



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 21, 2007

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Auditor of State David A. Vaudt today released an audit report on the City of LeClaire, Iowa.

The City's revenues totaled \$6,315,874 for the year ended June 30, 2007, a 16% increase over the prior year, and included \$892,239 from property tax, \$1,444,328 from tax increment financing, \$768,954 from charges for service, \$428,658 from operating grants, contributions and restricted interest, \$2,185,823 from capital grants, contributions and restricted interest, \$161,697 from hotel/motel tax, \$391,293 from local option sales tax, \$7,995 from unrestricted investment earnings and \$34,887 from other general revenues.

Expenses for City operations totaled \$3,887,764, a less than 1% increase over the prior year, and included \$932,168 for public works, \$857,937 for public safety and \$855,458 for debt service. Expenses for business type activities totaled \$533,980.

Revenues increased due to increases in developer donated infrastructure and tax increment financing.

A copy of the report is available for review in the City Administrator's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF LECLAIRE

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2007

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City of LeClaire

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vernon C. Spring	Mayor	Jan 2008
Debra D. Smith	Mayor Pro tem	Jan 2010
Mary L. Farmer	Council Member	Jan 2008
Michael R. Wolfe	Council Member	Jan 2008
Lane R. Bleeker	Council Member	Jan 2010
Bruce R. Richardson	Council Member	Jan 2010
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite

City of LeClaire



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of LeClaire's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2007 on our consideration of the City of LeClaire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LeClaire's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein). For the two years ended June 30, 2006, we expressed unqualified opinions on the financial statements. For the year ended June 30, 2004, we expressed unqualified opinions on the financial statements, except we expressed a qualified opinion on the financial statements of the Enterprise, Water Fund due to the omission of the capital assets at July 1, 2003 and the omission of the gain or loss on the disposal of the water system and related capital assets on the business type activities and the Enterprise, Water Fund. For the year ended June 30, 2003, we expressed a qualified opinion on the financial statements other than those of the Enterprise Funds due to the omission of the general fixed assets account group and an adverse opinion on the financial statements of the Enterprise Funds due to the omission of the Enterprise Fund capital assets.

Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 28, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of LeClaire provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 10%, or approximately \$490,000, from fiscal 2006 to fiscal 2007. Capital grants, contributions and restricted interest and tax increment financing increased approximately \$154,000 and \$166,000, respectively.
- Revenues of the City's business type activities increased 68%, or approximately \$400,000, from fiscal 2006 to fiscal 2007. Capital grants, contributions and restricted interest increased approximately \$333,000.
- Program expenses of the City's governmental activities decreased 1%, or approximately \$26,000, in fiscal 2007 from fiscal 2006.
- Program expenses of the City's business type activities increased 7%, or approximately \$37,000, in fiscal 2007 from fiscal 2006.
- The City's net assets increased 20%, or approximately \$2,428,000, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities increased approximately \$1,910,000 and the net assets of the business type activities increased by approximately \$518,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor special revenue funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Fund. This fund reports services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between proprietary funds and the business type activities

included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Fund is the Sewer Fund, a major fund of the City. The City is responsible for ensuring the funds are used only for their intended purposes and by those to whom the assets belong.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets at Year-end					
	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 4,233,300	3,315,475	132,206	70,997	4,365,506	3,386,472
Capital assets	20,917,351	17,396,122	4,466,286	3,824,369	25,383,637	21,220,491
Total assets	<u>25,150,651</u>	<u>20,711,597</u>	<u>4,598,492</u>	<u>3,895,366</u>	<u>29,749,143</u>	<u>24,606,963</u>
Long-term liabilities	11,760,186	9,931,414	168,176	91,128	11,928,362	10,022,542
Other liabilities	3,332,035	2,632,164	116,181	7,802	3,448,216	2,639,966
Total liabilities	<u>15,092,221</u>	<u>12,563,578</u>	<u>284,357</u>	<u>98,930</u>	<u>15,376,578</u>	<u>12,662,508</u>
Net assets:						
Invested in capital assets, net of related debt	11,172,598	9,355,408	4,309,147	3,824,369	15,481,745	13,179,777
Restricted	275,588	328,797	-	-	275,588	328,797
Unrestricted	(1,389,756)	(1,536,186)	4,988	(27,933)	(1,384,768)	(1,564,119)
Total net assets	<u>\$ 10,058,430</u>	<u>8,148,019</u>	<u>4,314,135</u>	<u>3,796,436</u>	<u>14,372,565</u>	<u>11,944,455</u>

Restricted and unrestricted net assets at June 30, 2006 have been restated to properly reflect the unspent proceeds related to the fire truck lease and 2005A refunding bonds. The unrestricted net assets were increased by \$500,081 and the restricted net assets were decreased by \$500,081.

Net assets of governmental activities increased approximately \$1,910,000, or 23%, from FY06. Net assets of business type activities increased approximately \$520,000, or 14%, from FY06. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately (\$1,390,000) at the end of this year. The governmental activities deficit has improved from FY06 to FY07 by approximately \$146,000, due primarily to the elimination of a deficit in the Special Revenue, Urban Renewal Tax Increment Financing Fund.

	Changes in Net Assets for the Year ended June 30,					
	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service	\$ 321,526	239,223	447,428	379,148	768,954	618,371
Operating grants, contributions and restricted interest	428,658	386,573	-	-	428,658	386,573
Capital grants, contributions and restricted interest	1,650,370	1,496,333	535,453	202,937	2,185,823	1,699,270
General revenues:						
Property tax levied for:						
General purposes	850,126	846,236	-	-	850,126	846,236
Debt service	42,113	33,926	-	-	42,113	33,926
Tax increment financing	1,444,328	1,278,321	-	-	1,444,328	1,278,321
Hotel/motel tax	161,697	147,601	-	-	161,697	147,601
Local option sales tax	391,293	354,984	-	-	391,293	354,984
Unrestricted investment earnings	7,614	41,266	381	2,426	7,995	43,692
Gain on sale of capital assets	7,403	-	-	-	7,403	-
Miscellaneous	21,907	12,301	5,577	4,651	27,484	16,952
Total revenues	5,327,035	4,836,764	988,839	589,162	6,315,874	5,425,926
Program expenses:						
Public safety	857,937	778,306	-	-	857,937	778,306
Public works	932,168	842,741	-	-	932,168	842,741
Culture and recreation	272,913	311,836	-	-	272,913	311,836
Community and economic development	137,403	157,086	-	-	137,403	157,086
General government	297,905	571,487	-	-	297,905	571,487
Debt service	855,458	718,313	-	-	855,458	718,313
Sewer	-	-	533,980	497,075	533,980	497,075
Total expenses	3,353,784	3,379,769	533,980	497,075	3,887,764	3,876,844
Increase in net assets before transfers	1,973,251	1,456,995	454,859	92,087	2,428,110	1,549,082
Transfers	(62,840)	(23,181)	62,840	23,181	-	-
Increase in net assets	1,910,411	1,433,814	517,699	115,268	2,428,110	1,549,082
Net assets beginning of year	8,148,019	6,714,205	3,796,436	3,681,168	11,944,455	10,395,373
Net assets end of year	\$ 10,058,430	8,148,019	4,314,135	3,796,436	14,372,565	11,944,455

Revenues increased overall by approximately \$890,000, or 16%, from FY06 to FY07. Capital grants, contributions and restricted interest increased approximately \$487,000 due to an increase in developer donated infrastructure. Tax increment financing increased approximately \$166,000 due to a combination of an increase in debt certified on the TIF debt certificate and an increase in property valuation.

Expenses increased overall by approximately \$11,000, or .28%.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of LeClaire completed fiscal 2007, its governmental funds reported a combined fund balance of \$943,718, which is more than the \$722,825 total fund balance at June 30, 2006. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund ended fiscal 2007 with a deficit balance of \$(266,035) compared to the prior year ending balance of \$162,236. The fiscal 2007 deficit is a result of expenditures exceeding revenues. The deficit will be eliminated through a one-time debt issuance in fiscal 2008 and the reduction of expenditures in subsequent fiscal years.

The Special Revenue, Urban Renewal Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2007 with a \$4 balance compared to the prior year ending deficit balance of \$(158,343). The increase in fund balance is due to the combination of an increase in tax increment financing revenues and a decrease in transfers out.

The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements and property tax relief. This fund ended fiscal 2007 with a \$4,411 balance compared to the prior year ending fund balance of \$17,018.

The Debt Service Fund ended fiscal 2007 with a deficit balance of \$(20,011) compared to the prior year ending balance of \$353,797. The primary reason for the decrease in the ending balance of this fund is the payment of the funds that were held in an escrow account for the cross-over refunding for the 1999 water improvement bonds during fiscal 2007. The deficit will be eliminated through the transfer of funds from the Special Revenue, Local Option Sales Tax Fund.

The Capital Projects Fund ended fiscal 2007 with a balance of \$1,118,818 compared to the prior year ending balance of \$264,507. The increase is a result of unspent bond proceeds for the downtown project which is to be completed during fiscal 2008.

Proprietary Fund Highlights

The Enterprise, Sewer Fund ended fiscal 2007 with a \$4,314,135 net asset balance compared to the prior year ending net asset balance of \$3,796,436. The increase is primarily due to an increase in developer donated infrastructure.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of LeClaire amended its budget three times. Amendments were made in November 2006, February 2007 and May 2007. These amendments were needed to cover unplanned expenditures, including expenditures associated with the construction of a fire truck carried over from the prior fiscal year. In addition, the City reduced the budgeted expenditures/expenses in the capital projects and business type activities functions due to the delay of planned projects.

The City's revenues were \$810,536 more than budgeted, a variance of 21%. The most significant variance resulted from the inclusion of developers' capital contributions in miscellaneous revenue which were not included in the City's budgeted revenues.

Total expenditures were \$1,159,279 less than budgeted. The City spent \$475,925 less than budgeted in the debt service function due to the City budgeting \$445,000 retirement of water bonds which was reported as an other financing use. Actual expenditures for the business type activities function were \$711,698 less than budgeted due to the delay in the sewer system project.

Even with these amendments, the City exceeded the budgeted amounts in the public safety, community and economic development and general government functions for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$20,917,351 (net of accumulated depreciation) at June 30, 2007. Capital assets for business type activities totaled \$4,466,286 (net of accumulated depreciation) at June 30, 2007. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included completion of the fire truck and street projects. Construction in progress at June 30, 2007 consisted of street projects.

For business type activities, major additions included developer donated infrastructure. Construction in progress at June 30, 2007 consisted of engineering and design costs for a new sanitary sewer system.

LONG-TERM DEBT

At June 30, 2007, the City had \$11,711,671 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$157,139 at June 30, 2007. During the year ended June 30, 2007, the City issued a total of \$3,155,000 in general obligation bonds to finance street improvements and purchase a police car. Additionally, the City issued a sewer interim project note totaling \$157,139 during the year ended June 30, 2007. This note was issued to finance the planning and development stage of the sewer improvement and renovation project.

The City does not have a formal bond rating issued by one of the nationally recognized bond rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,648,604 is below its constitutional debt limit of \$9,569,258. Additional information about the City's long-term debt is presented in Note 4 of the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2008 budget. The City of LeClaire will experience a significant drop in General Fund revenues and expenditures from fiscal 2007 to fiscal 2008. The major factors that will play a role in this change are the reduction in intergovernmental revenue and decrease in property valuation for fiscal 2008.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was 3.2% for fiscal 2007 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices.

The General Fund is projected to end fiscal 2008 with a fund balance (deficit) of approximately \$(2,300).

The tax levy rates per \$1,000 of taxable valuation for fiscal 2008 are provided below:

General	\$ 8.10000
Levy Improvement	0.06750
Insurance	0.88574
Emergency	0.27000
Employee Benefits	4.53643
Debt Service	0.83221
	<hr/>
Total Regular Tax Levy Rate	\$ 14.69188
	<hr/>
Agricultural Tax Levy Rate	\$ 3.00375
	<hr/>

The City's property tax rate for fiscal 2008 is \$14.69188/1,000, slightly less than for fiscal 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact the City Administrator at (563)-289-4242, via email at echoate@leclaireiowa.gov or at P.O. Box 605, 325 Wisconsin Street, LeClaire, Iowa 52753-0605.

City of LeClaire

Basic Financial Statements

Exhibit A

City of LeClaire
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,491,942	2,618	1,494,560
Receivables:			
Property tax:			
Delinquent	11,671	-	11,671
Succeeding year	839,300	-	839,300
Tax increment financing:			
Delinquent	35,552	-	35,552
Succeeding year	1,537,000	-	1,537,000
Customer accounts and unbilled usage	8,693	50,231	58,924
Accounts	46,080	-	46,080
Special assessments	1,457	16,075	17,532
Due from other governments	142,523	30,615	173,138
Due from other funds	61,137	(61,137)	-
Inventories	22,940	1,638	24,578
Prepaid expenses	12,699	2,437	15,136
Restricted assets:			
Cash and pooled investments:			
Customer deposits	22,306	89,729	112,035
Capital assets not being depreciated	2,854,351	244,269	3,098,620
Capital assets (net of accumulated depreciation)	18,063,000	4,222,017	22,285,017
Total assets	25,150,651	4,598,492	29,749,143
Liabilities			
Accounts payable	884,250	26,452	910,702
Salaries and benefits payable	5,540	-	5,540
Accrued interest payable	43,639	-	43,639
Deferred revenue:			
Succeeding year property tax	839,300	-	839,300
Succeeding year tax increment financing	1,537,000	-	1,537,000
Liabilities payable from restricted assets:			
Customer deposits	22,306	89,729	112,035
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,075,000	-	1,075,000
Urban renewal tax increment revenue bonds	50,000	-	50,000
Capital lease purchase agreement	26,591	-	26,591
Compensated absences	48,515	11,037	59,552
Portion due or payable after one year:			
General obligation bonds/notes	8,890,000	-	8,890,000
Urban renewal tax increment revenue bonds	950,000	-	950,000
Sewer interim project note	-	157,139	157,139
Capital lease purchase agreement	720,080	-	720,080
Total liabilities	15,092,221	284,357	15,376,578

City of LeClaire
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	11,172,598	4,309,147	15,481,745
Restricted for:			
Local option sales tax	4,411	-	4,411
Special levies	150,402	-	150,402
Tourism	54,890	-	54,890
Park, levee and recreation	59,116	-	59,116
Other purposes	6,769	-	6,769
Unrestricted	(1,389,756)	4,988	(1,384,768)
Total net assets	\$ 10,058,430	4,314,135	14,372,565

See notes to financial statements.

City of LeClaire
Statement of Activities
Year ended June 30, 2007

Functions/Programs:	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 857,937	40,773	80,943	-
Public works	932,168	165,675	239,971	1,650,370
Culture and recreation	272,913	19,844	69,977	-
Community and economic development	137,403	9,632	15,510	-
General government	297,905	85,602	-	-
Debt service:				
Interest on long-term debt	551,535	-	17,246	-
Tax increment financing rebates	303,923	-	5,011	-
Total governmental activities	3,353,784	321,526	428,658	1,650,370
Business type activities:				
Sewer	533,980	447,428	-	535,453
Total	\$ 3,887,764	768,954	428,658	2,185,823

General Revenues:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Hotel/motel tax
Local option sales tax
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(736,221)	-	(736,221)
1,123,848	-	1,123,848
(183,092)	-	(183,092)
(112,261)	-	(112,261)
(212,303)	-	(212,303)
(534,289)	-	(534,289)
(298,912)	-	(298,912)
(953,230)	-	(953,230)
-	448,901	448,901
(953,230)	448,901	(504,329)
850,126	-	850,126
42,113	-	42,113
1,444,328	-	1,444,328
161,697	-	161,697
391,293	-	391,293
7,614	381	7,995
7,403	-	7,403
21,907	5,577	27,484
(62,840)	62,840	-
2,863,641	68,798	2,932,439
1,910,411	517,699	2,428,110
8,148,019	3,796,436	11,944,455
\$ 10,058,430	4,314,135	14,372,565

City of LeClaire
Balance Sheet
Governmental Funds

June 30, 2007

	Special Revenue		
	General	Urban Renewal Tax Increment Financing	Local Option Sales Tax
Assets			
Cash and pooled investments	\$ 139,562	-	-
Receivables:			
Property tax:			
Delinquent	6,857	-	-
Succeeding year	491,500	-	-
Tax increment financing:			
Delinquent	-	35,552	-
Succeeding year	-	1,537,000	-
Customer accounts	8,693	-	-
Accounts	28,560	9,697	-
Special assessments	1,457	-	-
Due from other governments	61,865	-	60,611
Due from other funds	-	-	-
Inventories	4,579	-	-
Prepaid expenditures	6,350	-	-
Restricted assets:			
Cash and pooled investments:			
Customer deposits	22,306	-	-
Total assets	\$ 771,729	1,582,249	60,611
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 72,097	248	-
Salaries and benefits payable	5,540	-	-
Due to other funds	445,135	44,997	56,200
Deferred revenue:			
Succeeding year property tax	491,500	-	-
Succeeding year tax increment financing	-	1,537,000	-
Other	1,186	-	-
Payable from restricted assets:			
Customer deposits	22,306	-	-
Total liabilities	1,037,764	1,582,245	56,200

Debt Service	Capital Projects	Nonmajor	Total
501	1,222,297	129,582	1,491,942
760	-	4,054	11,671
87,000	-	260,800	839,300
-	-	-	35,552
-	-	-	1,537,000
-	-	-	8,693
-	7,823	-	46,080
-	-	-	1,457
-	-	20,047	142,523
-	693,435	-	693,435
-	-	18,361	22,940
-	-	6,349	12,699
-	-	-	22,306
88,261	1,923,555	439,193	4,865,598

75	804,737	7,093	884,250
-	-	-	5,540
21,197	-	64,769	632,298
87,000	-	260,800	839,300
-	-	-	1,537,000
-	-	-	1,186
-	-	-	22,306
108,272	804,737	332,662	3,921,880

City of LeClaire
Balance Sheet
Governmental Funds

June 30, 2007

	Special Revenue		
	Urban Renewal	Local	
	Tax Increment	Option	
General	Financing	Sales Tax	
Liabilities and Fund Balances (continued)			
Fund balances:			
Reserved for:			
Special levies	23,461	-	-
Inventories	4,579	-	-
Prepaid expenditures	6,350	-	-
Park, levee and recreation	59,116	-	-
Tourism	54,890	-	-
Unreserved:			
Reported in:			
General fund	(414,431)	-	-
Special revenue funds	-	4	4,411
Debt service fund	-	-	-
Capital projects fund	-	-	-
Total fund balances	(266,035)	4	4,411
Total liabilities and fund balances	\$ 771,729	1,582,249	60,611

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	23,461
-	-	18,361	22,940
-	-	6,349	12,699
-	-	-	59,116
-	-	-	54,890
-	-	-	(414,431)
-	-	81,821	86,236
(20,011)	-	-	(20,011)
-	1,118,818	-	1,118,818
(20,011)	1,118,818	106,531	943,718
88,261	1,923,555	439,193	4,865,598

City of LeClaire

City of LeClaire

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2007

Total governmental fund balances (page 23) \$ 943,718

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$24,707,678 and the accumulated depreciation is \$3,790,327. 20,917,351

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,186

Long-term liabilities, including general obligation bonds/notes, urban renewal tax increment revenue bonds, capital lease purchase agreement, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (11,803,825)

Net assets of governmental activities (page 17) \$ 10,058,430

See notes to financial statements.

City of LeClaire

Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)
Governmental Funds

Year ended June 30, 2007

	Special Revenue		
	General	Urban Renewal Tax Increment Financing	Local Option Sales Tax
Revenues:			
Property tax	\$ 492,244	-	-
Tax increment financing	-	1,444,328	-
Other city tax	210,431	-	391,293
Licenses and permits	9,215	-	-
Use of money and property	38,148	4,321	690
Intergovernmental	55,243	-	-
Charges for service	196,528	-	-
Special assessments	33	-	-
Miscellaneous	154,753	5,739	-
Total revenues	1,156,595	1,454,388	391,983
Expenditures:			
Operating:			
Public safety	1,032,529	-	-
Public works	223,363	-	592
Culture and recreation	192,315	-	2,370
Community and economic development	111,927	24,688	-
General government	210,702	-	22,725
Debt service	-	354,537	-
Capital projects	-	-	-
Total expenditures	1,770,836	379,225	25,687
Excess (deficiency) of revenues over (under) expenditures	(614,241)	1,075,163	366,296
Other financing sources (uses):			
Operating transfers in	133,579	8,645	-
Operating transfers out	(1,177)	(925,461)	(378,903)
General obligation notes issued	40,000	-	-
Discount on general obligation notes	(660)	-	-
Payments to bond holders for refunded bonds	-	-	-
Sale of capital assets	14,228	-	-
Total other financing sources (uses)	185,970	(916,816)	(378,903)
Net change in fund balances	(428,271)	158,347	(12,607)
Fund balances (deficit) beginning of year	162,236	(158,343)	17,018
Fund balances (deficit) end of year	\$ (266,035)	4	4,411

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
41,169	-	296,966	830,379
-	-	-	1,444,328
944	-	12,182	614,850
-	-	-	9,215
17,246	36,573	1,023	98,001
-	-	239,971	295,214
-	2,093	-	198,621
-	-	-	33
-	31,000	20,029	211,521
59,359	69,666	570,171	3,702,162
-	-	114,494	1,147,023
-	-	279,219	503,174
-	-	33,349	228,034
-	-	336	136,951
-	-	26,337	259,764
1,358,171	-	-	1,712,708
-	2,181,564	-	2,181,564
1,358,171	2,181,564	453,735	6,169,218
(1,298,812)	(2,111,898)	116,436	(2,467,056)
1,383,803	7,289	-	1,533,316
(13,799)	(104,683)	(93,515)	(1,517,538)
-	3,115,000	-	3,155,000
-	(51,397)	-	(52,057)
(445,000)	-	-	(445,000)
-	-	-	14,228
925,004	2,966,209	(93,515)	2,687,949
(373,808)	854,311	22,921	220,893
353,797	264,507	83,610	722,825
(20,011)	1,118,818	106,531	943,718

City of LeClaire

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) -
Governmental Funds to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - Total governmental funds (page 27) \$ 220,893

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

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

Expenditures for capital assets	\$ 2,491,337	
Capital assets contributed by developers	1,614,331	
Depreciation expense	<u>(580,942)</u>	3,524,726

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (3,497)

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds. (189)

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

Issued	(3,155,000)	
Repaid	<u>1,330,329</u>	(1,824,671)

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

Compensated absences	(4,101)	
Accrued interest on long-term debt	<u>(2,750)</u>	<u>(6,851)</u>

Change in net assets of governmental activities (page 19) \$ 1,910,411

See notes to financial statements.

City of LeClaire
Statement of Net Assets
Proprietary Fund
June 30, 2007

	Enterprise - Sewer
Assets	
Cash and pooled investments	\$ 2,618
Receivables:	
Customer accounts and unbilled usage	50,231
Special assessments	16,075
Due from other governments	30,615
Inventories	1,638
Prepaid expenses	2,437
Restricted assets:	
Cash and pooled investments:	
Customer deposits	89,729
Capital assets not being depreciated	244,269
Capital assets (net of accumulated depreciation)	4,222,017
Total assets	4,659,629
Liabilities	
Current liabilities:	
Accounts payable	26,452
Due to other funds	61,137
Compensated absences	11,037
Payable from restricted assets:	
Customer deposits	89,729
Long-term liabilities:	
Sewer interim project note	157,139
Total liabilities	345,494
Net Assets	
Invested in capital assets	4,309,147
Unrestricted	4,988
Total net assets	\$ 4,314,135

See notes to financial statements.

Exhibit H

City of LeClaire
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2007

	<u>Enterprise - Sewer</u>
Operating revenues:	
Charges for service	\$ 447,428
Miscellaneous	5,577
Total operating revenues	<u>453,005</u>
Operating expenses:	
Business type activities:	
Cost of sales and services	403,147
Depreciation	130,833
Total operating expenses	<u>533,980</u>
Operating loss	(80,975)
Non-operating revenues:	
Interest income	381
Net loss before contributions and transfers	<u>(80,594)</u>
Contributions and transfers:	
Capital contributions	614,071
Transfers out	(15,778)
Total contributions and transfers	<u>598,293</u>
Change in net assets	517,699
Net assets beginning of year	<u>3,796,436</u>
Net assets end of year	<u>\$ 4,314,135</u>

See notes to financial statements.

City of LeClaire
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2007

	Enterprise - Sewer
Cash flows from operating activities:	
Cash received from customers and users	\$ 443,631
Cash received from other revenues	5,577
Cash paid for personal services	(198,950)
Cash paid to suppliers	(189,117)
Net cash provided by operating activities	61,141
Cash flows from noncapital financing activities:	
Deficit cash implicity financed	(2,029)
Transfers to other funds	(15,778)
Net cash used for noncapital financing activities	(17,807)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(158,679)
Sewer interim project note proceeds	126,816
Net cash used for capital and related financing activities	(31,863)
Cash flows from investing activities:	
Interest on investments	381
Net increase in cash and cash equivalents	11,852
Cash and cash equivalents beginning of year	80,495
Cash and cash equivalents end of year	\$ 92,347
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (80,975)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	130,833
(Increase) in customer accounts, unbilled usage and other receivables	(12,930)
(Increase) in prepaid expenses	(2,437)
(Increase) in inventories	(1,638)
Increase in accounts payable	15,920
Increase in compensated absences	3,235
(Decrease) in deferred revenue	(171)
Increase in customer deposits	9,304
Net cash provided by operating activities	\$ 61,141

During the year ended June 30, 2007, developers contributed sanitary sewer extensions totaling \$535,453 to the Enterprise, Sewer Fund. In addition, the Capital Projects Fund contributed sanitary sewer extension totaling \$78,618 to the Enterprise, Sewer Fund.

See notes to financial statements.

City of LeClaire

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

Assessor's Conference Board, Scott County Emergency Management Commission, Scott County Area Solid Waste Management Commission, Mississippi Valley Welcome Center Board and Bi-State Regional Commission. Financial transactions of these organizations are not included in the City's financial statements.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements and property tax relief.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The City maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2007 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2006.

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

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20-50 years
Equipment	5-40 years
Vehicles	7-30 years
Infrastructure	20-77 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements

represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable, including tax increment financing and other receivables not collected within sixty days after year end.

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

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Road Use Tax Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amounts budgeted in the public safety, community and economic development and general governmental functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 772,646	-	(47)	772,599
Land, right of way	106,403	-	-	106,403
Deposits on fire truck	426,484	363,669	(790,153)	-
Construction in progress - infrastructure	896,626	2,072,786	(994,063)	1,975,349
Total capital assets not being depreciated	2,202,159	2,436,455	(1,784,263)	2,854,351
Capital assets being depreciated:				
Buildings and improvements	4,610,631	21,975	-	4,632,606
Equipment and vehicles	1,851,034	823,060	(30,772)	2,643,322
Infrastructure, road network	11,716,964	2,608,394	-	14,325,358
Infrastructure, other	252,041	-	-	252,041
Total capital assets being depreciated	18,430,670	3,453,429	(30,772)	21,853,327
Less accumulated depreciation for:				
Buildings and improvements	346,476	90,010	-	436,486
Equipment and vehicles	833,960	150,103	(27,322)	956,741
Infrastructure, road network	2,052,070	332,428	-	2,384,498
Infrastructure, other	4,201	8,401	-	12,602
Total accumulated depreciation	3,236,707	580,942	(27,322)	3,790,327
Total capital assets being depreciated, net	15,193,963	2,872,487	(3,450)	18,063,000
Governmental activities capital assets, net	\$ 17,396,122	5,308,942	(1,787,713)	20,917,351
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 85,590	-	-	85,590
Construction in progress - infrastructure, sewer network	-	237,297	(78,618)	158,679
Total capital assets not being depreciated	85,590	237,297	(78,618)	244,269
Capital assets being depreciated:				
Buildings	1,794,197	-	-	1,794,197
Equipment and vehicles	1,025,800	-	-	1,025,800
Infrastructure, sewer network	3,664,386	614,071	-	4,278,457
Total capital assets being depreciated	6,484,383	614,071	-	7,098,454
Less accumulated depreciation for:				
Buildings	1,185,247	52,243	-	1,237,490
Equipment and vehicles	872,280	26,177	-	898,457
Infrastructure, sewer network	688,077	52,413	-	740,490
Total accumulated depreciation	2,745,604	130,833	-	2,876,437
Total capital assets being depreciated, net	3,738,779	483,238	-	4,222,017
Business type activities capital assets, net	\$ 3,824,369	720,535	(78,618)	4,466,286

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety		\$ 100,853
Public works		382,257
Culture and recreation		41,909
General government		55,923
	Total depreciation expense - governmental activities	<u>\$ 580,942</u>
Business type activities:		
Sewer		<u>\$ 130,833</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 8,115,000	3,155,000	1,305,000	9,965,000	1,075,000
Urban renewal tax increment revenue bonds	1,000,000	-	-	1,000,000	50,000
Capital lease purchase agreement	772,000	-	25,329	746,671	26,591
Compensated absences	44,414	69,461	65,360	48,515	48,515
Total	<u>\$ 9,931,414</u>	<u>3,224,461</u>	<u>1,395,689</u>	<u>11,760,186</u>	<u>1,200,106</u>
Business type activities:					
Sewer interim project note	\$ -	157,139	-	157,139	-
Compensated absences	7,802	17,912	14,677	11,037	11,037
Total	<u>\$ 7,802</u>	<u>175,051</u>	<u>14,677</u>	<u>168,176</u>	<u>11,037</u>

General obligation bonds/notes

Seven issues of unmatured general obligation bonds/notes, totaling \$9,965,000, are outstanding at June 30, 2007. General obligation bonds/notes bear interest at rates ranging from 1.95% to 5.65% per annum and mature in varying annual amounts, ranging from \$15,000 to \$355,000, with the final maturities due in the year ending June 30, 2020.

Revenue bonds

Two issues of unmatured urban renewal tax increment revenue bonds, totaling \$1,000,000, are outstanding at June 30, 2007. Urban renewal tax increment revenue bonds bear interest at rates ranging from 3.00% to 6.40% per annum and mature in annual amounts of \$50,000 and \$81,250, with the final maturities due in the year ending June 30, 2016.

Details of general obligation and revenue bonds/notes payable at June 30, 2007 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
Governmental activities:						
General obligation bonds/notes:						
Taxable refunding notes	Dec 1, 2002	3.10-5.65%	Jun 1, 2009	\$100,000-300,000	\$ 1,410,000	\$ 345,000
Corporate purpose and refunding notes	Dec 1, 2002	2.00-4.40	Jun 1, 2013	160,000-305,000	2,885,000	1,560,000
Corporate purpose notes	Dec 1, 2003	1.95-4.00	Jun 1, 2013	25,000-240,000	1,365,000	1,190,000
Corporate purpose annual appropriation notes	Aug 1, 2004	2.65-5.00	Jun 1, 2019	145,000-265,000	2,440,000	2,015,000
Refunding bonds	Aug 3, 2005	3.15-4.00	Jun 1, 2015	15,000-75,000	570,000	540,000
Corporate purpose annual appropriation bonds	Aug 3, 2005	3.45-4.80	Jun 1, 2020	65,000-115,000	1,225,000	1,160,000
Corporate purpose annual appropriation bonds	Oct 3, 2006	4.40-4.85	Jun 1, 2018	155,000-360,000	3,155,000	3,155,000
Total general obligation bonds/notes						<u>9,965,000</u>
Revenue bonds:						
Urban renewal tax increment annual appropriation	Mar 1, 2004	3.00-5.50	Jun 1, 2014	50,000	350,000	350,000
Urban renewal tax increment annual appropriation	Apr 17, 2006	4.85-6.40	Jun 1, 2016	81,250	650,000	650,000
Total revenue bonds						<u>1,000,000</u>
Total governmental activities						<u>\$ 10,965,000</u>
Business type activities:						
Sewer interim project note	Nov 2, 2006	0.00	Nov 2, 2009	N/A	157,139	<u>\$ 157,139</u>

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

Year Ending June 30,	General Obligation Bond/Notes			Urban Renewal Tax Increment Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,075,000	425,655	1,500,655	50,000	47,875	97,875
2009	1,065,000	382,662	1,447,662	131,250	46,700	177,950
2010	1,080,000	341,390	1,421,390	131,250	42,269	173,519
2011	1,160,000	299,052	1,459,052	131,250	36,694	167,944
2012	1,085,000	251,770	1,336,770	131,250	30,625	161,875
2013-2017	3,500,000	671,955	4,171,955	425,000	56,875	481,875
2018-2020	1,000,000	73,320	1,073,320	-	-	-
Total	<u>\$ 9,965,000</u>	<u>2,445,804</u>	<u>12,410,804</u>	<u>1,000,000</u>	<u>261,038</u>	<u>1,261,038</u>

Capital Lease Purchase Agreement

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 26,591	37,184	63,775
2009	27,915	35,860	63,775
2010	29,305	34,470	63,775
2011	30,765	33,010	63,775
2012	32,297	31,478	63,775
2013-2017	187,272	131,603	318,875
2018-2022	238,785	80,090	318,875
2023-2025	173,741	17,585	191,326
Total	\$ 746,671	401,280	1,147,951

During the year ended June 30, 2007 the fire truck was delivered to the City and the balance of \$363,669 was paid to the vendor. Principal and interest payments under the capital lease purchase agreement totaled \$25,329 and \$38,446, respectively, during the year ended June 30, 2007.

Water Revenue Bond Defeasance

During the year ended June 30, 2004, the City defeased water revenue bonds by creating an irrevocable trust fund. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's Statement of Net Assets. As of June 30, 2007, the amount of defeased debt outstanding but removed from the Statement of Net Assets is \$760,000.

Contingent Liability for Hydro-Electric Promissory Note

On January 15, 1990, the City entered into a loan agreement with Voith Hydro, Inc., for \$700,000. The City received \$250,000 on March 14, 1990 and \$450,000 during the year ended June 30, 1991 for the purpose of paying costs related to the planning, design and development of the hydro-electric generating plant. The note bears interest payable at maturity at the rate of 7.25% per annum. The note will mature 30 days after the issuance of the notice to proceed. The outstanding balance at June 30, 2007 was \$700,000.

The Federal Energy Regulatory Commission (FERC) imposed certain restrictions upon the City's license for the development of the generating plant. On April 1, 1996, the City entered into an agreement for the development phase with Gracon Corporation, an energy project engineering and development organization. Subsequent to April 1, 1996, Gracon Corporation changed its name to Matrix Energy, Inc. The development agreement has expired and was not renewed. If the generating plant does not proceed, any accumulated assets are sold and used to satisfy the Voith Hydro, Inc. loan. Any remaining balance on the loan is forgiven. The future development of the generating plant remains uncertain.

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

Sewer Interim Project Note

On November 2, 2006, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for issuance of an interest free interim project note of \$720,000. The principal on the note is payable at maturity on November 2, 2009. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of planning and designing improvements and extensions to the sanitary sewer system. The City receives drawdowns from the Trustee for costs as they are incurred. At June 30, 2007, the City had drawn \$157,139 of \$720,000 authorized.

Wells Fargo Bank, N.A. has the funds held in trust which the City will request as the project progresses. The project note is payable three years for the date of issuance with future proceeds of sewer revenue bonds.

(5) Operating Lease Agreement

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

The following is a schedule of future minimum rental payments required under the operating lease which has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2007:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2008	\$ 26,328
2009	26,328
2010	26,328
2011	26,328
2012	6,582
	<u>\$ 111,894</u>

Rental expense for the year ended June 30, 2007 totaled \$19,746.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 10,112
	Group Insurance	76,176
	Emergency	15,611
	Friends of the Library	1,491
	Debt Service	13,799
	Capital Projects	612
	Enterprise:	
	Sewer	15,778
		<u>133,579</u>
Special Revenue:		
Urban Renewal Tax Increment Financing	Capital Projects	8,645
Debt Service	General	1,177
	Special Revenue:	
	Urban Renewal Tax Increment Financing	925,461
	Local Option Sales Tax	361,739
	Capital Projects	95,426
		<u>1,383,803</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	7,052
	Road Use Tax	237
		<u>7,289</u>
		<u>\$ 1,533,316</u>
	Total	

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

(7) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 445,135
	Special Revenue:	
	Urban Renewal Tax Increment Financing	44,997
	Local Option Sales Tax	56,200
	Road Use Tax	64,769
	Debt Service	21,197
	Enterprise:	
	Sewer	61,137
		<u>693,435</u>
	Total	<u>\$ 693,435</u>

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

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$58,783 \$57,064 and \$50,789, respectively, equal to the required contributions for each year.

(9) Deficit Balances

At June 30, 2007, the City had deficit unreserved/unrestricted fund balances/net assets in the following funds:

Fund	Unreserved/Unrestricted Fund Balances/Net Assets (Deficit) June 30, 2007
General	\$ (414,431)
Special Revenue:	
Road Use Tax	(52,119)
Debt Service	(20,011)

The General Fund deficit is the result of expenditures exceeding revenues during the fiscal year. The deficit will be eliminated through the issuance of debt and the reduction of expenditures in subsequent fiscal years.

The Special Revenue, Road Use Tax Fund deficit is the result of street maintenance costs in excess of available funds. The deficit will be eliminated through the reduction of expenditures in subsequent fiscal years.

The Debt Service Fund deficit is the result of expenditures exceeding related revenues. The deficit will be eliminated through the transfer of funds from the Special Revenue, Local Option Sales Tax Fund.

(10) Risk Management

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

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City's group

insurance is a partial self-funded health plan. Under the partial self-funded plan, the City will reimburse an eligible employee for a portion of the deductible. The amount of the deductibles for the employees and City are as follows:

	<u>Single</u>	<u>Family</u>
Employee	\$ 400	500
City	4,600	9,500

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

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

(11) Development and Rebate Agreements

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

During the year ended June 30, 2007, the City rebated \$303,923 of incremental taxes to the developers, paying \$272,337 of principal and \$31,586 of interest. One of the eighteen development and rebate agreements was paid off during the year ended June 30, 2007. Also, the City entered into three development and rebate agreement totaling \$10,430,000. The outstanding principal balance on the rebate agreements at June 30, 2007 is \$31,603,666.

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

Fifteen of the seventeen agreements with outstanding principal balances at June 30, 2007 include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining two agreements do not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of these agreements is subject to the constitutional debt limitation.

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

(12) Wastewater Plant Operator

In November 2006, the City entered into a contract with a company to provide a certified wastewater plant operator to comply with Iowa Department of Natural Resources regulations. The contractor oversees the wastewater treatment facility and manages essential City wastewater personnel and contractor personnel. The fee for these services is \$1,500 per week which is paid from the Enterprise, Sewer Fund. During the year ended June 30, 2007, payments under the agreement totaled \$42,000.

(13) Construction Commitments

The City has entered into construction contracts totaling \$2,671,032 for the downtown street project and planning and design of the waste water treatment plant. The downtown street project will be primarily funded through general obligation bond proceeds. The planning and design of the waste water treatment plant will be funded through a sewer interim project note. As of June 30, 2007, costs of \$791,884 have been incurred on the projects. The remaining \$1,879,148 will be paid as work on the projects progresses.

(14) Subsequent Events

Development and Rebate Agreements

In August 2007, the City entered into two development and rebate agreements to assist in urban renewal projects. The City agreed to rebate incremental taxes of the lesser of the developers' costs or \$505,000 in exchange for development of mixed-use retail commercial and residential facilities. The agreements are not general obligations of the City because they include annual appropriation clauses.

General Obligation Notes

In October 2007, the City issued \$1,770,000 of general obligation annual appropriation notes. The notes were issued to fund various projects, including acquiring a police vehicle and acquiring a vehicle and equipment for the public works department, constructing street, sidewalk, storm sewer, sanitary sewer and street lighting improvements, improvements to the fire station, roof improvements to the recreation center and funding an historical preservation grant to the Buffalo Bill Museum in connection with the Lone Star Building project. These notes are subject to non-appropriation by the City Council each fiscal year.

(15) Pending Litigation

The City is a defendant in two lawsuits seeking unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

Required Supplementary Information

City of LeClaire

Budgetary Comparison of Revenues, Expenditures/Expenses
and Changes in Balances/Net Assets
Budget and Actual -
Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Property tax	\$ 830,379	-	830,379
Tax increment financing	1,444,328	-	1,444,328
Other city tax	614,850	-	614,850
Licenses and permits	9,215	-	9,215
Use of money and property	98,001	381	98,382
Intergovernmental	295,214	-	295,214
Charges for service	198,621	447,428	646,049
Special assessments	33	-	33
Miscellaneous	211,521	619,648	831,169
Total revenues	3,702,162	1,067,457	4,769,619
Expenditures/Expenses:			
Public safety	1,147,023	-	1,147,023
Public works	503,174	-	503,174
Culture and recreation	228,034	-	228,034
Community and economic development	136,951	-	136,951
General government	259,764	-	259,764
Debt service	1,712,708	-	1,712,708
Capital projects	2,181,564	-	2,181,564
Business type activities	-	533,980	533,980
Total expenditures/expenses	6,169,218	533,980	6,703,198
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,467,056)	533,477	(1,933,579)
Other financing sources (uses), net	2,687,949	(15,778)	2,672,171
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	220,893	517,699	738,592
Balances beginning of year	722,825	3,796,436	4,519,261
Balances end of year	\$ 943,718	4,314,135	5,257,853

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	830,379	831,605	832,192	(1,813)
-	1,444,328	1,419,320	1,447,662	(3,334)
-	614,850	563,944	597,392	17,458
-	9,215	5,950	7,893	1,322
-	98,382	50,055	74,045	24,337
-	295,214	291,069	296,952	(1,738)
-	646,049	567,641	572,815	73,234
-	33	150	113	(80)
12,497	818,672	29,390	117,522	701,150
12,497	4,757,122	3,759,124	3,946,586	810,536
-	1,147,023	691,565	1,063,101	(83,922)
-	503,174	496,208	524,546	21,372
10,177	217,857	226,272	259,728	41,871
-	136,951	89,528	116,177	(20,774)
-	259,764	223,934	254,754	(5,010)
-	1,712,708	2,060,823	2,188,633	475,925
-	2,181,564	2,996,833	2,199,683	18,119
-	533,980	5,986,098	1,245,678	711,698
10,177	6,693,021	12,771,261	7,852,300	1,159,279
2,320	(1,935,899)	(9,012,137)	(3,905,714)	1,969,815
(1,491)	2,673,662	8,400,000	3,888,415	(1,214,753)
829	737,763	(612,137)	(17,299)	755,062
5,940	4,513,321	3,837,054	4,513,320	1
6,769	5,251,084	3,224,917	4,496,021	755,063

City of LeClaire

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2007

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

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

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments decreased budgeted expenditures by \$4,918,961. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, expenditures in the public safety, community and economic development and general government functions exceeded the amounts budgeted.

Other Supplementary Information

City of LeClaire
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Road Use Tax	Workers' Compensation	Special Employees' Retirement FICA/IPERS
Assets			
Cash and pooled investments	\$ 20	17,642	61,077
Receivables:			
Property tax:			
Delinquent	-	-	3,851
Succeeding year	-	9,800	104,000
Due from other governments	19,723	-	324
Inventories	18,361	-	-
Prepaid expenditures	355	-	-
Total assets	\$ 38,459	27,442	169,252
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 7,093	-	-
Due to other funds	64,769	-	-
Deferred revenue:			
Succeeding year property tax	-	9,800	104,000
Total liabilities	71,862	9,800	104,000
Fund equity:			
Fund balances (deficit):			
Reserved for:			
Inventories	18,361	-	-
Prepaid expenditures	355	-	-
Unreserved	(52,119)	17,642	65,252
	(33,403)	17,642	65,252
Total liabilities and fund equity	\$ 38,459	27,442	169,252

See accompanying independent auditor's report.

Revenue			
Group Insurance	Emergency	Friends of the Library	Total
44,074	-	6,769	129,582
-	203	-	4,054
132,000	15,000	-	260,800
-	-	-	20,047
-	-	-	18,361
5,994	-	-	6,349
182,068	15,203	6,769	439,193
-	-	-	7,093
-	-	-	64,769
132,000	15,000	-	260,800
132,000	15,000	-	332,662
-	-	-	18,361
5,994	-	-	6,349
44,074	203	6,769	81,821
50,068	203	6,769	106,531
182,068	15,203	6,769	439,193

City of LeClaire

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds

Year ended June 30, 2007

	Road Use Tax	Workers' Compensation	Special Employees' Retirement FICA/IPERS
Revenues:			
Property tax	\$ -	17,808	107,171
Other city tax	-	731	4,468
Use of money and property	-	207	303
Intergovernmental	239,971	-	-
Miscellaneous	-	1,564	-
Total revenues	<u>239,971</u>	<u>20,310</u>	<u>111,942</u>
Expenditures:			
Operating:			
Public safety	-	12,969	60,596
Public works	237,227	7,595	15,279
Culture and recreation	-	2,157	12,077
Community and economic development	-	3	210
General government	-	927	12,750
Total expenditures	<u>237,227</u>	<u>23,651</u>	<u>100,912</u>
Excess (deficiency) of revenues over (under) expenditures	2,744	(3,341)	11,030
Other financing (uses):			
Operating transfers out	(237)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	2,507	(3,341)	11,030
Fund balances (deficit) beginning of year	(35,910)	20,983	54,222
Fund balances (deficit) end of year	<u>\$ (33,403)</u>	<u>17,642</u>	<u>65,252</u>

See accompanying independent auditor's report.

Revenue			
Group Insurance	Emergency	Friends of the Library	Total
157,109	14,878	-	296,966
6,373	610	-	12,182
403	110	-	1,023
-	-	-	239,971
5,968	-	12,497	20,029
169,853	15,598	12,497	570,171
40,929	-	-	114,494
19,118	-	-	279,219
8,938	-	10,177	33,349
123	-	-	336
12,660	-	-	26,337
81,768	-	10,177	453,735
88,085	15,598	2,320	116,436
(76,176)	(15,611)	(1,491)	(93,515)
11,909	(13)	829	22,921
38,159	216	5,940	83,610
50,068	203	6,769	106,531

Schedule 3

City of LeClaire

Schedule of Revenues by Source and Expenditures by Function-
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property tax	\$ 830,379	821,818	792,171	684,998	719,944
Tax increment financing	1,444,328	1,278,321	1,191,949	991,973	773,172
Other city tax	614,850	560,929	504,206	496,853	477,157
Licenses and permits	9,215	6,848	4,837	5,522	4,115
Use of money and property	98,001	75,918	54,819	47,502	43,178
Intergovernmental	295,214	288,922	522,271	353,943	298,527
Charges for service	198,621	172,686	180,186	180,064	164,715
Special assessments	33	125	238	49	81
Miscellaneous	211,521	179,933	448,415	311,898	89,083
Total	\$ 3,702,162	3,385,500	3,699,092	3,072,802	2,569,972
Expenditures:					
Operating:					
Public safety	\$ 1,147,023	1,124,582	728,325	1,392,127	572,454
Public works	503,174	510,872	533,706	736,645	408,116
Culture and recreation	228,034	270,867	186,035	266,241	157,341
Community and economic development	136,951	232,743	180,336	156,997	96,336
General government	259,764	274,904	204,981	143,664	130,476
Debt service	1,712,708	1,627,005	1,391,486	1,134,384	1,241,646
Capital projects	2,181,564	2,684,731	1,861,899	2,935,147	802,625
Total	\$ 6,169,218	6,725,704	5,086,768	6,765,205	3,408,994

See accompanying independent auditor's report.

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

City of LeClaire



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 28, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of LeClaire's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of LeClaire's financial statements that is more than inconsequential will not be prevented or detected by the City of LeClaire's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of LeClaire's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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 LeClaire's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of LeClaire's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of LeClaire and other parties to whom the City of LeClaire may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of LeClaire 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 28, 2007

City of LeClaire
Schedule of Findings
Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Information Systems – The City has adopted a written policy for its information system but has not developed a written disaster recovery plan.

Recommendation – The City should develop a disaster recovery plan.

Response – The City is still in process of developing such a plan which is planned to be completed by January 1, 2008.

Conclusion – Response accepted.

- (B) Capital Assets – A physical observation of capital assets has not been performed periodically by an employee having no responsibility for the assets.

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

Response – The City will try to accomplish this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of LeClaire

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Financial Condition – At June 30, 2006 and 2007, the City had deficit unreserved/unrestricted fund balances/net assets in the following funds:

Fund	Unreserved Fund Balances (Deficit)	
	June 30,	
	2006	2007
General	\$ (327,786)	(414,431)
Special Revenue:		
Road Use Tax	(35,910)	(52,119)
Debt Service	-	(20,011)

City of LeClaire

Schedule of Findings

Year ended June 30, 2007

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

Response – The City has already addressed the General Fund and Debt Service Fund issues in the 2007-08 budget and expenditures have been reduced in the Road Use Tax Fund to address that issue.

Conclusion – Response accepted.

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

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

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

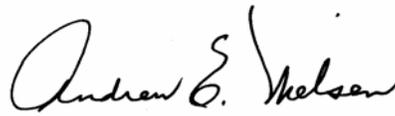
Conclusion – Response acknowledged. The City should obtain the actuarial opinion as required.

City of LeClaire

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Kimberly M. Knight, CPA, Senior Auditor II
Michael R. Field, Staff Auditor
Melissa J. Knoll-Speer, Staff Auditor
Matthew R. Ritchey, Staff Auditor
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Andrew E. Nielsen, CPA
Deputy Auditor of State