total capital assets</b>	<b>117,732,281</b>	<b>135,457,213</b>	<b>253,189,494</b>
<b>Total assets</b>	<b>145,356,575</b>	<b>142,876,870</b>	<b>288,233,445</b>
Deferred Outflows of Resources:			
OPEB related deferred outflows	53,462	16,027	69,489
Pension related deferred outflows	3,967,320	618,006	4,585,326
<b>Total deferred outflows of resources</b>	<b>4,020,782</b>	<b>634,033</b>	<b>4,654,815</b>

See Notes to Basic Financial Statements.

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
Liabilities			
Current liabilities:			
Accounts payable	2,059,062	797,309	2,856,371
Salaries payable	187,487	15,590	203,077
Contracts payable	141,507	198,587	340,094
Deposits	37,316	-	37,316
Claims payable	354,645	-	354,645
Unearned revenue	-	128,805	128,805
Accrued interest payable	109,178	150,805	259,983
Compensated absences	601,225	100,815	702,040
Current portion of early retirement	108,000	18,000	126,000
Current portion of litigation payable	450,000	-	450,000
Current portion of bonds and notes	3,815,000	2,537,000	6,352,000
<b>Total current liabilities</b>	<b>7,863,420</b>	<b>3,946,911</b>	<b>11,810,331</b>
Noncurrent liabilities:			
Total OPEB liability	1,527,152	457,800	1,984,952
Early retirement	273,000	51,000	324,000
Litigation payable	450,000	-	450,000
Net pension liability	13,392,168	2,143,879	15,536,047
Due to other government	5,252,591	-	5,252,591
General obligation notes and bonds, net	41,903,185	-	41,903,185
Sewer revenue notes	-	63,334,000	63,334,000
<b>Total noncurrent liabilities</b>	<b>62,798,096</b>	<b>65,986,679</b>	<b>128,784,775</b>
<b>Total liabilities</b>	<b>70,661,516</b>	<b>69,933,590</b>	<b>140,595,106</b>
Deferred inflows of resources:			
Succeeding year property tax	14,415,789	-	14,415,789
Tax increment financing	1,927,211	-	1,927,211
Pension related deferred inflows	700,114	155,056	855,170
<b>Total deferred inflows of resources</b>	<b>17,043,114</b>	<b>155,056</b>	<b>17,198,170</b>
Net Position:			
Net investment in capital assets	72,014,096	69,586,213	141,600,309
Restricted for:			
Nonexpendable endowment corpus	7,000	-	7,000
Streets	256,358	-	256,358
Capital improvements	533,842	346,078	879,920
Community programs and services	1,656,740	-	1,656,740
Employee benefits	1,147,499	-	1,147,499
Other purposes	43,740	-	43,740
Debt service	829,997	-	829,997
Unrestricted	(14,816,545)	3,489,966	(11,326,579)
<b>Total net position</b>	<b>\$ 61,672,727</b>	<b>\$ 73,422,257</b>	<b>\$ 135,094,984</b>

City of Clinton, Iowa

Statement of Activities  
Year Ended June 30, 2018

Functions/Programs:	Expenses	Program Revenues	
		Charges for Sales and Services	Operating Grants and Contributions
Governmental activities:			
Public safety	\$ 11,781,725	\$ 1,143,092	\$ 13,566
Public works	8,794,021	593,794	3,634,429
Culture and recreation	3,275,507	584,500	19,290
Community and economic development	2,278,264	-	-
General government	1,998,727	881,362	108,730
Interest and fiscal charges on long-term debt	943,329	-	-
<b>Total governmental activities</b>	<b>29,071,573</b>	<b>3,202,748</b>	<b>3,776,015</b>
Business-type activities:			
Sewer	11,935,362	9,060,234	15,967
Solid waste collection	1,620,179	2,016,224	-
Transit system	2,261,963	536,769	843,106
Airport operations	1,224,992	408,966	-
Marina	741,802	465,477	-
<b>Total business-type activities</b>	<b>17,784,298</b>	<b>12,487,670</b>	<b>859,073</b>
<b>Total</b>	<b>\$ 46,855,871</b>	<b>\$ 15,690,418</b>	<b>\$ 4,635,088</b>

**General Revenues**

Taxes:

- Property taxes
- Hotel/motel tax
- Local option sales tax
- Tax increment financing
- Gaming tax
- Commercial/industrial tax replacement
- Investment earnings
- Miscellaneous

**Transfers**

**Total general revenues and transfers**

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

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (10,625,067)	\$ -	\$ (10,625,067)
639,980	(3,925,818)	-	(3,925,818)
-	(2,671,717)	-	(2,671,717)
-	(2,278,264)	-	(2,278,264)
-	(1,008,635)	-	(1,008,635)
-	(943,329)	-	(943,329)
639,980	(21,452,830)	-	(21,452,830)
-	-	(2,859,161)	(2,859,161)
-	-	396,045	396,045
-	-	(882,088)	(882,088)
141,482	-	(674,544)	(674,544)
-	-	(276,325)	(276,325)
141,482	-	(4,296,073)	(4,296,073)
<u>\$ 781,462</u>	<u>(21,452,830)</u>	<u>(4,296,073)</u>	<u>(25,748,903)</u>
	15,147,657	-	15,147,657
	409,282	-	409,282
	3,316,804	-	3,316,804
	1,733,780	-	1,733,780
	207,312	-	207,312
	649,152	-	649,152
	8,306	14,163	22,469
	-	108,634	108,634
	(48,223)	48,223	-
	<u>21,424,070</u>	<u>171,020</u>	<u>21,595,090</u>
	(28,760)	(4,125,053)	(4,153,813)
	61,701,487	77,547,310	139,248,797
<u>\$ 61,672,727</u>	<u>\$ 73,422,257</u>	<u>\$ 135,094,984</u>	

City of Clinton, Iowa

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

Assets	General	Special		Revenue
		Local Option Sales Tax	Employee Benefits	Tax Increment Financing
Cash and investments	\$ 2,222,365	\$ 25,529	\$ 1,038,788	\$ 305,903
Receivables, net of allowance \$140,371:				
Property tax:				
Delinquent	244,975	-	127,723	-
Succeeding year	7,682,823	-	3,609,738	-
Tax increment financing:				
Delinquent	-	-	-	107,443
Succeeding year	-	-	-	1,927,211
Service fees	210,380	-	-	-
Intergovernmental	119,776	455,130	-	-
Special assessments	50,480	-	-	-
Other	86,118	-	-	-
Prepaid items	56,479	-	-	-
Due from other funds	278,427	-	-	-
Advances to other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 10,951,823</b>	<b>\$ 480,659</b>	<b>\$ 4,776,249</b>	<b>\$ 2,340,557</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>				
Liabilities:				
Accounts payable	\$ 359,073	\$ -	\$ -	\$ -
Salaries payable	182,412	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	19,012	-
Contracts payable	-	-	-	-
<b>Total liabilities</b>	<b>541,485</b>	<b>-</b>	<b>19,012</b>	<b>-</b>
Deferred inflows of resources, unavailable revenue:				
Succeeding year property tax	7,682,823	-	3,609,738	-
Tax increment financing	-	-	-	1,927,211
Special assessments	50,480	-	-	-
Local option sales tax	-	183,891	-	-
Delinquent taxes	134,974	-	70,372	260
Grants	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>7,868,277</b>	<b>183,891</b>	<b>3,680,110</b>	<b>1,927,471</b>
Fund balances:				
Nonspendable:				
Prepaid items	56,479	-	-	-
Endowment corpus	-	-	-	-
Restricted:				
Debt service	-	-	-	413,086
Streets	-	-	-	-
Capital improvements	-	148,384	-	-
Employee benefits	-	-	1,077,127	-
Community programs and services	-	148,384	-	-
Other	-	-	-	-
Unassigned	2,485,582	-	-	-
<b>Total fund balances (deficits)</b>	<b>2,542,061</b>	<b>296,768</b>	<b>1,077,127</b>	<b>413,086</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 10,951,823</b>	<b>\$ 480,659</b>	<b>\$ 4,776,249</b>	<b>\$ 2,340,557</b>

See Notes to Basic Financial Statements.

Road Use Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ 301,570	\$ 116,706	\$ 1,025,431	\$ 5,036,292
-	-	83,312	12,356	468,366
-	-	2,783,983	339,245	14,415,789
-	-	-	-	107,443
-	-	-	-	1,927,211
-	-	-	-	210,380
732,050	288,666	-	33,897	1,629,519
-	4,847	-	466,999	522,326
4,404	-	36,893	36,591	164,006
-	-	-	-	56,479
-	-	-	-	278,427
-	-	180,000	-	180,000
<u>\$ 736,454</u>	<u>\$ 595,083</u>	<u>\$ 3,200,894</u>	<u>\$ 1,914,519</u>	<u>\$ 24,996,238</u>

\$ 169,399	\$ 1,311,349	\$ -	\$ 66,236	\$ 1,906,057
503	-	-	4,572	187,487
-	-	-	37,316	37,316
259,415	-	-	-	278,427
50,779	90,728	-	-	141,507
<u>480,096</u>	<u>1,402,077</u>	<u>-</u>	<u>108,124</u>	<u>2,550,794</u>

-	-	2,783,983	339,245	14,415,789
-	-	-	-	1,927,211
-	4,847	-	466,999	522,326
-	-	-	-	183,891
-	-	41,431	6,469	253,506
91,634	288,666	-	-	380,300
<u>91,634</u>	<u>293,513</u>	<u>2,825,414</u>	<u>812,713</u>	<u>17,683,023</u>

-	-	-	-	56,479
-	-	-	7,000	7,000
-	-	375,480	-	788,566
164,724	-	-	-	164,724
-	-	-	-	148,384
-	-	-	-	1,077,127
-	-	-	942,942	1,091,326
-	-	-	43,740	43,740
-	(1,100,507)	-	-	1,385,075
<u>164,724</u>	<u>(1,100,507)</u>	<u>375,480</u>	<u>993,682</u>	<u>4,762,421</u>

<u>\$ 736,454</u>	<u>\$ 595,083</u>	<u>\$ 3,200,894</u>	<u>\$ 1,914,519</u>	<u>\$ 24,996,238</u>
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**City of Clinton, Iowa**

**Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2018**

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Total governmental fund balances \$ 4,762,421

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	\$ 225,011,645	
Accumulated depreciation	(107,279,364)	117,732,281

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

Special assessments	522,326	
Local option sales tax	183,891	
Delinquent property tax	253,506	
Grants	380,300	1,340,023

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	(3,815,000)	
General obligation bonds and notes, noncurrent	(41,065,000)	
Bond premium	(838,185)	
Accrued interest payable	(109,178)	
Litigation payable, current	(450,000)	
Litigation payable, noncurrent	(450,000)	
Compensated absences, current	(601,225)	
Early retirement, current	(108,000)	
Early retirement, noncurrent	(273,000)	
Net OPEB obligation	(1,527,152)	
Due to other government	(5,252,591)	
Net pension liability	(13,392,168)	(67,881,499)

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

Pension related deferred outflows of resources	3,967,320	
OPEB related deferred outflows of resources	53,462	
Pension related deferred inflows of resources	(700,114)	3,320,668

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	3,507,873	
Other current liabilities	(507,650)	
Internal Service Fund allocated to business-type activities	(601,390)	2,398,833

<b>Net position of governmental activities</b>		<b>\$ 61,672,727</b>
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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, 2018**

	General	Special	
		Local Option Sales Tax	Employee Benefits
<b>Revenues:</b>			
Property tax	\$ 8,237,797	\$ -	\$ 4,267,504
Tax increment financing	-	-	-
Other city tax	409,282	3,202,828	-
Licenses and permits	496,586	-	-
Use of money and property	506,919	247	-
Intergovernmental	404,808	-	181,454
Charges for service	1,180,893	-	-
Miscellaneous	252,722	-	-
<b>Total revenues</b>	<b>11,489,007</b>	<b>3,203,075</b>	<b>4,448,958</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	11,151,431	-	-
Public works	-	-	-
Culture and recreation	2,838,395	-	-
Community and economic development	634,968	-	-
General government	1,168,650	-	102,222
Capital outlay	-	-	-
<b>Debt service:</b>			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>15,793,444</b>	<b>-</b>	<b>102,222</b>
<b>Revenues over (under) expenditures</b>	<b>(4,304,437)</b>	<b>3,203,075</b>	<b>4,346,736</b>
<b>Other financing sources (uses):</b>			
Proceeds on sale of capital assets	30	-	-
Transfers in	4,814,760	-	-
Transfers out	(607,527)	(3,206,097)	(4,287,253)
<b>Total other financing sources (uses)</b>	<b>4,207,263</b>	<b>(3,206,097)</b>	<b>(4,287,253)</b>
<b>Net change in fund balances</b>	<b>(97,174)</b>	<b>(3,022)</b>	<b>59,483</b>
Fund balances, beginning of year	2,639,235	299,790	1,017,644
Fund balances (deficits), ending of year	\$ 2,542,061	\$ 296,768	\$ 1,077,127

See Notes to Basic Financial Statements.

Revenue						
Tax Increment Financing	Road Use Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total	
\$ -	\$ -	\$ -	\$ 2,623,814	\$ 377,080	\$	15,506,195
1,733,780	-	-	-	-		1,733,780
-	-	-	-	207,312		3,819,422
-	10,545	-	-	27,825		534,956
1,464	3,146	32,846	287	3,414		548,323
-	3,888,765	1,027,349	151,482	139,515		5,793,373
-	-	5,386	-	103,480		1,289,759
-	127,155	239,116	-	50,370		669,363
1,735,244	4,029,611	1,304,697	2,775,583	908,996		29,895,171
-	-	-	-	27,299		11,178,730
-	4,450,409	-	-	42,344		4,492,753
-	-	-	-	227,310		3,065,705
1,738,399	-	-	-	653,679		3,027,046
-	-	-	450,000	290,493		2,011,365
-	-	7,466,831	-	-		7,466,831
-	-	-	3,950,000	-		3,950,000
-	-	-	1,417,399	-		1,417,399
-	-	45,316	25,068	-		70,384
1,738,399	4,450,409	7,512,147	5,842,467	1,241,125		36,680,213
(3,155)	(420,798)	(6,207,450)	(3,066,884)	(332,129)		(6,785,042)
-	-	-	-	-		30
-	-	298,697	3,206,097	513,399		8,832,953
(59,295)	-	-	(215,981)	(505,023)		(8,881,176)
(59,295)	-	298,697	2,990,116	8,376		(48,193)
(62,450)	(420,798)	(5,908,753)	(76,768)	(323,753)		(6,833,235)
475,536	585,522	4,808,246	452,248	1,317,435		11,595,656
\$ 413,086	\$ 164,724	\$ (1,100,507)	\$ 375,480	\$ 993,682	\$	4,762,421

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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, 2018**

Net change in fund balances - governmental funds		\$ (6,833,235)
<p>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:</p>		
Capital outlay		7,824,120
Depreciation:		
Public safety	\$ (630,930)	
Public works	(4,600,606)	
Culture and recreation	(229,893)	
General government	<u>(461,248)</u>	(5,922,677)
Proceeds from sale of capital assets		(30)
Loss on disposal of capital assets		(53,706)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Special assessments	250,931	
Local option sales tax	113,976	
Delinquent taxes	(358,538)	
Grants	<u>(810,504)</u>	(804,135)
<p>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:</p>		
Pension expense	(2,030,125)	
Change in compensated absences	(151,122)	
Change in other postemployment benefits obligation	16,325	
Change in litigation payable	450,000	
Change in early retirement payable	<u>133,500</u>	(1,581,422)
<p>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</p>		
Change in Internal Service Fund allocation to business-type activities		349,732 (103,608)
<p>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.</p>		
		1,847,747
<p>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:</p>		
Bond premium amortization	100,150	
Repayment of bonds and notes principal	4,704,000	
Accrued interest payable	<u>444,304</u>	5,248,454
<b>Change in net position of governmental activities</b>		<u><u>\$ (28,760)</u></u>

See Notes to Basic Financial Statements.

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City of Clinton, Iowa

**Statement of Net Position  
Proprietary Funds  
June 30, 2018**

	Enterprise			Total Enterprise Funds	Internal Service Health Insurance
	Sewer	Solid Waste Collection	Nonmajor Enterprise		
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 2,371,730	\$ 479,163	\$ 837,721	\$ 3,688,614	\$ 3,504,763
Receivables, net of allowance for uncollectible amounts of \$838,464:					
Service fees	1,578,548	528,909	-	2,107,457	-
Special assessments	393,716	71,779	-	465,495	-
Other	12,322	1,009	62,807	76,138	-
Intergovernmental	-	-	647,992	647,992	-
Prepays	-	-	12,571	12,571	3,110
Due from other funds	-	-	38,755	38,755	-
Total current assets	4,356,316	1,080,860	1,599,846	7,037,022	3,507,873
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	2,377,526	-	1,276,545	3,654,071	-
Construction-in-progress	6,324,289	-	-	6,324,289	-
Depreciable:					
Machinery and equipment	4,487,797	1,514,987	5,112,620	11,115,404	-
Land improvements	519,058	36,000	564,969	1,120,027	-
Buildings	18,684,198	136,000	6,223,378	25,043,576	-
Intangibles	35,756	-	20,601	56,357	-
Infrastructure	159,315,142	-	29,676,690	188,991,832	-
Accumulated depreciation	(76,026,400)	(985,509)	(23,836,434)	(100,848,343)	-
Total noncurrent assets	115,717,366	701,478	19,038,369	135,457,213	-
<b>Total assets</b>	120,073,682	1,782,338	20,638,215	142,494,235	3,507,873
<b>Deferred outflows of resources</b>					
OPEB related deferred outflows	7,648	2,566	5,813	16,027	-
Pension related deferred outflows	254,674	94,328	269,004	618,006	-
<b>Total deferred outflows of resources</b>	262,322	96,894	274,817	634,033	-
<b>Liabilities and Net Position</b>					
Current liabilities:					
Accounts payable	694,772	26,141	76,396	797,309	153,005
Salaries payable	7,122	49	8,419	15,590	-
Contracts payable	198,587	-	-	198,587	-
Early retirement payable	-	-	18,000	18,000	-
Unearned revenue	128,805	-	-	128,805	-
Accrued interest payable	150,805	-	-	150,805	-
Compensated absences	31,975	8,784	60,056	100,815	-
Claims payable	-	-	-	-	354,645
Notes payable	2,537,000	-	-	2,537,000	-
Due to other funds	-	-	38,755	38,755	-
Total current liabilities	3,749,066	34,974	201,626	3,985,666	507,650
Noncurrent liabilities:					
Other postemployment benefits obligation	218,458	73,300	166,042	457,800	-
Early retirement payable	-	-	51,000	51,000	-
Notes payable	63,334,000	-	-	63,334,000	-
Net pension liability	887,119	335,481	921,279	2,143,879	-
Advances from other funds	-	-	180,000	180,000	-
Total noncurrent liabilities	64,439,577	408,781	1,318,321	66,166,679	-
<b>Total liabilities</b>	68,188,643	443,755	1,519,947	70,152,345	507,650
<b>Deferred inflows of resources</b>					
Pension related deferred inflows	62,330	11,114	81,612	155,056	-
<b>Net position:</b>					
Net investment in capital assets	49,846,366	701,478	19,038,369	69,586,213	-
Restricted for capital improvements	346,078	-	-	346,078	-
Unrestricted	1,892,587	722,885	273,104	2,888,576	3,000,223
<b>Total net position</b>	\$ 52,085,031	\$ 1,424,363	\$ 19,311,473	\$ 72,820,867	\$ 3,000,223

See Notes to Basic Financial Statements.

**City of Clinton, Iowa**

**Reconciliation of Enterprise Funds Net Position  
to the Statement of Net Position  
June 30, 2018**

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Total enterprise funds net position \$ 72,820,867

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 certain activities of the Internal Service Fund are reported with business-type activities in the statement of net position.

601,390

**Net position of business-type activities**

\$ 73,422,257

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, 2018**

	Enterprise			Total Enterprise Funds	Internal Service
	Sewer	Solid Waste Collection	Nonmajor Enterprise		Health Insurance
Operating revenues:					
Charges for service	\$ 8,983,097	\$ 2,011,446	\$ 868,770	\$ 11,863,313	\$ 3,404,648
Property rental	-	-	378,259	378,259	-
Miscellaneous	77,137	4,778	164,183	246,098	-
<b>Total operating revenues</b>	<b>9,060,234</b>	<b>2,016,224</b>	<b>1,411,212</b>	<b>12,487,670</b>	<b>3,404,648</b>
Operating expenses:					
Personal services	1,584,726	585,684	1,591,981	3,762,391	-
Commodities	-	262,755	540,555	803,310	-
Contractual services	1,910,203	295,824	384,871	2,590,898	3,054,916
Repairs, maintenance and utilities	1,692,949	312,680	192,701	2,198,330	-
Miscellaneous	550	-	-	550	-
Depreciation	4,758,883	179,825	1,556,227	6,494,935	-
<b>Total operating expenses</b>	<b>9,947,311</b>	<b>1,636,768</b>	<b>4,266,335</b>	<b>15,850,414</b>	<b>3,054,916</b>
<b>Operating income (loss)</b>	<b>(887,077)</b>	<b>379,456</b>	<b>(2,855,123)</b>	<b>(3,362,744)</b>	<b>349,732</b>
Nonoperating revenues (expenses):					
Investment earnings	14,163	-	-	14,163	-
Miscellaneous	85,852	22,782	-	108,634	-
Interest expense and fiscal charges	(2,037,492)	-	-	(2,037,492)	-
Intergovernmental	15,967	-	984,588	1,000,555	-
<b>Net nonoperating revenues (expenses)</b>	<b>(1,921,510)</b>	<b>22,782</b>	<b>984,588</b>	<b>(914,140)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>(2,808,587)</b>	<b>402,238</b>	<b>(1,870,535)</b>	<b>(4,276,884)</b>	<b>349,732</b>
Transfers in	-	-	70,707	70,707	-
Transfers out	-	-	(22,484)	(22,484)	-
<b>Change in net position</b>	<b>(2,808,587)</b>	<b>402,238</b>	<b>(1,822,312)</b>	<b>(4,228,661)</b>	<b>349,732</b>
Total net position, beginning of year, as restated	54,893,618	1,022,125	21,133,785	77,049,528	2,650,491
Total net position, end of year	\$ 52,085,031	\$ 1,424,363	\$ 19,311,473	\$ 72,820,867	\$ 3,000,223

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, 2018**

---

Net changes in net position in enterprise funds \$ (4,228,661)

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 in the statement of activities.

103,608

**Change in net position of business-type activities**

**\$ (4,125,053)**

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2018

	Enterprise			Total Enterprise Funds	Internal Service Health Insurance
	Sewer	Solid Waste Collection	Nonmajor Enterprise		
Cash flows from operating activities:					
Receipts from customers and users	\$ 9,072,203	\$ 2,074,219	\$ 1,430,555	\$ 12,576,977	\$ 3,479,071
Payments to suppliers	(3,219,078)	(882,770)	(1,065,385)	(5,167,233)	(2,992,249)
Payments to employees	(1,556,423)	(593,222)	(1,583,675)	(3,733,320)	-
<b>Net cash provided by (used in) operating activities</b>	<b>4,296,702</b>	<b>598,227</b>	<b>(1,218,505)</b>	<b>3,676,424</b>	<b>486,822</b>
Cash flows from noncapital financing activities:					
Intergovernmental	15,967	-	1,090,626	1,106,593	-
Due to other funds	-	-	38,755	38,755	-
Due from other funds	-	-	(38,755)	(38,755)	-
Transfers in	-	-	70,707	70,707	-
Transfers out	-	-	(22,484)	(22,484)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>15,967</b>	<b>-</b>	<b>1,138,849</b>	<b>1,154,816</b>	<b>-</b>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(6,882,943)	(294,433)	(571,841)	(7,749,217)	-
Payment on debt	(2,468,000)	-	-	(2,468,000)	-
Proceeds on debt	5,000	-	-	5,000	-
Interest and fiscal charges on debt	(2,044,147)	-	-	(2,044,147)	-
Other capital and related financing activities	85,852	22,782	-	108,634	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(11,304,238)</b>	<b>(271,651)</b>	<b>(571,841)</b>	<b>(12,147,730)</b>	<b>-</b>
Cash flows from investing activities, investment earnings	14,163	-	-	14,163	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(6,977,406)</b>	<b>326,576</b>	<b>(651,497)</b>	<b>(7,302,327)</b>	<b>486,822</b>
Cash and cash equivalents, beginning of year	9,349,136	152,587	1,489,218	10,990,941	3,017,941
Cash and cash equivalents, end of year	<b>\$ 2,371,730</b>	<b>\$ 479,163</b>	<b>\$ 837,721</b>	<b>\$ 3,688,614</b>	<b>\$ 3,504,763</b>

(Continued)

City of Clinton, Iowa

Statement of Cash Flows (Continued)  
 Proprietary Funds  
 Year Ended June 30, 2018

	Enterprise			Total Enterprise Funds	Internal Service Health Insurance
	Sewer Revenue	Solid Waste Collection	Nonmajor Enterprise		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (887,077)	\$ 379,456	\$ (2,855,123)	\$ (3,362,744)	\$ 349,732
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	4,758,883	179,825	1,556,227	6,494,935	-
Change in assets and liabilities:					
Receivables	1,094	389	19,343	20,826	74,423
Special assessments	22,835	57,606	-	80,441	-
Prepays	-	-	(247)	(247)	353
Unearned revenue	(11,960)	-	-	(11,960)	-
Accounts payable	261,794	(11,511)	52,989	303,272	56,721
Salaries payable	7,122	49	8,419	15,590	-
Contracts payable	122,830	-	-	122,830	-
Compensated absences	2,042	(4,457)	3,791	1,376	-
Pension liability and related deferrals	9,315	5,837	6,340	21,492	-
Claims payable	-	-	-	-	5,593
Early retirement benefit	-	-	(18,000)	(18,000)	-
Other postemployment benefits obligation and related deferrals	9,824	(8,967)	7,756	8,613	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,296,702</b>	<b>\$ 598,227</b>	<b>\$ (1,218,505)</b>	<b>\$ 3,676,424</b>	<b>\$ 486,822</b>

See Notes to Basic Financial Statements.

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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

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

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### **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

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#### **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, with the exception of those that are financed by the enterprise funds.

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

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#### **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.

**Notes to Basic Financial Statements**

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**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 2018 tax levy recorded as taxes receivable was certified in March 2018 based on the 2017 assessed valuations. These taxes are due in two installments, on September 1, 2018 and March 1, 2019 with a 1.5% per month penalty for delinquent payment. Since the 2018 tax levy is budgeted and levied for the 2019 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

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#### **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, 2018, 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

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#### **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, 2018. 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 other post-employment benefit expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets 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

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#### **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 unrecognized items not yet credited to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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, 2018. 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 public works, community and economic development, general government and debt service functions for the year ended June 30, 2018.

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### 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, 2018, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$224,831 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, 2018, 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, 2018 follows:

Depository accounts	\$ 12,004,838
Iowa Public Agency Investment Trust	224,831
<b>Total</b>	<b>\$ 12,229,669</b>

**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, 2018:

	June 30, 2017		June 30, 2018	
	Balance	Additions	Deletions	Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 23,311,632	\$ -	\$ -	\$ 23,311,632
Construction-in-progress	1,856,373	5,808,198	5,048,548	2,616,023
<b>Total capital assets not being depreciated</b>	<b>25,168,005</b>	<b>5,808,198</b>	<b>5,048,548</b>	<b>25,927,655</b>
Capital assets being depreciated:				
Machinery and equipment	15,953,357	1,536,262	123,933	17,365,686
Land Improvements	3,804,534	-	-	3,804,534
Buildings	20,069,280	479,660	-	20,548,940
Intangibles	193,583	-	-	193,583
Infrastructure	152,122,699	5,048,548	-	157,171,247
<b>Total capital assets being depreciated</b>	<b>192,143,453</b>	<b>7,064,470</b>	<b>123,933</b>	<b>199,083,990</b>
Less accumulated depreciation for:				
Machinery and equipment	12,319,856	940,630	70,197	13,190,289
Land Improvements	2,653,509	104,352	-	2,757,861
Buildings	10,094,873	607,807	-	10,702,680
Intangibles	183,354	4,384	-	187,738
Infrastructure	76,175,292	4,265,504	-	80,440,796
<b>Total accumulated depreciation</b>	<b>101,426,884</b>	<b>5,922,677</b>	<b>70,197</b>	<b>107,279,364</b>
<b>Total capital assets being depreciated, net</b>	<b>90,716,569</b>	<b>1,141,793</b>	<b>53,736</b>	<b>91,804,626</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 115,884,574</b>	<b>\$ 6,949,991</b>	<b>\$ 5,102,284</b>	<b>\$ 117,732,281</b>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2017		June 30, 2018	
	Balance	Additions	Deletions	Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,654,071	\$ -	\$ -	\$ 3,654,071
Construction-in-progress	1,576,081	6,740,360	1,992,152	6,324,289
<b>Total capital assets not being depreciated</b>	<b>5,230,152</b>	<b>6,740,360</b>	<b>1,992,152</b>	<b>9,978,360</b>
Machinery and equipment	10,461,330	654,074	-	11,115,404
Land Improvements	1,120,027	-	-	1,120,027
Buildings	25,043,576	-	-	25,043,576
Intangibles	56,357	-	-	56,357
Infrastructure	186,644,897	2,346,935	-	188,991,832
<b>Total capital assets being depreciated</b>	<b>223,326,187</b>	<b>3,001,009</b>	<b>-</b>	<b>226,327,196</b>
Less accumulated depreciation for:				
Machinery and equipment	8,212,210	761,413	-	8,973,623
Land Improvements	473,678	40,006	-	513,684
Buildings	13,855,762	457,654	-	14,313,416
Intangibles	55,537	547	-	56,084
Infrastructure	71,756,221	5,235,315	-	76,991,536
<b>Total accumulated depreciation</b>	<b>94,353,408</b>	<b>6,494,935</b>	<b>-</b>	<b>100,848,343</b>
<b>Total capital assets being depreciated, net</b>	<b>128,972,779</b>	<b>(3,493,926)</b>	<b>-</b>	<b>125,478,853</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 134,202,931</b>	<b>\$ 3,246,434</b>	<b>\$ 1,992,152</b>	<b>\$ 135,457,213</b>

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

<b>Governmental Activities:</b>	
Public safety	\$ 630,930
Public works	4,600,606
Culture and recreation	229,893
General government	461,248
<b>Total depreciation expense, governmental activities</b>	<b>\$ 5,922,677</b>
<b>Business-Type Activities:</b>	
Sewer	\$ 4,758,883
Solid waste collection	179,825
Transit	485,429
Airport operations	710,774
Marina	360,024
<b>Total depreciation expense, business-type activities</b>	<b>\$ 6,494,935</b>

**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, 2018 is as follows:

<b>Governmental Activities</b>	Balance,		Redeemed/ Matured	Balance,	
	As Restated, Beginning	Additions		Ending	Due Within One Year
General obligation bonds and notes	\$ 48,830,000	\$ -	\$ 3,950,000	\$ 44,880,000	\$ 3,815,000
Bond premium	938,335	-	100,150	838,185	-
TIF bonds	754,000	-	754,000	-	-
Compensated absences	450,103	713,499	562,377	601,225	601,225
Early retirement	514,500	-	133,500	381,000	108,000
Litigation payable	1,350,000	-	450,000	900,000	450,000
Net OPEB liability, as restated	1,490,015	37,137	-	1,527,152	-
Net pension liability	14,308,775	-	916,607	13,392,168	-
Due to other government	5,252,591	-	-	5,252,591	-
<b>Total</b>	<b>\$ 73,888,319</b>	<b>\$ 750,636</b>	<b>\$ 6,866,634</b>	<b>\$ 67,772,321</b>	<b>\$ 4,974,225</b>

<b>Business-Type Activities</b>	Balance,		Redeemed/ Matured	Balance,	
	Ending	Additions		Ending	Due Within One Year
Sewer revenue notes	\$ 68,334,000	\$ 5,000	\$ 2,468,000	\$ 65,871,000	\$ 2,537,000
Compensated absences	99,439	140,479	139,103	100,815	100,815
Early retirement	87,000	-	18,000	69,000	18,000
Net OPEB liability, as restated	433,160	24,640	-	457,800	-
Net pension liability	2,064,005	79,874	-	2,143,879	-
<b>Total</b>	<b>\$ 71,017,604</b>	<b>\$ 249,993</b>	<b>\$ 2,625,103</b>	<b>\$ 68,642,494</b>	<b>\$ 2,655,815</b>

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, 2018, \$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 \$76,733 for the year ended June 30, 2018. 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 \$6,495.

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, 2018, the City owed \$900,000 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, 2018 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	\$ 2,100,000
Corporate purpose bond	08/26/09	1.75 - 5.00	4,600,000	1,730,000
				<u>3,830,000</u>
Capital loan note	10/10/12	0.60 - 1.90	3,065,000	2,015,000
Capital loan note	02/20/13	1.00 - 2.15	4,975,000	2,010,000
Capital loan note	10/23/13	3.00 - 4.00	4,155,000	3,255,000
Capital loan note, taxable	05/12/14	1.20 - 2.00	335,000	85,000
Capital loan note	10/07/14	2.00 - 3.25	3,225,000	2,695,000
Capital loan note, taxable	05/13/15	0.70 - 2.30	625,000	325,000
Capital loan note, taxable	05/13/15	2.00 - 3.25	4,050,000	3,520,000
Capital loan note	09/08/15	2.00 - 4.00	5,130,000	4,930,000
Capital loan note, taxable	01/12/16	3.00 - 4.00	3,305,000	2,895,000
Capital loan note	05/11/16	1.00 - 1.90	525,000	320,000
Capital loan note	10/25/16	2.00 - 2.50	5,205,000	5,000,000
Capital loan note	03/28/17	2.00 - 3.25	4,110,000	3,880,000
Capital loan note, taxable and local option sales tax	06/27/17	2.25 - 4.00	10,375,000	10,120,000
				<u>41,050,000</u>
<b>Total</b>				<u><u>\$ 44,880,000</u></u>

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

**Note 4. Long-Term Debt (Continued)**

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

<u>Year ending June 30:</u>	Principal	Interest	Total
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
2024-2028	500,000	70,050	570,050
<b>Total</b>	<b>\$ 3,830,000</b>	<b>\$ 569,481</b>	<b>\$ 4,399,481</b>

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

<u>Year ending June 30:</u>	Principal	Interest	Total
2019	\$ 2,945,000	\$ 1,133,334	\$ 4,078,334
2020	3,005,000	1,069,244	4,074,244
2021	3,110,000	1,002,409	4,112,409
2022	3,170,000	927,999	4,097,999
2023	2,725,000	847,739	3,572,739
2024-2028	13,155,000	3,120,536	16,275,536
2029-2033	10,765,000	1,284,331	12,049,331
2034-2037	2,175,000	162,724	2,337,724
<b>Total</b>	<b>\$ 41,050,000</b>	<b>\$ 9,548,316</b>	<b>\$ 50,598,316</b>

Business-type activities: Sewer revenue notes have been issued to provide funds for sewer plant improvements. Notes payable at June 30, 2018 are as follows:

Purpose	Date of Issue	Interest Rates	Amount Originally Issued	Amount Outstanding
Sewer revenue notes	08/03/06	3.00	\$ 2,478,000	\$ 1,168,000
Sewer revenue notes	12/13/07	1.75	9,898,000	5,675,000
Sewer revenue notes	07/06/11	3.00	9,797,000	7,980,000
Sewer revenue notes	07/06/11	3.00	4,577,000	3,728,000
Sewer revenue notes	09/15/10	3.00	46,660,000	39,827,000
Sewer revenue notes	11/30/12	1.75	2,179,000	1,614,000
Sewer revenue notes	08/09/13	0.76	7,205,000	5,879,000
<b>Total</b>				<b>\$ 65,871,000</b>

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### Note 4. Long-Term Debt (Continued)

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

Year ending June 30:	Principal	Interest	Total
2019	\$ 2,537,000	\$ 1,738,727	\$ 4,275,727
2020	2,610,000	1,679,308	4,289,308
2021	2,684,000	1,618,052	4,302,052
2022	2,762,000	1,554,918	4,316,918
2023	2,840,000	1,489,807	4,329,807
2024-2028	15,140,000	6,402,895	21,542,895
2029-2033	13,239,000	4,624,661	17,863,661
2034-2038	13,079,000	2,815,840	15,894,840
2039-2042	10,980,000	804,260	11,784,260
<b>Total</b>	<b>\$ 65,871,000</b>	<b>\$ 22,728,468</b>	<b>\$ 88,599,468</b>

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 \$88,599,468 and \$3,871,806, respectively, and principal and interest payments were \$4,512,147.

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, 2018 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**

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**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, 2018, the City has obligations to ten participants with a total liability of \$450,000. Actual early retirement expenditures for the year ended June 30, 2018 totaled \$151,500.

**Note 6. Interfund Receivables, Payables and Transfers**

The following is a schedule of transfers for the year ended June 30, 2018:

(Transfer in)	(Transfer out)	
<u>Transfer to</u>	<u>Transfer From</u>	
General	Special Revenue:	
	Employee Benefits	\$ 4,287,253
	Leisure/Cultural Programs	217,386
	Miscellaneous	287,637
	Enterprise: Marina	22,484
		<u>4,814,760</u>
Special Revenue:		
Leisure/Cultural Programs	General	<u>155,093</u>
Community/Economic Development	Special Revenue: Tax Increment Financing	<u>59,295</u>
Tort Liability	General	<u>299,011</u>
Capital Projects		
	General	82,716
	Debt Service	215,981
		<u>298,697</u>
Debt Service	Special Revenue: Local Option Sales Tax	<u>3,206,097</u>
Enterprise:		
Transit System	General	<u>1,707</u>
Airport Operations	General	69,000
		<u>\$ 8,903,660</u>

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

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

Individual interfund receivables and payables balances as of June 30, 2018 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities:		
Major governmental funds:		
General	\$ 278,427	\$ -
Debt service	180,000	-
Employee Benefit	-	19,012
Road Use Tax	-	259,415
Business-type activities:		
Nonmajor enterprise funds	38,755	218,755
<b>Total</b>	<u>\$ 497,182</u>	<u>\$ 497,182</u>

An interfund advance of \$180,000 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 six 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 775 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, 2018 were \$344,352.

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### **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 \$500,000 per claim. Claims exceeding \$500,000 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, 2018, no liability has been recorded in the City's financial statements. As of June 30, 2018, 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 \$3.4 million for 2018. 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 \$354,645 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

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#### Note 7. Risk Management (Continued)

Changes in reported liabilities for the fiscal year ended June 30, 2018 are summarized as follows:

	2018	2017
Claims payable, beginning of year	\$ 349,052	\$ 378,155
Claims expense	2,144,312	2,124,967
Claims payments	(2,138,719)	(2,154,070)
Claims payable, end of year	<u>\$ 354,645</u>	<u>\$ 349,052</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](http://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**

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**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 2018, 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, 2018 were \$487,271.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$4,620,515 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City’s collective proportion was .0693639%, which was a decrease of 0.0012964% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$516,783. At June 30, 2018, 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	\$ 42,421	\$ (40,033)
Changes of assumptions	802,832	-
Net difference between projected and actual earnings on pension plan investments	-	(48,261)
Changes in proportion and differences between City contributions and proportionate share of contributions	10,493	(291,666)
City contributions subsequent to the measurement date	487,271	-
<b>Total</b>	<b>\$ 1,343,017</b>	<b>\$ (379,960)</b>

\$487,271 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, 2019.

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

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**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
2019	\$ (10,216)
2020	246,993
2021	176,234
2022	12,028
2023	50,747
<b>Total</b>	<b>\$ 475,786</b>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 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, 2017)	2.60 percent per annum
Salary Increases (effective June 30, 2017)	3.25 percent to 16.25 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 2017)	7.00 percent per annum, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017. 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	27.0%	2.25%
Domestic Equity	24.0	6.25
International Equity	16.0	6.71
Private Equity/Debt	11.0	11.15
Private Real Assets	7.5	4.18
Public Real Assets	7.0	3.27
Public Credit	3.5	3.46
Private Credit	3.0	4.25
Cash	1.0	-0.31
<b>Total</b>	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 7,612,756	\$ 4,620,515	\$ 2,106,459

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](http://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, 2018.

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### 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](http://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. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation 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 benefits may be either accidental or ordinary. Accidental disability is defined as a 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

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#### Note 8. Pension and Retirement Systems (Continued)

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides 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, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2018.

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 27.68% for the year ended June 30, 2018.

The City's contributions to MFPRSI for the year ended June 30, 2018 totaled \$1,409,493.

If approved by the state legislature, state appropriations may further reduce the City'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*.

There were no state appropriations to MFPRSI for the fiscal year ended June 30, 2018.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$10,915,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .01861210%, which was a decrease of .00046138% from its proportion measured as of June 30, 2016.

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

**Note 8. Pension and Retirement Systems (Continued)**

For the year ended June 30, 2018, the City recognized pension expense of \$1,619,481. At June 30, 2018, 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	\$ 418,885	\$ (6,642)
Changes of assumptions	927,585	(123,979)
Net difference between projected and actual earnings on pension plan investments	447,251	-
Changes in proportion and differences between City contributions and proportionate share of contributions	39,095	(344,589)
City contributions subsequent to the measurement date	1,409,493	-
<b>Total</b>	<b>\$ 3,242,309</b>	<b>\$ (475,210)</b>

\$1,409,493 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, 2019. 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
2019	\$ 173,666
2020	915,065
2021	438,038
2022	(225,288)
2023	56,125
<b>Total</b>	<b>\$ 1,357,606</b>

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with five years projection of future mortality improvements with Scale BB.

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

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**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 best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large cap	5.5%
Small cap	5.8%
International large cap	7.3%
Emerging markets	9.0%
Emerging market debt	6.3%
Private non-core real estate	8.0%
Master limited partnerships	9.0%
Private equity	9.0%
Core plus fixed income	3.3%
Private core real estate	6.0%
Tactical asset allocation	6.4%

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's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the 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	\$ 17,939,020	\$ 10,915,532	\$ 5,073,784

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

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**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](http://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, 2018.

Pension Plan Total Information is as follows:

	IPERS			MFPRSI	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Total
Net pension liability	\$ (2,476,636)	\$ (2,143,879)	\$ (4,620,515)	\$ (10,915,532)	\$ (15,536,047)
Deferred outflows of resources related to pensions	725,011	618,006	1,343,017	3,242,309	4,585,326
Deferred inflows of resources related to pensions	(224,904)	(155,056)	(379,960)	(475,210)	(855,170)
Pension expense	270,340	246,443	516,783	1,619,481	2,136,264

**Note 9. Other Postemployment Benefits**

**General Information about the OPEB Plan**

Plan description: The City's defined benefit OPEB plan, City of Clinton Postemployment Plan Other Than Pensions (the Plan), provides postemployment benefits for eligible participants enrolled in its plans. The Plan is a single employer defined benefit OPEB plan administered by the City. Under Chapter 509A.13 of the Code of Iowa, "Group Insurance for Public Employees," If a governing body has procured insurance for its employees, the governing body shall allow its employees who retired before the age of sixty-five years of age to continue participation in the group plan at the employee's own expense until the employee attains sixty-five years of age. The City allows retirees to stay on the plan past age 65 at the group contract rate with Medicare coordination. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Benefits provided: The Plan provides healthcare benefits including medical, prescription drug and dental benefits for retirees and their dependents. Retiree health care coverage is available to eligible retirees of any age. Retirees may choose between a traditional PPO plan and a high deductible plan. Eligible retired employees are provided a dental benefit on a fully contributory basis. All employees are required to contribute the full premium in order to continue coverage at retirement.

The full monthly premium rates as of January 1, 2017 for each plan are as shown below:

	Single	Family
Health Insurance	\$ 729	\$ 1,823

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

**Note 9. Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

Employees covered by benefit terms: At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	184
	194
	194

**Total OPEB Liability**

The City's total OPEB liability of \$1,984,952 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00% per annum
Salary increases	4.00% per annum
Discount rate	2.98% per annum
Retirees' share of benefit-related costs	100%
Health care cost trend rate	7.70% initial decreasing to an ultimate rate of 4.50%

The discount rate was based on the Bond Buyer 20-Bond GO index. Mortality rates were based on the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 2010– 2017.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at July 1, 2017	\$ 1,923,176
Changes for the year:	
Service cost	45,897
Interest	57,357
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	78,971
Benefit payments	(120,449)
Net changes	61,776
Balance at June 30, 2018	\$ 1,984,952

There were no changes as a result of changes in benefit terms or differences between expected and actual experience. Changes of assumptions or other inputs reflect a change in the discount rate from 3.13% per annum in 2017 to 2.98% per annum in 2018.

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

**Note 9. Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,124,012	\$ 1,984,952	\$ 1,856,129

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents that total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1-percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 1,841,029	\$ 1,984,952	\$ 2,151,219

For the year ended June 30, 2018, the City recognized OPEB expense of \$112,736. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	69,489	-
Net difference between projected and actual investments	-	-
<b>Total</b>	<b>\$ 69,489</b>	<b>\$ -</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 9,482
2020	9,482
2021	9,482
2022	9,482
2023	9,482
Thereafter	22,079
<b>Total</b>	<b>\$ 69,489</b>

**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.

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### **Note 11. Deficit Net Position**

At June 30, 2018, the Capital Projects Fund had a deficit fund balance of \$1,100,507. The Capital Projects Fund deficit is the result of capital project expenditures exceeding debt issued for the capital projects.

#### **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 \$14.6 million. As of June 30, 2018, costs of \$8.9 million have been incurred on the projects. The remaining contractual amounts on these projects total approximately \$5.7 million as of June 30, 2018 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. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements: The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$612,331 of property tax under the urban renewal and economic development projects.

#### **Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements**

The City adopted the following statements during the year ended June 30, 2018:

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:* 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.

Notes to Basic Financial Statements

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**Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

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.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*: 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*: 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.

GASB Statement No. 85, *Omnibus 2017*: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The implementation of the above statements did not have a material impact to the City's financial statements except for GASB Statement No. 75 which required the City to change the accounting and reporting of OPEB benefit expense, total OPEB liability, and the related deferred inflows of resources and deferred outflows of resources. As a result, the City's financial statements required a restatement as stated in Note 16. In addition, the new standards required new note disclosures and new required supplementary information schedules.

As of June 30, 2018, 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. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

## City of Clinton, Iowa

### Notes to Basic Financial Statements

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#### **Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The focus of the identification criteria established by the Statement is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the City beginning with its fiscal year ending June 30, 2021. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund.

**City of Clinton, Iowa**

**Notes to Basic Financial Statements**

**Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

**Note 15. 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 \$9.6 million exist, of which \$1.6 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.

**Note 16. Restatement**

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented as of the beginning of the year ended June 30, 2018. The revised requirements establish new financial reporting requirements for state and local government employers that provide postemployment benefits other than pensions, including additional note disclosures and required supplementary information. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Beginning net position for governmental, business-type activities and proprietary funds were restated to retroactively report the beginning net OPEB liability and, if applicable, deferred outflows of resources related to contributions made after the measurement date of the beginning total OPEB liability but before the beginning of the City's fiscal year.

	Governmental Activities	Business-type Activities	Major Enterprise Funds		Nonmajor Enterprise	
			Sewer	Solid Waste Collection	Transit System	Airport Operations
Net position June 30, 2017, as previously reported	\$ 61,680,197	\$ 77,541,120	\$ 54,890,746	\$ 1,020,986	\$ 2,897,326	\$ 9,821,407
Net OPEB obligation	1,511,305	439,350	203,858	80,840	127,412	27,240
Total OPEB liability	(1,490,015)	(433,160)	(200,986)	(79,701)	(125,617)	(26,856)
Net position June 30, 2017, as restated	\$ 61,701,487	\$ 77,547,310	\$ 54,893,618	\$ 1,022,125	\$ 2,899,121	\$ 9,821,791

**Note 17. Subsequent Events**

In July 2018, the City issued \$12,310,000 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; for the collection and disposal of solid waste within the City's municipal sewer system, for improvements related to 1<sup>st</sup> Avenue Force Main project, and for equipment improvements to the library and fire station, and equipping the Building and Neighborhood Services and IT department.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Clinton, Iowa**

**Required Supplementary Information  
Schedule of Changes in the City's Total OPEB  
Liability and Related Ratios  
Year Ended June 30, 2018**

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	<u>2018</u>
Total OPEB liability	
Changes for the year:	
Service cost	\$ 45,897
Interest	57,357
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	78,971
Benefit payments	<u>(120,449)</u>
Net changes in total OPEB liability	61,776
Total OPEB liability - beginning, as restated	1,923,176
Total OPEB liability - ending	<u>\$ 1,984,952</u>
Covered employee payroll	\$ 10,828,846
Total OPEB liability as a percentage of covered employee payroll	18.33%

**Notes to Schedule:**

Changes of benefit terms:

There were no changes to the benefit terms.

There were no differences between expected and actual experience.

Changes of assumption:

Changes of assumptions or other inputs reflect a change in the discount rate from 3.13% per annum in 2017 to 2.98% per annum in 2018. The following are the discount rates used in each period:

2018	2.98%
2017	3.13%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75

Note: The schedule is intended to present information for ten years.  
Information prior to 2018 is not available.

City of Clinton, Iowa

**Budgetary Comparison Schedule  
Budget and Actual - All Governmental and Enterprise Funds  
Required Supplementary Information  
Year Ended June 30, 2018**

	Governmental Fund Types Actual	Enterprise Fund Types Actual	Total Actual
<b>Revenues:</b>			
Taxes	\$ 15,506,195	\$ -	\$ 15,506,195
Tax increment financing	1,733,780	-	1,733,780
Other city tax	3,819,422	-	3,819,422
Licenses and permits	534,956	-	534,956
Use of money and property	548,323	392,422	940,745
Intergovernmental	5,793,373	1,000,555	6,793,928
Charges for service	1,289,759	11,863,313	13,153,072
Miscellaneous	669,363	354,732	1,024,095
<b>Total revenues</b>	<b>29,895,171</b>	<b>13,611,022</b>	<b>43,506,193</b>
<b>Expenditures/expenses:</b>			
Public safety	11,178,730	-	11,178,730
Public works	4,492,753	-	4,492,753
Culture and recreation	3,065,705	-	3,065,705
Community and economic development	3,027,046	-	3,027,046
General government	2,011,365	-	2,011,365
Debt service	5,437,783	-	5,437,783
Capital outlay	7,466,831	-	7,466,831
Business-type	-	17,887,906	17,887,906
<b>Total expenditures/expenses</b>	<b>36,680,213</b>	<b>17,887,906</b>	<b>54,568,119</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(6,785,042)</b>	<b>(4,276,884)</b>	<b>(11,061,926)</b>
<b>Other financing sources (uses)</b>			
Bond proceeds	-	-	-
Proceeds/Gain on sale of capital assets	30	-	30
Transfers in	8,832,953	70,707	8,903,660
Transfers out	(8,881,176)	(22,484)	(8,903,660)
<b>Net change in fund balance/net position</b>	<b>(6,833,235)</b>	<b>(4,228,661)</b>	<b>(11,061,896)</b>
Balance, beginning of year, as restated	11,595,656	77,049,528	88,645,184
Balance, end of year	<b>\$ 4,762,421</b>	<b>\$ 72,820,867</b>	<b>\$ 77,583,288</b>

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 14,331,143	\$ 14,284,643	\$ 1,221,552
1,564,496	1,564,496	169,284
4,553,895	4,553,895	(734,473)
530,625	470,320	64,636
442,395	413,465	527,280
6,862,257	6,926,436	(132,508)
14,339,949	14,537,916	(1,384,844)
496,875	498,885	525,210
<u>43,121,635</u>	<u>43,250,056</u>	<u>256,137</u>
11,857,207	11,949,252	770,522
3,879,312	4,026,810	(465,943)
3,159,777	3,308,449	242,744
1,890,492	2,089,661	(937,385)
1,641,531	1,870,772	(140,593)
5,010,417	5,010,417	(427,366)
7,896,008	8,999,323	1,532,492
19,218,120	19,943,361	2,055,455
<u>54,552,864</u>	<u>57,198,045</u>	<u>2,629,926</u>
(11,431,229)	(13,947,989)	2,886,063
10,065,450	10,150,950	(10,150,950)
-	-	30
18,540,110	18,540,110	(9,636,450)
(18,540,110)	(18,540,110)	9,636,450
<u>(1,365,779)</u>	<u>(3,797,039)</u>	<u>(7,264,857)</u>
12,122,752	24,245,504	64,399,680
<u>\$ 10,756,973</u>	<u>\$ 20,448,465</u>	<u>\$ 57,134,823</u>

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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 Four Fiscal Years**

	2018*	2017*	2016*	2015*
City's proportion of the net pension liability	0.0693639%	0.0706603%	0.0713457%	0.0817562%
City's proportionate share of the net pension liability	\$ 4,620,515	\$ 4,446,878	\$ 3,524,825	\$ 3,242,376
City's covered payroll	\$ 5,167,833	\$ 5,073,607	\$ 4,887,928	\$ 5,336,473
City's proportionate share of the net pension liability as a percentage of its covered payroll	89.4%	87.6%	72.1%	60.8%
Plan fiduciary net pension as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

Note: The schedule is intended to present information for ten year information prior to 2015 is not available.

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**

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	2018	2017	2016	2015
Statutorily required contribution	\$ 487	\$ 466	\$ 453	\$ 437
Contributions in relation to the statutorily required contribution	(487)	(466)	(453)	(437)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,446	\$ 5,168	\$ 5,074	\$ 4,888
Contributions as a percentage of covered payroll	8.94%	9.02%	8.93%	8.94%

NOTE: Amounts in thousands

See Notes to Required Supplementary Information.

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	2014	2013	2012	2011	2010	2009
\$	479	\$ 434	\$ 447	\$ 409	\$ 352	\$ 300
	(479)	(434)	(447)	(409)	(352)	(300)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	5,336	\$ 4,987	\$ 5,519	\$ 5,870	\$ 5,296	\$ 4,728
	8.98%	8.71%	8.09%	6.96%	6.66%	6.35%

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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 Four Fiscal Years**

	2018*	2017*	2016*	2015*
City's proportion of the net pension liability	0.01861210%	0.01907348%	0.01932575%	0.01969964%
City's proportionate share of the net pension liability	\$ 10,915,532	\$ 11,925,902	\$ 9,079,514	\$ 7,141,084
City's covered payroll	\$ 5,271,077	\$ 5,169,036	\$ 5,068,334	\$ 5,030,678
City's proportionate share of the net pension liability as a percentage of its covered payroll	207.08%	230.72%	179.14%	141.95%
Plan fiduciary net pension as a percentage of the total pension liability	80.60%	78.20%	83.04%	86.27%

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

Note: The schedule is intended to present information for ten year information prior to 2015 is not available.

See Notes to Required Supplementary Information.

**City of Clinton, Iowa**

**Required Supplementary Information  
 Schedule of City Contributions  
 Municipal Fire and Police Retirement System of Iowa  
 Last Ten Fiscal Years**

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	2018	2017	2016	2015
Statutorily required contribution	\$ 1,409	\$ 1,382	\$ 1,435	\$ 1,541
Contributions in relation to the statutorily required contribution	(1,409)	(1,382)	(1,435)	(1,541)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,414	\$ 5,271	\$ 5,169	\$ 5,068
Contributions as a percentage of covered payroll	26.03%	26.22%	27.76%	30.41%

Note: Amounts reported in thousands

See Notes to Required Supplementary Information.

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	2014	2013	2012	2011	2010	2009
\$	1,515	\$ 1,271	\$ 1,186	\$ 1,025	\$ 841	\$ 892
	(1,515)	(1,271)	(1,186)	(1,025)	(841)	(892)
\$	-	\$ -	\$ -	\$ -	\$ -	-
\$	5,031	\$ 4,865	\$ 4,789	\$ 5,033	\$ 4,916	\$ 4,698
	30.12%	26.13%	24.77%	20.37%	17.11%	18.99%

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## City of Clinton, Iowa

### Notes to Required Supplementary Information

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#### 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 projects and business-type activities. During the year, one budget amendment increased budgeted expenditures by \$2,645,181. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues.

During the year ended June 30, 2018, expenditures in the public works, community and economic development, debt service and general government functions exceeded the amounts budgeted.

#### Note 2. Iowa Public Employees' Retirement System

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

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

## City of Clinton, Iowa

### Notes to Required Supplementary Information

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

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 increased assumptions based on various service duration

#### **Note 3. Municipal Fire and Police Retirement System**

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

Changes of assumptions:

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disableds set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

## **SUPPLEMENTARY AND OTHER INFORMATION**

City of Clinton, Iowa

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

	Special Revenue			
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability	Miscellaneous
<b>Assets</b>				
Cash and investments	\$ 137,364	\$ 369,994	\$ 41,952	\$ 467,333
Receivables:				
Property tax:				
Delinquent	-	-	-	12,356
Succeeding year	-	-	-	339,245
Intergovernmental	-	30,050	-	3,847
Special assessments	-	-	-	466,999
Other	36,191	-	-	400
<b>Total assets</b>	<b>\$ 173,555</b>	<b>\$ 400,044</b>	<b>\$ 41,952</b>	<b>\$ 1,290,180</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,200	\$ 32,977	\$ -	\$ 32,059
Salaries payable	4,572	-	-	-
Deposits payable	-	-	-	37,316
<b>Total liabilities</b>	<b>5,772</b>	<b>32,977</b>	<b>-</b>	<b>69,375</b>
Deferred inflows of resources, unavailable revenue:				
Succeeding year property tax	-	-	-	339,245
Special assessments	-	-	-	466,999
Delinquent taxes	-	-	-	6,469
<b>Total deferred inflows of     resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>812,713</b>
Fund Balances:				
Nonspendable:				
Endowments, corpus	-	-	-	-
Restricted:				
Community programs and services	167,783	367,067	-	408,092
Other purposes	-	-	41,952	-
<b>Total fund balances</b>	<b>167,783</b>	<b>367,067</b>	<b>41,952</b>	<b>408,092</b>
<b>Total liabilities, deferred     inflows of resources and     fund balances</b>	<b>\$ 173,555</b>	<b>\$ 400,044</b>	<b>\$ 41,952</b>	<b>\$ 1,290,180</b>

Permanent			
Hayes Trust	Boyd Henningsen	Total	
\$ 3,747	\$ 5,041	\$ 1,025,431	
-	-	12,356	
-	-	339,245	
-	-	33,897	
-	-	466,999	
-	-	36,591	
<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$ 1,914,519</u>	
\$ -	\$ -	\$ 66,236	
-	-	4,572	
-	-	37,316	
-	-	<u>108,124</u>	
-	-	339,245	
-	-	466,999	
-	-	<u>6,469</u>	
-	-	<u>812,713</u>	
3,000	4,000	7,000	
-	-	942,942	
747	1,041	43,740	
<u>3,747</u>	<u>5,041</u>	<u>993,682</u>	
\$ 3,747	\$ 5,041	\$ 1,914,519	

City of Clinton, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Year Ended June 30, 2018**

	Special Revenue			
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability	Miscellaneous
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ 377,080
Other city tax	207,312	-	-	-
Licenses and permits	-	-	-	27,825
Use of money and property	-	-	-	3,414
Intergovernmental	2,352	85,749	-	51,414
Charges for service	52,838	-	-	50,642
Miscellaneous	-	3,000	-	47,370
<b>Total revenues</b>	<b>262,502</b>	<b>88,749</b>	<b>-</b>	<b>557,745</b>
Expenditures:				
Current:				
Public safety	-	-	-	27,299
Public works	-	-	-	42,344
Culture and recreation	201,116	-	-	26,194
Community and economic development	-	160,067	-	493,612
General government	-	-	290,493	-
<b>Total expenditures</b>	<b>201,116</b>	<b>160,067</b>	<b>290,493</b>	<b>589,449</b>
<b>Revenue over (under) expenditures</b>	<b>61,386</b>	<b>(71,318)</b>	<b>(290,493)</b>	<b>(31,704)</b>
Other financing sources (uses):				
Transfers in	155,093	59,295	299,011	-
Transfers out	(217,386)	-	-	(287,637)
<b>Total other financing sources (uses)</b>	<b>(62,293)</b>	<b>59,295</b>	<b>299,011</b>	<b>(287,637)</b>
<b>Net change in fund balances</b>	<b>(907)</b>	<b>(12,023)</b>	<b>8,518</b>	<b>(319,341)</b>
Fund balances, beginning of year	168,690	379,090	33,434	727,433
Fund balances, end of year	\$ 167,783	\$ 367,067	\$ 41,952	\$ 408,092

Permanent			
Hayes Trust	Boyd Henningsen Trust		Total
\$ -	\$ -	\$	377,080
-	-	\$	207,312
-	-		27,825
-	-		3,414
-	-		139,515
-	-		103,480
-	-		50,370
-	-		908,996
-	-		27,299
-	-		42,344
-	-		227,310
-	-		653,679
-	-		290,493
-	-		1,241,125
-	-		(332,129)
-	-		513,399
-	-		(505,023)
-	-		8,376
-	-		(323,753)
3,747	5,041		1,317,435
\$ 3,747	\$ 5,041	\$	993,682

City of Clinton, Iowa

**Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2018**

<b>Assets</b>	Transit System	Airport Operations	Dock Operations
<b>Current assets:</b>			
Cash and investments	\$ 249,631	\$ -	\$ 24,666
Receivables, net of allowance for uncollectible amounts of \$0:			
Other	22,519	6,129	-
Intergovernmental	647,992	-	-
Prepays	1,500	-	-
Due from other funds	38,755	-	-
Total current assets	<u>960,397</u>	<u>6,129</u>	<u>24,666</u>
<b>Noncurrent assets:</b>			
<b>Capital assets:</b>			
<b>Nondepreciable:</b>			
Land	84,600	790,945	-
<b>Depreciable:</b>			
Machinery and equipment	4,762,277	333,543	-
Land improvements	-	372,577	-
Buildings	2,152,608	3,318,565	-
Intangibles	8,200	-	-
Infrastructure	15,800	20,009,802	-
Accumulated depreciation	(5,028,722)	(15,292,096)	-
Total noncurrent assets	<u>1,994,763</u>	<u>9,533,336</u>	<u>-</u>
<b>Total assets</b>	<u>2,955,160</u>	<u>9,539,465</u>	<u>24,666</u>
<b>Deferred outflows of resources</b>			
OPEB related deferred outflows	4,841	972	-
Pension related deferred outflows	240,883	28,121	-
<b>Total deferred outflows of resources</b>	<u>245,724</u>	<u>29,093</u>	<u>-</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	40,345	6,525	-
Salaries payable	8,383	36	-
Early retirement payable	18,000	-	-
Compensated absences	54,548	5,508	-
Due to other funds	-	38,755	-
Total current liabilities	<u>121,276</u>	<u>50,824</u>	<u>-</u>
<b>Noncurrent liabilities:</b>			
Other postemployment benefits obligation	138,280	27,762	-
Early retirement payable	51,000	-	-
Net pension liability	828,869	92,410	-
Advance from other funds	-	180,000	-
Total noncurrent liabilities	<u>1,018,149</u>	<u>300,172</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,139,425</u>	<u>350,996</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Pension related deferred inflows	74,014	7,598	-
<b>Net position:</b>			
Investment in capital assets	1,994,763	9,533,336	-
Unrestricted	(7,318)	(323,372)	24,666
<b>Total net position</b>	<u>\$ 1,987,445</u>	<u>\$ 9,209,964</u>	<u>\$ 24,666</u>

	Marina	Parking System	Total
\$	553,086	\$ 10,338	\$ 837,721
	34,159	-	62,807
	-	-	647,992
	11,071	-	12,571
	-	-	38,755
	598,316	10,338	1,599,846
	184,000	217,000	1,276,545
	16,800	-	5,112,620
	39,692	152,700	564,969
	752,205	-	6,223,378
	-	12,401	20,601
	9,501,572	149,516	29,676,690
	(3,200,999)	(314,617)	(23,836,434)
	7,293,270	217,000	19,038,369
	7,891,586	227,338	20,638,215
	-	-	5,813
	-	-	269,004
	-	-	274,817
	29,526	-	76,396
	-	-	8,419
	-	-	18,000
	-	-	60,056
	-	-	38,755
	29,526	-	201,626
	-	-	166,042
	-	-	51,000
	-	-	921,279
	-	-	180,000
	-	-	1,318,321
	29,526	-	1,519,947
	-	-	81,612
	7,293,270	217,000	19,038,369
	568,790	10,338	273,104
\$	7,862,060	\$ 227,338	\$ 19,311,473

City of Clinton, Iowa

**Combining Statement of Revenues, Expenses and Changes in Net Position  
Nonmajor Enterprise Funds  
Year Ended June 30, 2018**

	Transit System	Airport Operations	Dock Operations
Operating revenues:			
Charges for services	\$ 512,027	\$ 285,141	\$ -
Property rental	-	123,825	-
Miscellaneous	24,742	-	-
<b>Total operating revenues</b>	<b>536,769</b>	<b>408,966</b>	<b>-</b>
Operating expenses:			
Personal services	1,398,630	193,351	-
Commodities	251,988	209,809	-
Contractual services	87,767	39,906	-
Repairs, maintenance and utilities	69,444	77,435	-
Depreciation	485,429	710,774	-
<b>Total operating expenses</b>	<b>2,293,258</b>	<b>1,231,275</b>	<b>-</b>
<b>Operating (loss)</b>	<b>(1,756,489)</b>	<b>(822,309)</b>	<b>-</b>
Nonoperating revenues (expenses):			
Intergovernmental	843,106	141,482	-
<b>Total nonoperating revenues (expenses)</b>	<b>843,106</b>	<b>141,482</b>	<b>-</b>
<b>(Loss) before transfers</b>	<b>(913,383)</b>	<b>(680,827)</b>	<b>-</b>
Transfers in	1,707	69,000	-
Transfers out	-	-	-
<b>Change in net position</b>	<b>(911,676)</b>	<b>(611,827)</b>	<b>-</b>
Total net position, beginning of year, as restated	2,899,121	9,821,791	24,666
Total net position, end of year	<b>\$ 1,987,445</b>	<b>\$ 9,209,964</b>	<b>\$ 24,666</b>

Marina	Parking System	Total
\$ 71,602	\$ -	\$ 868,770
254,434	-	378,259
139,441	-	164,183
465,477	-	1,411,212
-	-	1,591,981
78,758	-	540,555
257,198	-	384,871
45,822	-	192,701
360,024	-	1,556,227
741,802	-	4,266,335
(276,325)	-	(2,855,123)
-	-	984,588
-	-	984,588
(276,325)	-	(1,870,535)
-	-	70,707
(22,484)	-	(22,484)
(298,809)	-	(1,822,312)
8,160,869	227,338	21,133,785
\$ 7,862,060	\$ 227,338	\$ 19,311,473

City of Clinton, Iowa

**Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year Ended June 30, 2018**

	Transit System	Airport Operations	Dock Operations
Cash flows from operating activities:			
Receipts from customers and users	\$ 557,881	\$ 423,026	\$ -
Payments to suppliers	(386,461)	(321,431)	-
Payments to employees	(1,389,330)	(194,345)	-
<b>Net cash provided by (used in) operating activities</b>	<b>(1,217,910)</b>	<b>(92,750)</b>	<b>-</b>
Cash flows from noncapital financing activities:			
Intergovernmental	949,144	141,482	-
Due to other funds	-	38,755	-
Due from other funds	(38,755)	-	-
Transfers in	1,707	69,000	-
Transfers (out)	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>912,096</b>	<b>249,237</b>	<b>-</b>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(26,467)	(378,123)	-
<b>(Decrease) in cash and cash equivalents</b>	<b>(332,281)</b>	<b>(221,636)</b>	<b>-</b>
Cash and cash equivalents, beginning of year	581,912	221,636	24,666
Cash and cash equivalents, end of year	<u>\$ 249,631</u>	<u>\$ -</u>	<u>\$ 24,666</u>

(Continued)

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	Marina	Parking System	Total
\$	449,648	\$ -	\$ 1,430,555
	(357,493)	-	(1,065,385)
	-	-	(1,583,675)
	92,155	-	(1,218,505)
	-	-	1,090,626
	-	-	38,755
	-	-	(38,755)
	-	-	70,707
	(22,484)	-	(22,484)
	(22,484)	-	1,138,849
	(167,251)	-	(571,841)
	(97,580)	-	(651,497)
	650,666	10,338	1,489,218
\$	\$ 553,086	\$ 10,338	\$ 837,721

City of Clinton, Iowa

Combining Statement of Cash Flows (Continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2018

	Transit System	Airport Operations	Dock Operations	Marina
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:				
Operating (loss)	\$ (1,756,489)	\$ (822,309)	\$ -	\$ (276,325)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:				
Depreciation	485,429	710,774	-	360,024
Change in assets and liabilities:				
Receivables	21,112	14,060	-	(15,829)
Prepays	-	-	-	(247)
Accounts payable	22,738	5,719	-	24,532
Compensated absences	5,864	(2,073)	-	-
Salaries payable	8,383	36	-	-
Pension liability and related deferrals	5,231	1,109	-	-
Early retirement benefit	(18,000)	-	-	-
Other postemployment benefits obligations and related deferrals	7,822	(66)	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,217,910)</b>	<b>\$ (92,750)</b>	<b>\$ -</b>	<b>\$ 92,155</b>

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Parking System	Total
\$ -	\$ (2,855,123)
-	1,556,227
-	19,343
-	(247)
-	52,989
-	3,791
-	8,419
-	6,340
-	(18,000)
-	7,756
<u>\$ -</u>	<u>\$ (1,218,505)</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, 2018

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund
<b>Assets</b>				
Cash and investments	\$ (480)	\$ -	\$ 365,012	\$ -
Receivables, net of allowance for uncollectible amounts of \$719,448:				
Service fees	2,768	-	-	-
Special assessments	-	-	-	-
Other	9,556	-	-	-
<b>Total assets</b>	<b>11,844</b>	<b>-</b>	<b>365,012</b>	<b>-</b>
<b>Liabilities and Net Position</b>				
Liabilities:				
Accounts payable	286,346	-	-	-
Contracts payable	-	-	-	-
<b>Total liabilities</b>	<b>286,346</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net position:				
Unrestricted	(274,502)	-	365,012	-
<b>Total liabilities and net position</b>	<b>\$ 11,844</b>	<b>\$ -</b>	<b>\$ 365,012</b>	<b>\$ -</b>

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Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ 403,598	\$ 1,257,522	\$ 346,078	\$ 2,371,730
-	1,575,780	-	1,578,548
-	393,716	-	393,716
-	2,766	-	12,322
403,598	3,229,784	346,078	4,356,316
-	27,568	380,858	694,772
-	-	198,587	198,587
-	27,568	579,445	893,359
403,598	3,202,216	(233,367)	3,462,957
\$ 403,598	\$ 3,229,784	\$ 346,078	\$ 4,356,316

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, 2018**

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund	Sewer Reserve Fund
Operating revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	36,711	-	29,448	-	-
<b>Total operating revenues</b>	<b>36,711</b>	<b>-</b>	<b>29,448</b>	<b>-</b>	<b>-</b>
Operating expenses:					
Personal services	1,641,480	-	-	-	-
Contractual services	1,245,454	-	-	-	-
Repairs, maintenance and utilities	1,291,110	-	-	-	-
Miscellaneous	-	-	-	-	-
Capital outlay/improvements	81,519	-	57,404	-	-
<b>Total operating expenses</b>	<b>4,259,563</b>	<b>-</b>	<b>57,404</b>	<b>-</b>	<b>-</b>
<b>Operating income (loss)</b>	<b>(4,222,852)</b>	<b>-</b>	<b>(27,956)</b>	<b>-</b>	<b>-</b>
Nonoperating revenues (expenses):					
Intergovernmental	15,967	-	-	-	-
Investment earnings	-	-	-	-	-
Interest expense	-	-	-	(2,037,492)	-
Principal payments	-	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>15,967</b>	<b>-</b>	<b>-</b>	<b>(2,037,492)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>(4,206,885)</b>	<b>-</b>	<b>(27,956)</b>	<b>(2,037,492)</b>	<b>-</b>
Transfers in	4,028,363	-	-	4,512,147	-
Transfers out	-	-	-	(2,474,655)	-
<b>Change in net position</b>	<b>(178,522)</b>	<b>-</b>	<b>(27,956)</b>	<b>-</b>	<b>-</b>
Total net position, beginning of year	(95,980)	-	392,968	-	403,598
Total net position, end of year	<b>\$ (274,502)</b>	<b>\$ -</b>	<b>\$ 365,012</b>	<b>\$ -</b>	<b>\$ 403,598</b>

Sewer Revenue Fund	Sewer Improvement	Total
\$ 8,969,536	\$ 1,600	\$ 8,971,136
15,978	-	82,137
<u>8,985,514</u>	<u>1,600</u>	<u>9,053,273</u>
-	-	1,641,480
-	664,749	1,910,203
-	401,838	1,692,948
-	550	550
-	6,573,111	6,712,034
-	<u>7,640,248</u>	<u>11,957,215</u>
<u>8,985,514</u>	<u>(7,638,648)</u>	<u>(2,903,942)</u>
-	-	15,967
14,163	-	14,163
-	(6,655)	(2,044,147)
-	<u>(2,468,000)</u>	<u>(2,468,000)</u>
<u>14,163</u>	<u>(2,474,655)</u>	<u>(4,482,017)</u>
8,999,677	(10,113,303)	(7,385,959)
-	3,099,655	11,640,165
<u>(9,165,510)</u>	<u>-</u>	<u>(11,640,165)</u>
<u>(165,833)</u>	<u>(7,013,648)</u>	<u>(7,385,959)</u>
3,368,049	6,780,281	10,848,916
<u>\$ 3,202,216</u>	<u>\$ (233,367)</u>	<u>\$ 3,462,957</u>

City of Clinton, Iowa

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>				
Taxes	\$ 21,059,397	\$ 21,304,416	\$ 21,335,063	\$ 21,540,640
Licenses and permits	534,956	715,590	494,637	448,407
Use of money and property	548,323	470,008	429,019	312,866
Intergovernmental	5,793,373	8,078,805	5,950,877	5,212,646
Charges for services	1,289,759	1,275,230	1,305,310	1,247,042
Miscellaneous	669,363	914,603	859,592	899,941
<b>TOTAL REVENUES</b>	<u>\$ 29,895,171</u>	<u>\$ 32,758,652</u>	<u>\$ 30,374,498</u>	<u>\$ 29,661,542</u>
<b>EXPENDITURES</b>				
Current				
Public safety	\$ 11,178,730	\$ 10,804,776	\$ 10,722,616	\$ 10,957,543
Public works	4,492,753	4,406,270	3,267,989	2,951,147
Culture and recreation	3,065,705	3,189,651	2,987,553	3,036,703
Community and economic development	3,027,046	2,714,588	2,560,088	2,084,627
General government	2,011,365	1,992,864	1,953,107	2,169,653
Debt service	5,437,783	4,850,015	4,404,589	4,264,112
Capital outlay	7,466,831	9,532,517	10,784,756	5,321,941
<b>TOTAL EXPENDITURES</b>	<u>\$ 36,680,213</u>	<u>\$ 37,490,681</u>	<u>\$ 36,680,698</u>	<u>\$ 30,785,726</u>

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<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 21,340,941	\$ 21,060,047	\$ 20,061,933	\$ 19,459,376	\$ 18,966,982	\$ 17,685,612
397,268	390,214	388,142	280,236	756,662	278,034
1,879,184	535,225	166,362	409,167	433,911	467,610
4,844,194	5,425,060	5,077,516	15,396,842	4,401,029	3,287,033
1,235,039	1,045,323	1,276,132	1,257,521	1,365,157	1,230,528
799,992	1,504,955	2,301,813	326,379	529,325	558,340
<u>\$ 30,496,618</u>	<u>\$ 29,960,824</u>	<u>\$ 29,271,898</u>	<u>\$ 37,129,521</u>	<u>\$ 26,453,066</u>	<u>\$ 23,507,157</u>
\$ 10,776,743	\$ 10,117,478	\$ 10,099,168	\$ 10,522,406	\$ 9,451,323	\$ 9,632,937
2,606,996	2,471,001	2,931,985	3,831,214	3,364,814	3,449,917
3,142,259	2,919,245	3,016,460	3,056,645	2,691,561	2,882,200
1,877,259	2,028,721	2,749,648	2,500,810	1,933,560	966,803
2,478,543	2,762,672	1,656,335	1,860,914	2,288,430	2,432,760
3,992,096	8,468,734	3,477,659	3,348,133	3,993,984	4,750,160
7,760,095	8,221,941	7,817,225	10,061,875	6,267,321	6,986,200
<u>\$ 32,633,991</u>	<u>\$ 36,989,792</u>	<u>\$ 31,748,480</u>	<u>\$ 35,181,997</u>	<u>\$ 29,990,993</u>	<u>\$ 31,100,977</u>

City of Clinton, Iowa

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Taxes</b>				
Property tax and tax increment financing	\$ 15,917,903	\$ 15,896,291	\$ 16,190,472	\$ 16,195,117
Mobile home taxes	3,738	8,257	55,851	5,031
Utility excise taxes	1,318,334	1,406,054	1,270,243	1,304,792
Local option sales taxes	3,202,828	3,235,680	3,278,644	3,298,910
Hotel/motel taxes	409,282	541,620	309,283	511,771
Gaming/Cable television franchise fees	207,312	216,514	230,570	225,019
Other taxes	-	-	-	-
	<u>21,059,397</u>	<u>21,304,416</u>	<u>21,335,063</u>	<u>21,540,640</u>
<b>Intergovernmental</b>				
Road use taxes	3,888,765	3,435,711	3,296,194	3,080,523
Other federal/state revenues	1,838,017	3,895,382	2,407,076	1,883,123
County contributions	62,769	617,308	132,256	75,988
School district contributions	3,822	130,404	115,351	173,012
	<u>5,793,373</u>	<u>8,078,805</u>	<u>5,950,877</u>	<u>5,212,646</u>
<b>TOTAL</b>	<u>\$ 26,852,770</u>	<u>\$ 29,383,221</u>	<u>\$ 27,285,940</u>	<u>\$ 26,753,286</u>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 16,568,522	\$ 16,287,628	\$ 14,972,295	\$ 14,488,035	\$ 14,498,220	\$ 13,062,069
4,528	4,528	5,205	5,713	6,179	7,544
1,151,368	1,151,368	1,129,203	1,001,996	684,958	699,751
3,064,314	3,064,314	3,429,223	3,345,242	2,931,452	3,412,843
361,661	361,661	332,554	313,352	252,413	348,364
179,083	179,083	190,496	142,155	142,675	144,091
11,465	11,465	-	-	-	-
<u>21,340,941</u>	<u>21,060,047</u>	<u>20,058,976</u>	<u>19,296,493</u>	<u>18,515,897</u>	<u>17,674,662</u>
2,671,825	2,606,751	2,529,235	2,559,000	2,445,174	2,301,748
1,953,220	2,605,406	7,607,513	10,892,450	7,474,466	3,032,831
49,284	50,948	105,757	78,385	58,088	42,726
169,865	161,955	-	-	-	-
<u>4,844,194</u>	<u>5,425,060</u>	<u>10,242,505</u>	<u>13,529,835</u>	<u>9,977,728</u>	<u>5,377,305</u>
<u>\$ 26,185,135</u>	<u>\$ 26,485,107</u>	<u>\$ 30,301,481</u>	<u>\$ 32,826,328</u>	<u>\$ 28,493,625</u>	<u>\$ 23,051,967</u>

City of Clinton, Iowa

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

<b>Fiscal Year:</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>January 1 Valuation</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Residential property	\$ 794,554,206	\$ 809,102,152	\$ 824,901,714	\$ 873,107,272
Commercial property	258,943,100	263,428,838	264,671,175	270,207,165
Industrial property	113,859,248	144,102,110	143,732,802	193,742,825
Utilities	84,928,187	87,449,615	519,907,540	151,620,680
Other	446,750	446,750	446,750	446,750
Subtotal	1,252,731,491	1,304,529,465	1,753,659,981	1,489,124,692
Agricultural land	10,628,345	10,611,413	13,514,673	15,324,520
<b>TOTAL</b>	<b>\$ 1,263,359,836</b>	<b>\$ 1,315,140,878</b>	<b>\$ 1,767,174,654</b>	<b>\$ 1,504,449,212</b>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 838,077,699	\$ 844,469,640	\$ 846,761,092	\$ 858,489,381	863,549,155	869,660,186
263,324,605	290,590,290	281,717,781	286,195,257	263,704,423	274,319,656
223,544,136	172,403,126	149,910,562	155,096,660	163,218,242	179,689,083
162,756,342	167,379,969	188,751,208	197,285,390	216,781,005	235,901,449
446,750	446,750	446,750	446,750	446,750	446,750
1,488,149,532	1,475,289,775	1,467,587,393	1,497,513,438	1,507,699,575	1,560,017,124
17,773,135	17,535,589	26,798,891	23,827,771	25,922,399	26,464,920
<u>\$ 1,505,922,667</u>	<u>\$ 1,492,825,364</u>	<u>\$ 1,494,386,284</u>	<u>\$ 1,521,341,209</u>	<u>\$ 1,533,621,974</u>	<u>\$ 1,586,482,044</u>

City of Clinton, Iowa

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

Fiscal Year:	2009	2010	2011	2012
<u>January 1 Valuation</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential property	\$ 345,681,673	\$ 364,473,337	\$ 383,571,449	\$ 421,511,650
Commercial property	258,177,965	263,428,838	264,671,175	270,207,165
Industrial property	113,859,248	144,102,110	143,732,802	193,742,825
Utilities	64,187,274	63,694,959	66,006,035	94,263,469
Other	446,750	446,750	446,750	446,750
Subtotal	782,352,910	836,145,994	858,428,211	980,171,859
Less military exemptions	3,647,514	3,578,990	3,456,758	3,389,160
<b>TOTAL</b>	<u>\$ 778,705,396</u>	<u>\$ 832,567,004</u>	<u>\$ 854,971,453</u>	<u>\$ 976,782,699</u>
Agricultural land	<u>\$ 9,576,396</u>	<u>\$ 9,955,176</u>	<u>\$ 8,950,487</u>	<u>\$ 10,576,243</u>

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<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 422,003,802	\$ 443,940,901	\$ 457,007,659	\$ 475,424,868	\$ 483,234,316	\$ 498,214,670
263,324,605	290,590,290	265,401,457	253,434,239	268,865,227	276,162,107
223,544,136	172,403,126	142,412,661	138,981,191	154,626,634	166,047,010
101,857,832	102,341,142	101,402,573	123,730,880	96,945,283	84,649,545
446,750	446,750	446,750	-	402,075	446,750
1,011,177,125	1,009,722,209	966,671,100	991,571,178	1,004,073,535	1,025,520,082
3,313,228	3,226,184	3,113,212	3,002,092	2,837,264	2,700,216
<u>\$ 1,007,863,897</u>	<u>\$ 1,006,496,025</u>	<u>\$ 963,557,888</u>	<u>\$ 988,569,086</u>	<u>\$ 1,001,236,271</u>	<u>\$ 1,022,819,866</u>
<u>\$ 10,194,936</u>	<u>\$ 10,494,318</u>	<u>\$ 11,409,968</u>	<u>\$ 11,899,550</u>	<u>\$ 11,774,642</u>	<u>\$ 12,534,373</u>

City of Clinton, Iowa

Schedule of General Obligation Bond and Capital Loan Note Maturities  
 June 30, 2018

Year Ending June 30	Principal	Interest	Total
2019	\$ 3,815,000	\$ 1,310,135	\$ 5,125,135
2020	3,885,000	1,205,919	5,090,919
2021	4,010,000	1,097,524	5,107,524
2022	3,500,000	980,514	4,480,514
2023	3,075,000	886,064	3,961,064
2024	2,900,000	796,429	3,696,429
2025	2,980,000	714,529	3,694,529
2026	2,500,000	629,061	3,129,061
2027	2,595,000	561,911	3,156,911
2028	2,680,000	488,656	3,168,656
2029	2,655,000	410,681	3,065,681
2030	2,440,000	331,431	2,771,431
2031	2,520,000	257,944	2,777,944
2032	2,150,000	178,025	2,328,025
2033	1,000,000	106,250	1,106,250
2034	890,000	73,137	963,137
2035	410,000	43,925	453,925
2036	430,000	30,087	460,087
2037	445,000	15,575	460,575
Total	<u>\$ 44,880,000</u>	<u>\$ 10,117,797</u>	<u>\$ 54,997,797</u>

City of Clinton, Iowa

Schedule of General Obligation Bond Maturities  
June 30, 2018

Summary

Year Ending June 30	Principal	Interest	Total
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>\$ 3,830,000</u>	<u>\$ 569,481</u>	<u>\$ 4,399,481</u>

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

Year Ending June 30	Principal	Interest	Total
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>\$ 2,100,000</u>	<u>\$ 396,950</u>	<u>\$ 2,496,950</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 575,000	\$ 85,781	\$ 660,781
2020	575,000	57,750	632,750
2021	580,000	29,000	609,000
Total	<u>\$ 1,730,000</u>	<u>\$ 172,531</u>	<u>\$ 1,902,531</u>

City of Clinton, Iowa

Schedule of General Obligation Capital Loan Note Maturities  
June 30, 2018

Summary - Capital Loan Note Principal and Interest

Year Ending June 30	\$ 3,065,000	\$ 4,975,000	\$ 4,155,000	\$ 335,000	\$ 3,225,000	\$ 625,000	\$ 4,050,000
2019	517,356	311,043	406,700	86,700	276,825	111,515	274,251
2020	526,050	311,918	397,700	-	277,625	114,730	275,552
2021	528,550	307,718	393,700	-	278,325	112,530	276,752
2022	529,880	308,098	389,550	-	278,925	-	272,852
2023	-	307,968	400,250	-	284,425	-	273,952
2024	-	307,458	400,350	-	284,725	-	274,952
2025	-	311,558	405,150	-	289,325	-	275,852
2026	-	-	149,500	-	293,075	-	276,442
2027	-	-	145,650	-	295,925	-	276,606
2028	-	-	151,800	-	297,825	-	276,326
2029	-	-	147,000	-	299,425	-	275,700
2030	-	-	152,200	-	-	-	273,800
2031	-	-	152,000	-	-	-	276,750
2032	-	-	156,600	-	-	-	274,400
2033	-	-	150,800	-	-	-	271,900
2034	-	-	-	-	-	-	273,612
2035	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,101,836</b>	<b>\$ 2,165,761</b>	<b>\$ 3,998,950</b>	<b>\$ 86,700</b>	<b>\$ 3,156,425</b>	<b>\$ 338,775</b>	<b>\$ 4,399,699</b>

Summary - Capital Loan Note Principal

Year Ending June 30	\$ 3,065,000	\$ 4,975,000	\$ 4,155,000	\$ 335,000	\$ 3,225,000	\$ 625,000	\$ 4,050,000
2019	485,000	275,000	300,000	85,000	210,000	105,000	185,000
2020	500,000	280,000	300,000	-	215,000	110,000	190,000
2021	510,000	280,000	305,000	-	220,000	110,000	195,000
2022	520,000	285,000	310,000	-	225,000	-	195,000
2023	-	290,000	330,000	-	235,000	-	200,000
2024	-	295,000	340,000	-	240,000	-	205,000
2025	-	305,000	355,000	-	250,000	-	210,000
2026	-	-	110,000	-	260,000	-	215,000
2027	-	-	110,000	-	270,000	-	220,000
2028	-	-	120,000	-	280,000	-	225,000
2029	-	-	120,000	-	290,000	-	230,000
2030	-	-	130,000	-	-	-	235,000
2031	-	-	135,000	-	-	-	245,000
2032	-	-	145,000	-	-	-	250,000
2033	-	-	145,000	-	-	-	255,000
2034	-	-	-	-	-	-	265,000
2035	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,015,000</b>	<b>\$ 2,010,000</b>	<b>\$ 3,255,000</b>	<b>\$ 85,000</b>	<b>\$ 2,695,000</b>	<b>\$ 325,000</b>	<b>\$ 3,520,000</b>

Summary - Capital Loan Note Interest

Year Ending June 30	\$ 3,065,000	\$ 4,975,000	\$ 4,155,000	\$ 335,000	\$ 3,225,000	\$ 625,000	\$ 4,050,000
2019	32,356	36,043	106,700	1,700	66,825	6,515	89,251
2020	26,050	31,918	97,700	-	62,625	4,730	85,552
2021	18,550	27,718	88,700	-	58,325	2,530	81,752
2022	9,880	23,098	79,550	-	53,925	-	77,852
2023	-	17,968	70,250	-	49,425	-	73,952
2024	-	12,458	60,350	-	44,725	-	69,952
2025	-	6,558	50,150	-	39,325	-	65,852
2026	-	-	39,500	-	33,075	-	61,442
2027	-	-	35,650	-	25,925	-	56,606
2028	-	-	31,800	-	17,825	-	51,326
2029	-	-	27,000	-	9,425	-	45,700
2030	-	-	22,200	-	-	-	38,800
2031	-	-	17,000	-	-	-	31,750
2032	-	-	11,600	-	-	-	24,400
2033	-	-	5,800	-	-	-	16,900
2034	-	-	-	-	-	-	8,612
2035	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 86,836</b>	<b>\$ 155,761</b>	<b>\$ 743,950</b>	<b>\$ 1,700</b>	<b>\$ 461,425</b>	<b>\$ 13,775</b>	<b>\$ 879,699</b>

**Summary - Capital Loan Note Principal and Interest**

\$	5,130,000	\$	3,305,000	\$	525,000	\$	5,205,000	\$	4,110,000	\$	10,375,000	Total	
393,486		233,113		110,450		353,363		347,944		655,588		4,078,334	
438,488		233,912		108,875		398,362		343,244		647,788		4,074,244	
432,488		234,562		112,090		402,362		348,544		684,788		4,112,409	
436,487		235,063		-		466,162		346,194		834,788		4,097,999	
430,287		235,413		-		463,562		343,694		833,188		3,572,739	
432,537		235,613		-		465,862		341,044		830,788		3,573,329	
434,537		235,662		-		462,963		343,244		817,588		3,575,879	
441,287		235,562		-		464,963		340,144		813,988		3,014,961	
466,800		233,561		-		461,762		341,894		825,263		3,047,461	
465,400		236,361		-		463,462		343,344		829,388		3,063,906	
468,700		235,662		-		464,962		344,494		829,738		3,065,681	
464,525		234,812		-		466,263		340,344		839,487		2,771,431	
465,000		233,562		-		461,250		346,044		843,338		2,777,944	
462,800		236,900		-		-		345,888		851,437		2,328,025	
-		234,912		-		-		-		448,638		1,106,250	
-		237,763		-		-		-		451,762		963,137	
-		-		-		-		-		453,925		453,925	
-		-		-		-		-		460,087		460,087	
-		-		-		-		-		460,575		460,575	
\$	6,232,822	\$	3,762,433	\$	331,415	\$	5,795,298	\$	4,816,060	\$	13,412,142	\$	50,598,316

**Summary - Capital Loan Note Principal**

\$	5,130,000	\$	3,305,000	\$	525,000	\$	5,205,000	\$	4,110,000	\$	10,375,000	Total	
250,000		140,000		105,000		250,000		235,000		320,000		2,945,000	
300,000		145,000		105,000		300,000		235,000		325,000		3,005,000	
300,000		150,000		110,000		310,000		245,000		375,000		3,110,000	
310,000		155,000		-		380,000		250,000		540,000		3,170,000	
310,000		160,000		-		385,000		255,000		560,000		2,725,000	
320,000		165,000		-		395,000		260,000		580,000		2,800,000	
330,000		170,000		-		400,000		270,000		590,000		2,880,000	
345,000		175,000		-		410,000		275,000		610,000		2,400,000	
380,000		180,000		-		415,000		285,000		635,000		2,495,000	
390,000		190,000		-		425,000		295,000		655,000		2,580,000	
405,000		195,000		-		435,000		305,000		675,000		2,655,000	
415,000		200,000		-		445,000		310,000		705,000		2,440,000	
430,000		205,000		-		450,000		325,000		730,000		2,520,000	
445,000		215,000		-		-		335,000		760,000		2,150,000	
-		220,000		-		-		-		380,000		1,000,000	
-		230,000		-		-		-		395,000		890,000	
-		-		-		-		-		410,000		410,000	
-		-		-		-		-		430,000		430,000	
-		-		-		-		-		445,000		445,000	
\$	4,930,000	\$	2,895,000	\$	320,000	\$	5,000,000	\$	3,880,000	\$	10,120,000	\$	41,050,000

**Summary - Capital Loan Note Interest**

\$	5,130,000	\$	3,305,000	\$	525,000	\$	5,205,000	\$	4,110,000	\$	10,375,000	Total	
143,486		93,113		5,450		103,363		112,944		335,588		1,133,334	
138,488		88,912		3,875		98,362		108,244		322,788		1,069,244	
132,488		84,562		2,090		92,362		103,544		309,788		1,002,409	
126,487		80,063		-		86,162		96,194		294,788		927,999	
120,287		75,413		-		78,562		88,694		273,188		847,739	
112,537		70,613		-		70,862		81,044		250,788		773,329	
104,537		65,662		-		62,963		73,244		227,588		695,879	
96,287		60,562		-		54,963		65,144		203,988		614,961	
86,800		53,561		-		46,762		56,894		190,263		552,461	
75,400		46,361		-		38,462		48,344		174,388		483,906	
63,700		40,662		-		29,962		39,494		154,738		410,681	
49,525		34,812		-		21,263		30,344		134,487		331,431	
35,000		28,562		-		11,250		21,044		113,338		257,944	
17,800		21,900		-		-		10,888		91,437		178,025	
-		14,912		-		-		-		68,638		106,250	
-		7,763		-		-		-		56,762		73,137	
-		-		-		-		-		43,925		43,925	
-		-		-		-		-		30,087		30,087	
-		-		-		-		-		15,575		15,575	
\$	1,302,822	\$	867,433	\$	11,415	\$	795,298	\$	936,060	\$	3,292,142	\$	9,548,316

**City of Clinton, Iowa**

**Computation of Legal Debt Margin  
June 30, 2018**

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Actual Property Valuation-January 1, 2016 (Includes TIF valuation)	<u>\$ 1,636,755,950</u>
Debt limit, 5% of total actual valuation	\$ 81,837,798
Debt applicable to debt limit, debt service:	
General obligation loan notes and bonds	44,880,000
Due to other government	5,252,591
Tax increment financing indebtedness	<u>9,562,792</u>
Legal debt margin	<u>\$ 22,142,415</u>

## City of Clinton, Iowa

### Miscellaneous Statistics (Unaudited) June 30, 2018

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Date Chartered	January 28, 1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal) Full-time Equivalent	166
Area in Square Miles	38.4
Population	26,885
<b>City of Clinton Facilities and Services:</b>	
Miles of Streets	123
<b>Parks and Recreation:</b>	
Parks	18
Park Acreage	496
Swimming Pool	1
Softball and Baseball Diamonds	15
Tennis Courts	10
Baseball Stadium	1
<b>Libraries:</b>	
Number of Registered Borrowers	18,271
Number of Items in Collection	101,356
<b>Police Protection:</b>	
Number of Stations	1
Number of Sworn Officers	40
<b>Fire Protection:</b>	
Number of Stations	3
Number of Fire Personnel	44
<b>Sewer System:</b>	
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
<b>Public Transportation System:</b>	
Buses	12
Fixed Routes Served	6
Para Transit Vehicles	6
<b>Municipal Airport:</b>	
Primary Runway Length (in feet)	5,204
Other Runway (in feet)	4,201

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## **COMPLIANCE SECTION**

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City of Clinton, Iowa

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018**

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
<b>Direct:</b>				
<b>U.S. Department of Housing and Urban Development</b>				
Lead-Based Paint Hazard Control in Privately- Owned Housing	14.900	IALHB0659-17	\$ -	\$ 85,749
<b>U.S. Department of Justice</b>				
Bureau of Justice Assistance				
Bulletproof Vest Partnership Program	16.607	2018-BUBX15077025	-	2,352
Equitable Sharing Program	16.922	IA0230100	-	9,239
<b>Total U.S. Department of Justice</b>			-	11,591
<b>Total Direct</b>			-	97,340
<b>Indirect:</b>				
<b>U.S. Department of Transportation</b>				
Pass-through Iowa Department of Transportation				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	STP-U-1415(625)-70-23	-	120,666
Highway Planning and Construction	20.205	BROS-1415(628)-8J-23	-	488,581
Subtotal Highway Planning and Construction Cluster			-	609,247
Formula Grants for Rural Areas	20.509	2016-027-141-16	-	627,863
			-	627,863
Pass-through Iowa Department of Public Safety				
Governor's Traffic Safety Bureau State and Community Highway Safety	20.600	PAP 17-402-MOAL, Task 06-00-00		8,456
	20.600	PAP 18-402-MOAL, Task 05-00-00	-	13,294
			-	21,750
<b>Total U.S. Department of Transportation</b>				1,258,860
<b>Total Indirect</b>			-	1,258,860
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,356,200

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, 2018**

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**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, 2018. 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 financial 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**

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**City of Clinton**





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

Rob Sand  
Auditor of State

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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, 2018, 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, 2019.

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 have not been 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-18 and II-B-18 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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-18 to be a significant deficiency.

### 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 which 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, 2018 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.



ROB SAND  
Auditor of State

March 15, 2019

**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**

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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 its major federal program for the year ended June 30, 2018. The City of Clinton's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards 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 program 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 the major federal program. However, our audit does not provide a legal determination of the City of Clinton's compliance.

Opinion on the 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 program for the year ended June 30, 2018.

## 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 the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



ROB SAND  
Auditor of State

March 15, 2019

City of Clinton  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A significant deficiency 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) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was 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, 2018

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-18 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:

	<u>Applicable Offices</u>
(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 for six months. For the other six months, bank reconciliations were not reviewed in a timely manner.	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. A monthly report of voided receipts is not maintained or reviewed.	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, 2018

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 and should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Finance Committee will continue to review the bank reconciliations provided by the Finance Director, in a timely manner. We are correcting the separate set of records issue at the Marina in fiscal year 2019. The City will continue to look for controls available through the implementation of our new financial management system, to mitigate these findings.

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-18 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 account 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.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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 receivable.

Conclusion – Response accepted.

II-C-18 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, and help in the achievement of objectives pertaining to 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.

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

Cause – Management has not required written policies for the above computer based controls.

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.

Response – The City is working on a password policy for computer use. The IT staff person is also working on a disaster recovery plan.

Conclusion – Response accepted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal control over compliance were noted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works, community and economic development, general government and debt service 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 2018 for the fiscal year 2018 budget. However, the end of year accruals exceeded what was anticipated for the amendment. We will monitor disbursements more closely in the future to ensure functions budgeted are not exceeded.

Conclusion – Response accepted.

IV-B-18 Questionable Disbursements – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Police Department – holiday meal catering at Eagle Point Lodge	\$ 695
Mezcal Mexican Bar & Grill	Library – staff meal after in service training day	164

According to the opinion, it is possible for such expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City council should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will develop a policy for the use of public monies for employee development functions.

Conclusion – Response accepted.

IV-C-18 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

IV-D-18 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	\$ 172
Joshua and Marissa Mussmann, Engineering Employees, Owner of JT Contracting	Concrete Work - bid	32,985
Joshua and Marissa Mussmann, Engineering Employees, Owner of JT Contracting	Concrete Work - not bid	890
Sean Connell, City Council, Owner of Air Control, Inc.	Heating and Cooling Repair - not bid	8,100
Allen Shutte, Police Department Owner of Unlimited Sound Advice	Electrical Equipment Repair - not bid	500

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Lynn McGraw, Joshua and Marissa Mussman (not bid amount) and Allen Shutte do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

The transactions with the Joshua and Marissa Mussmann for \$32,895 do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

The transactions with Sean Connell for \$8,100 may represent a conflict of interest since they were not entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City has a better understanding of the parameters of Chapter 362.5(3)(d) of the Code of Iowa and will work with our legal counsel to establish a standard of care when doing business with parties that could result in a conflict of interest.

Conclusion – Response accepted.

IV-E-18 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-18 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Certain transfers between funds were not approved by the City Council prior to making the transfer between funds.

Recommendation – The City should approve all transfers prior to the actual transfer.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Response – The Finance Director will work with the City Administrator for approval on all transfers prior to the actual transfer being made in the financial management system.

Conclusion – Response accepted.

- IV-G-18 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:

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 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 – The City will adopt a new depository resolution establishing a maximum deposit amount as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

- IV-H-18 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 it 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 2018 net operating revenues of \$3,871,806 is less than 110% of the required debt service payment of \$4,512,147.

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.

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-18 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 understated the TIF debt outstanding reported on the Levy Authority Summary.

Recommendation – The City should ensure the TIF debt outstanding reported on the Levy Authority Summary agrees with the City’s records.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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-18 Tax Increment Financing Fund – Chapter 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF fund.

During the year ended June 30, 2018, the City paid \$250,000 under the terms of an urban renewal development agreement. This obligation has not been certified as TIF indebtedness.

In addition, the City over certified \$279,640 and \$63,000 as TIF indebtedness under the terms of two urban renewal development agreements.

Recommendation – The City should certify the \$250,000 to the County Auditor as a TIF obligation for future collection of TIF revenues and certify a reduction of \$342,640 of TIF indebtedness for the development agreements.

Response – The City will certify the \$250,000 to the County Auditor as a TIF indebtedness, and certify a reduction of \$342,640 of TIF indebtedness.

Conclusion – Response accepted.

- IV-K-18 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 had \$128,805 of unearned revenue in the sewer fund for credit balances on accounts (overpayments). The City did not remit overpayments outstanding for more than two years as required.

Recommendation – Outstanding credit balances on sewer accounts should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – The City will investigate these credit balances and remit outstanding items to the Great Iowa Treasure Hunt.

Conclusion – Response accepted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

IV-L-18 Financial Condition – The Capital Projects Fund had a deficit fund balance of \$1,100,507 at June 30, 2018.

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 fund balances are not in a deficit position at the end of the fiscal year.

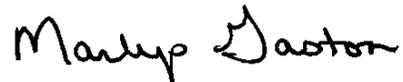
Conclusion – Response accepted.

City of Clinton

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Jesse J. Harthan, Senior Auditor II  
Preston R. Grygiel, Staff Auditor  
Sidot K. Shipley, Staff Auditor  
Rachel E. Sigmon, CPA, Staff Auditor  
David A. Slocum, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA  
Deputy Auditor of State