

City of Clinton, Iowa

Financial and Compliance Report
Year Ended June 30, 2015

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CITY OF CLINTON, IOWA

List of Principal Officials

June 30, 2015

ELECTED OFFICIALS

(Fiscal Year 2015)

Mayor

Mark S. Vulich

Council Member

Julie Allessee

Council Member

Paul Gassman

Council Member

Ed O'Neill

Council Member

Tom Determann

Council Member

Grant Wilke

Council Member

Lynn McGraw

Council Member

John Rowland

APPOINTED OFFICIALS

City Administrator

Jessica Kinser

City Attorney

Lynch Dallas

City Clerk

Pat Van Loo

Finance Director

Anita Dalton

Airport Manager

Mike Nass

Fire Chief

Mike Brown

Library Director

Brad Wiles

Recreation Director

Gregg Obren

Police Chief

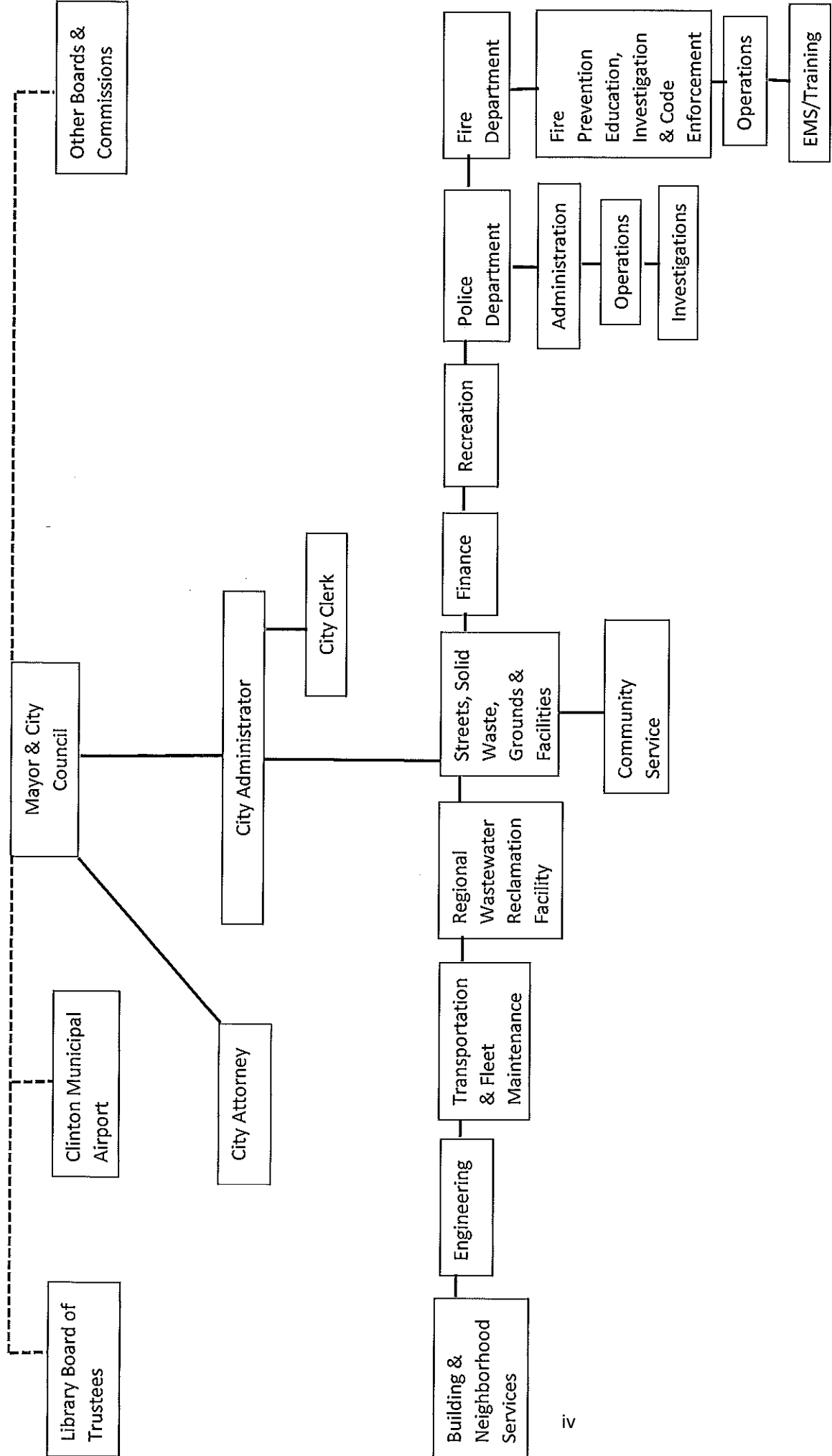
Brian Guy

City Engineer

Jason Craft

Building & Neighborhood Services

Creighton Regenwether



Contracted Services:
Human Resources
Information Technology

FINANCIAL SECTION

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OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clinton as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, the City of Clinton adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of Funding Progress for the Retiree Health Plan, the Budgetary Comparison Information, the Schedules of the City's Proportionate Share of the Net Pension Liability and the Schedules of City Contributions on pages 4 through 14 and 62 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton's basic financial statements. The supplementary information included in the combining nonmajor fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented in the compliance section for purposes of additional analysis and is also not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Other Information Sections on pages i through iv and 86 through 102 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2016 on our consideration of the City of Clinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Clinton's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 2, 2016

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City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

It is an honor to present to you the financial picture of the City of Clinton, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clinton, Iowa for the year ended June 30, 2015.

Financial Highlights

The assets of the City of Clinton, Iowa exceeded its liabilities at the close of the most recent fiscal year by \$136,216,383 (net position). Of this amount, (\$10,076,964) deficit is unrestricted. After the restatements discussed in Note 16 to the financial statements, assets exceeded liabilities by \$132,531,230 as of June 30, 2014. Of this amount, (\$16,046,584) deficit was unrestricted.

For fiscal year 2015, the government's total net position increased \$3,685,153. Governmental activities increased by \$967,470 and business-type activities increased by \$2,717,683. For fiscal year 2014, the government's total net position increased \$1,014,087 (not restated). The amounts presented in Table 2 for fiscal year 2014 were not restated because the information needed to restate these amounts was not available.

As of the close of fiscal year June 30, 2015, the City of Clinton, Iowa's governmental funds reported combined ending fund balances of \$6,548,161, an increase of \$2,033,134 in comparison with the prior year. Approximately 30.0 percent of this amount, \$1,992,824, is unassigned fund balance which is available for spending at the City's discretion. As of the close of fiscal year June 30, 2014, the City's governmental funds reported restated combined ending fund balances of \$4,515,027, a decrease of \$1,337,181 in comparison with the prior year. Approximately 33.1 percent of this total amount, \$1,494,465, was unassigned fund balance.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,992,824 or 13.4 percent of total General Fund expenditures compared to \$1,721,414 and 11.0 percent as of June 30, 2014.

The City implemented Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*. The new standards resulted in a restatement to fiscal year 2014 governmental activities net position of (\$11,504,910) and business-type activities net position of (\$1,911,680). The City also restated governmental activities net position as of July 1, 2014 for (\$6,000,000) to record a due to other government for an agreement with the County. In addition, the City restated governmental activities net position and the Capital Projects Fund fund balance by \$100,000 to eliminate a prepaid item recorded as of June 30, 2014.

Overview of the Financial Statements

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

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

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

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

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

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

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

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

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

The City of Clinton, Iowa maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Local Option Sales Tax Fund, Employee Benefits Fund, Tax Increment Financing Fund, Road Use Tax Fund, Capital Projects Fund, and Debt Service Fund which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

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

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

The City uses an internal service fund to account for its employee health insurance costs. Because this activity predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Fiduciary funds –Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's programs. The City does not have fiduciary funds.

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

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

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

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's total net position has increased from a year ago. Table 1 reflects total net position of \$136,216,383, which represents an increase of \$3,685,153 from 2014.

Table 1 - City of Clinton's Net Position

	Governmental	(Restated) Governmental	Business-Type	(Restated) Business-Type	Total	(Restated) Total
	Activities	Activities	Activities	Activities		
	June	June	June	June	June	June
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 27,964,760	\$ 25,237,110	\$ 11,107,825	\$ 9,115,831	\$ 39,072,585	\$ 34,352,941
Capital assets	105,726,847	104,588,781	136,253,031	136,017,341	241,979,878	240,606,122
Total assets	133,691,607	129,825,891	147,360,856	145,133,172	281,052,463	274,959,063
Deferred outflows of resources	2,513,397	1,773,223	282,820	219,758	2,796,217	1,992,981
Noncurrent liabilities	42,914,582	43,447,401	72,643,758	73,119,302	115,558,340	116,566,703
Other liabilities	6,838,389	6,636,648	4,121,111	4,677,827	10,959,500	11,314,475
Total liabilities	49,752,971	50,084,049	76,764,869	77,797,129	126,517,840	127,881,178
Deferred inflows of resources	20,509,134	16,539,636	605,323	-	21,114,457	16,539,636
Net position:						
Net investment in capital assets	77,789,498	81,932,510	63,265,183	62,221,883	141,054,681	144,154,393
Restricted	5,238,666	3,327,927	-	1,095,494	5,238,666	4,423,421
Unrestricted	(17,085,265)	(20,285,008)	7,008,301	4,238,424	(10,076,964)	(16,046,584)
Total net position	\$ 65,942,899	\$ 64,975,429	\$ 70,273,484	\$ 67,555,801	\$ 136,216,383	\$ 132,531,230

Of the City of Clinton's net position, 103.6 percent reflects its net investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, infrastructure, machinery and equipment); less depreciation and any related debt used to acquire those assets that are still outstanding. The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A restricted portion of the City's net position (3.8 percent as of June 30, 2015) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (\$10,076,964) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2015. These two main components are subtracted to yield the change in net position. This table utilizes the full accrual method of accounting. Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

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

	(Not Restated)		(Not Restated)		(Not Restated)	
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 3,254,723	\$ 4,640,746	\$ 12,473,029	\$ 12,207,195	\$ 15,727,752	\$ 16,847,941
Operating grants and contributions	3,816,693	3,330,475	786,681	596,865	4,603,374	3,927,340
Capital grants and contributions	1,485,993	1,352,635	488,827	1,502,684	1,974,820	2,855,319
General revenues:						
Property taxes	15,840,172	15,654,387	-	-	15,840,172	15,654,387
Hotel/Motel tax	391,746	410,462	-	-	391,746	410,462
Local option sales tax	3,289,995	3,299,940	-	-	3,289,995	3,299,940
Tax increment financing	2,033,285	1,434,883	-	-	2,033,285	1,434,883
Gaming tax	225,019	162,106	-	-	225,019	162,106
Other taxes	-	12,554	-	-	-	12,554
Investment earnings	36,824	1,742	26,905	20,220	63,729	21,962
Total revenues	30,374,450	30,299,930	13,775,442	14,326,964	44,149,892	44,626,894
Expenses:						
Public safety	\$ 9,588,973	\$ 10,431,230	\$ -	\$ -	\$ 9,588,973	\$ 10,431,230
Public works	5,894,997	7,262,716	-	-	5,894,997	7,262,716
Culture and recreation	3,160,462	3,314,146	-	-	3,160,462	3,314,146
Community and economic development	2,084,627	1,877,259	-	-	2,084,627	1,877,259
General government	2,917,121	3,876,480	-	-	2,917,121	3,876,480
Interest on long-term debt	914,941	820,865	-	-	914,941	820,865
Sewer	-	-	10,248,182	11,475,114	10,248,182	11,475,114
Solid waste	-	-	1,510,316	1,579,776	1,510,316	1,579,776
Transit	-	-	2,085,462	2,134,220	2,085,462	2,134,220
Airport operations	-	-	1,262,432	1,217,953	1,262,432	1,217,953
Marina	-	-	797,226	639,767	797,226	639,767
Total expenses	24,561,121	27,582,696	15,903,618	17,046,830	40,464,739	44,629,526
Excess (deficiency) before transfers	5,813,329	2,717,234	(2,128,176)	(2,719,866)	3,685,153	(2,632)
Transfers	(4,845,859)	(3,733,953)	4,845,859	3,733,953	-	-
Change in net position	967,470	(1,016,719)	2,717,683	1,014,087	3,685,153	(2,632)
Net position, beginning, as restated	64,975,429	83,597,058	67,555,801	68,453,394	132,531,230	152,050,452
Net position, ending	\$ 65,942,899	\$ 82,580,339	\$ 70,273,484	\$ 69,467,481	\$ 136,216,383	\$ 152,047,820

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

The City's total net position increased by \$3,685,153 during the year ended June 30, 2015. The governmental activities' net position increased by \$967,470. The total business-type activities' net position increased by \$2,717,683. The governmental activities net position and business-type activities net position increased due to improvement in the funding ratio of the City's retirement systems causing a decrease in net pension liabilities. In addition, business-type activities increased due to continued stabilization in billing and collection processes.

Table 3 below discloses cost of services for governmental activities.

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

Table 3 - Governmental Activities

Programs	Total Cost of Services 2015	(Not Restated) Total Cost of Services 2014	Net Cost of Services 2015	(Not Restated) Net Cost of Services 2014
Public safety	\$ 9,588,973	\$ 10,431,230	\$ 7,669,229	\$ 9,040,248
Public works	5,894,997	7,262,716	869,326	919,445
Culture and recreation	3,160,462	3,314,146	2,605,173	2,597,008
Community and economic development	2,084,627	1,877,259	2,084,627	1,786,674
General government	2,917,121	3,876,480	1,860,416	3,094,600
Interest on long-term debt	914,941	820,865	914,941	820,865
Total	\$ 24,561,121	\$ 27,582,696	\$ 16,003,712	\$ 18,258,840

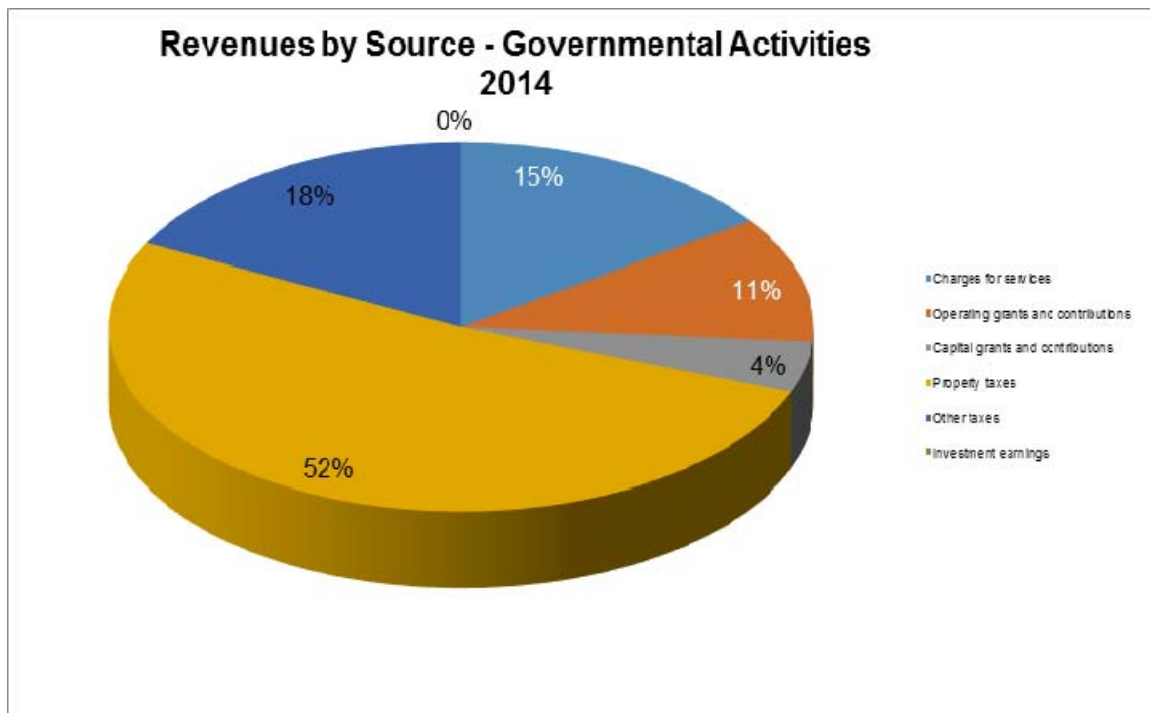
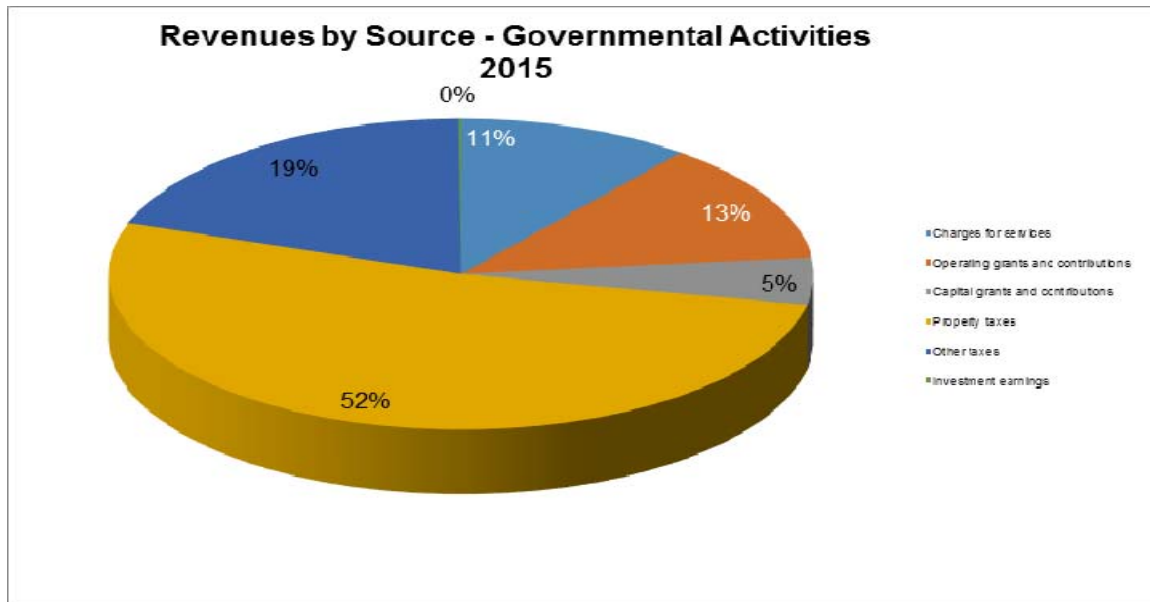
Net cost of services is 65 percent of total cost of services for the year ended June 30, 2015 and 66 percent for the year ended June 30, 2014. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

Governmental Activities

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2015 and 2014.



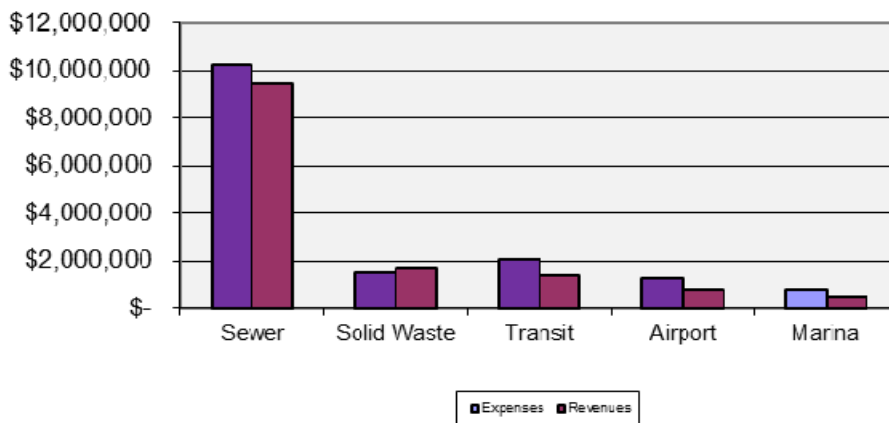
City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

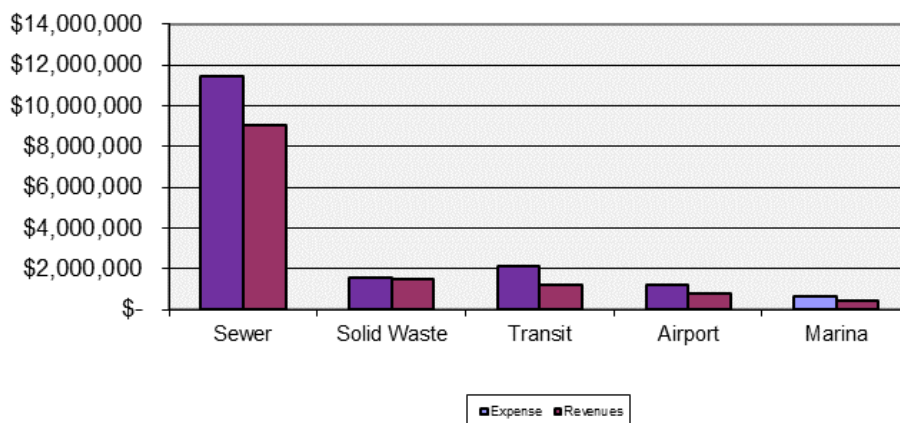
Business-type activities: For the year ended June 30, 2015, business-type activities increased the City of Clinton's net position by \$2,717,683.

Total business-type activities' revenue for the fiscal year was \$13,775,442. All but \$26,905 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenditures and program revenues for 2015 and 2014.

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



**Expenses and Program Revenues - Business-Type Activities
2014**



City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

Financial Analysis of the Government's Funds

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

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

As of June 30, 2015, the City of Clinton, Iowa's governmental funds reported combined ending fund balances of \$6,548,161, an increase of \$2,033,134 from June 30, 2014. The City's unassigned balance was \$1,992,824 as of June 30, 2015 compared to \$1,694,465 as of June 30, 2014. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form- \$102,548, 2) legally required to be maintained intact or restricted for particular purposes or by third parties - \$4,452,789 or 3) Committed for particular purposes - \$0.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,992,824, while total fund balance increased by \$255,507. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 13.4 percent of total General Fund expenditures compared to 11.0 percent in the prior year, while total fund balance represents approximately 14.1 percent of General fund expenditures compared to 11.6 percent in the prior year.

The General Fund's largest revenue source is taxes which consists of property taxes, utility replacement excise tax, hotel/motel tax and other taxes. These sources contribute 78.4 percent of revenue used to fund the general purposes of the City including police, streets and parks. These revenue sources have a direct correlation with the health of the economy. Another 10.2 percent of the City's General Fund revenues were derived from charges for services.

The fund balance of the City's General Fund increased by \$255,507 during the current fiscal year. This was due primarily from transfers in from other funds.

The Local Option Sales Tax Fund accounts for the local sales tax. Fund balance increased \$368,913 from \$405,627 in 2014 to \$774,540 in 2015 due to an increase in sales tax collected.

The Employee Benefits Fund accounts for the taxes levied specifically to fund the City's required contribution to the state retirement systems. Fund balance increased \$270,757 from \$339,260 in 2014 to \$610,017 in 2015.

The Tax Increment Financing fund accounts for taxes for urban renewal. Fund balance decreased \$51,561 from \$309,135 in 2014 to \$257,574 in 2015.

The Road Use Tax fund accounts for taxes for road and street improvements. Fund balance increased \$273,169 from \$791,670 in 2014 to \$1,064,839 in 2015.

The Capital Projects Fund fund balance increased \$892,189 to \$765,615 in 2015 from (\$126,574) in 2014. This increase was due to issuance of long-term debt to fund planned capital projects.

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

The Debt Service Fund fund balance decreased \$124,338 from \$194,500 in 2014 to \$70,162 in 2015. The Debt Service Fund continues to service debt as it becomes due.

Proprietary funds – The City of Clinton's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The Sewer Revenue Fund had a change in net position of \$3,314,234 primarily due to improvement in billing and collection processes and from transfers in to service interest on long-term debt.

Budgetary Highlights

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

During the year, one budget amendment decreased budgeted expenditures by a total of \$235,299. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues. During the year, expenditures for all functions were less than budgeted except for the public safety, public works, culture and recreation, general government and debt service functions which were overbudget by \$242,596, \$369,188, \$334,777, \$395,028 and \$468,803 respectively.

Capital Asset and Debt Administration

Capital assets - The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$241,979,878 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure. Major capital asset events during the year included completion of various street improvements as well as water pollution control infrastructure and pump stations and improvements to an airport runway.

City of Clinton's Capital Assets net of depreciation						
	Governmental Activities		Business-Type		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 22,602,525	\$ 22,003,709	\$ 3,654,071	\$ 3,654,071	\$ 26,256,596	\$ 25,657,780
Construction-in-progress	1,866,893	1,426,033	2,790,579	7,170,135	4,657,472	8,596,168
Intangible assets	26,527	13,980	1,912	2,459	28,439	16,439
Machinery and equipment	1,975,871	1,681,328	2,925,204	3,068,613	4,901,075	4,749,941
Land Improvements	1,359,729	1,464,081	468,893	496,831	1,828,622	1,960,912
Buildings	10,877,975	11,342,744	12,103,122	10,653,361	22,981,097	21,996,105
Infrastructure	67,017,327	66,656,906	114,309,250	110,971,871	181,326,577	177,628,777
Total	\$ 105,726,847	\$104,588,781	\$ 136,253,031	\$136,017,341	\$ 241,979,878	\$ 240,606,122

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

City of Clinton, Iowa

Management's Discussion and Analysis Year Ended June 30, 2015

Debt - As of June 30, 2015, the City of Clinton, Iowa had general obligation loan notes and general obligation bonds payable totaling \$26,945,000 compared to \$21,745,000 as of June 30, 2014. For the year ended June 30, 2015, the City paid \$3,374,568 in principal and \$701,028 in interest on outstanding general obligation debt. The City issued \$7,900,000 of general obligation capital loan notes for capital improvements. As of June 30, 2015, the City had \$72,987,848 in sewer revenue notes. The City paid \$2,268,000 in principal and drew \$1,460,390 of new proceeds.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation						
bonds and notes	\$ 26,945,000	\$ 21,745,000	\$ -	\$ -	\$ 26,945,000	\$ 21,745,000
TIF bonds	754,000	754,000	-	-	754,000	754,000
Sewer revenue notes	-	-	72,987,848	73,795,458	72,987,848	73,795,458
Due to other government	5,325,432	6,000,000	-	-	5,325,432	6,000,000
	\$ 33,024,432	\$ 28,499,000	\$ 72,987,848	\$ 73,795,458	\$ 106,012,280	\$ 102,294,458

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

Economic Factors and Next Year's Budgets and Rates

- Real property assessed values have decreased with tax year 2015 to \$1,367,364,346 from \$1,385,363,852 in 2014.
- The unemployment rate for Clinton County for June 2015 was 5.5% compared to 3.6% for the State of Iowa and 5.3% nationally.
- The General Fund is significantly funded by property taxes. Therefore, the City continues to encourage new development that supports these revenue sources.

Requests for Information

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

City of Clinton, Iowa

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets and Deferred Outflows of Resources			
Assets:			
Current assets:			
Cash and investments	\$ 6,831,782	\$ 8,108,498	\$ 14,940,280
Receivables:			
Property tax:			
Delinquent	784,570	-	784,570
Succeeding year	14,306,022	-	14,306,022
Tax increment financing:			
Delinquent	6,207	-	6,207
Succeeding year	2,115,479	-	2,115,479
Special assessments	277,302	1,105,963	1,383,265
Accounts, net of allowances for uncollectibles of \$1,060,780	236,331	3,210,197	3,446,528
Other	190,383	91,072	281,455
Intergovernmental	1,389,322	308,618	1,697,940
Prepays	97,435	13,404	110,839
Internal balances	1,729,927	(1,729,927)	-
Total current assets	27,964,760	11,107,825	39,072,585
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	22,602,525	3,654,071	26,256,596
Construction-in-progress	1,866,893	2,790,579	4,657,472
Depreciable:			
Machinery and equipment	15,775,893	10,232,696	26,008,589
Land improvements	3,804,534	878,650	4,683,184
Buildings	19,786,305	25,043,576	44,829,881
Intangibles	193,583	56,357	249,940
Infrastructure	135,685,626	176,140,677	311,826,303
Less accumulated depreciation	(93,988,512)	(82,543,575)	(176,532,087)
Total capital assets	105,726,847	136,253,031	241,979,878
Total assets	\$ 133,691,607	\$ 147,360,856	\$ 281,052,463
Deferred Outflows of Resources:			
Pension related deferred outflows	\$ 2,513,397	\$ 282,820	\$ 2,796,217

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,621,953	\$ 909,835	\$ 2,531,788
Contracts payable	91,635	446,065	537,700
Deposits	38,844	-	38,844
Claims payable	366,092	-	366,092
Accrued liabilities	163,146	-	163,146
Unearned revenue	-	135,641	135,641
Accrued interest payable	376,866	167,605	544,471
Compensated absences	424,353	107,965	532,318
Current portion of early retirement	190,500	21,000	211,500
Current portion of litigation payable	450,000	-	450,000
Current portion of bonds and notes	3,115,000	2,333,000	5,448,000
Total current liabilities	6,838,389	4,121,111	10,959,500
Noncurrent liabilities:			
Other postemployment benefits obligation	1,383,334	392,417	1,775,751
Early retirement	691,500	105,000	796,500
Litigation payable	1,800,000	-	1,800,000
Net pension liability	8,891,967	1,491,493	10,383,460
Due to other government	5,325,432	-	5,325,432
General obligation notes and bonds, net	24,068,349	-	24,068,349
TIF bonds	754,000	-	754,000
Sewer revenue notes	-	70,654,848	70,654,848
Total noncurrent liabilities	42,914,582	72,643,758	115,558,340
Total liabilities	49,752,971	76,764,869	126,517,840
Deferred inflows of resources:			
Succeeding year property tax	14,306,022	-	14,306,022
Tax increment financing	2,115,479	-	2,115,479
Pension related deferred inflows	4,087,633	605,323	4,692,956
Total deferred inflows of resources	20,509,134	605,323	21,114,457
Net Position:			
Net investment in capital assets	77,789,498	63,265,183	141,054,681
Restricted for:			
Nonexpendable endowment corpus	7,000	-	7,000
Streets	1,064,839	-	1,064,839
Capital improvements	1,268,598	-	1,268,598
Community programs and services	1,545,426	-	1,545,426
Employee benefits	807,768	-	807,768
Other purposes	52,437	-	52,437
Debt service	492,598	-	492,598
Unrestricted	(17,085,265)	7,008,301	(10,076,964)
Total net position	\$ 65,942,899	\$ 70,273,484	\$ 136,216,383

City of Clinton, Iowa

**Statement of Activities
Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Sales and Services	Operating Grants and Contributions
Governmental activities:			
Public safety	\$ 9,588,973	\$ 1,175,882	\$ 220,582
Public works	5,894,997	896,459	3,166,499
Culture and recreation	3,160,462	491,896	63,393
Community and economic development	2,084,627	-	-
General government	2,917,121	690,486	366,219
Interest and fiscal charges on long-term debt	914,941	-	-
Total governmental activities	24,561,121	3,254,723	3,816,693
Business-type activities:			
Sewer revenue	10,248,182	9,435,817	-
Solid waste collection	1,510,316	1,665,646	-
Transit system	2,085,462	280,467	786,681
Airport operations	1,262,432	611,278	-
Marina	797,226	479,821	-
Total business-type activities	15,903,618	12,473,029	786,681
Total	\$ 40,464,739	\$ 15,727,752	\$ 4,603,374

General Revenues

Taxes:

Property taxes

Hotel/Motel tax

Local option sales tax

Tax increment financing

Gaming tax

Investment earnings

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year, as restated

Net position, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ 523,280	\$ (7,669,229)	\$ -	\$ (7,669,229)	
962,713	(869,326)	-	(869,326)	
-	(2,605,173)	-	(2,605,173)	
-	(2,084,627)	-	(2,084,627)	
-	(1,860,416)	-	(1,860,416)	
-	(914,941)	-	(914,941)	
1,485,993	(16,003,712)	-	(16,003,712)	
-	-	(812,365)	(812,365)	
-	-	155,330	155,330	
318,532	-	(699,782)	(699,782)	
170,295	-	(480,859)	(480,859)	
-	-	(317,405)	(317,405)	
488,827	-	(2,155,081)	(2,155,081)	
<u>\$ 1,974,820</u>	<u>\$ (16,003,712)</u>	<u>\$ (2,155,081)</u>	<u>\$ (18,158,793)</u>	

15,840,172	-	15,840,172
391,746	-	391,746
3,289,995	-	3,289,995
2,033,285	-	2,033,285
225,019	-	225,019
36,824	26,905	63,729
(4,845,859)	4,845,859	-
16,971,182	4,872,764	21,843,946
967,470	2,717,683	3,685,153
64,975,429	67,555,801	132,531,230
<u>\$ 65,942,899</u>	<u>\$ 70,273,484</u>	<u>\$ 136,216,383</u>

City of Clinton, Iowa

Balance Sheet
Governmental Funds
June 30, 2015

Assets	General	Special Revenue		
		Local Option Sales Tax	Employee Benefits	Tax Increment Financing
Cash and investments	\$ 67,841	\$ 226,713	\$ 568,141	\$ 251,367
Receivables, net of allowance \$126,190:				
Property tax:				
Delinquent	433,680	-	250,093	-
Succeeding year	7,962,476	-	3,856,565	-
Tax increment financing:				
Delinquent	-	-	-	6,207
Succeeding year	-	-	-	2,115,479
Service fees	186,748	-	-	-
Intergovernmental	107,989	627,896	-	-
Special assessments	39,859	-	-	-
Other	38,278	-	-	-
Prepaid items	91,698	-	-	-
Due from other funds	1,962,214	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 10,890,783	\$ 854,609	\$ 4,674,799	\$ 2,373,053
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ 288,519	\$ -	\$ 10,466	\$ -
Deposits payable	-	-	-	-
Contracts payable	-	-	-	-
Accrued liabilities	163,146	-	-	-
Due to other funds	566	-	-	-
Total liabilities	452,231	-	10,466	-
Deferred Inflows of Resources, unavailable revenue:				
Succeeding year property tax	7,962,476	-	3,856,565	-
Tax increment financing	-	-	-	2,115,479
Special assessments	39,859	-	-	-
Local option sales tax	-	80,069	-	-
Delinquent taxes	351,695	-	197,751	-
Grants	-	-	-	-
Total deferred inflows of resources	8,354,030	80,069	4,054,316	2,115,479
Fund balances:				
Nonspendable:				
Prepaid items	91,698	-	-	-
Endowment corpus	-	-	-	-
Restricted:				
Debt service	-	-	-	257,574
Streets	-	-	-	-
Capital improvements	-	387,270	-	-
Employee benefits	-	-	610,017	-
Community programs and services	-	387,270	-	-
Other	-	-	-	-
Unassigned	1,992,824	-	-	-
Total fund balances	2,084,522	774,540	610,017	257,574
Total liabilities, deferred inflow of resources and fund balances	\$ 10,890,783	\$ 854,609	\$ 4,674,799	\$ 2,373,053

See Notes to Basic Financial Statements.

Road Use Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
\$ 889,213	\$ 1,552,933	\$ -	\$ 924,957	\$ 4,481,165
-	-	96,781	4,016	784,570
-	-	2,141,918	345,063	14,306,022
-	-	-	-	6,207
-	-	-	-	2,115,479
-	-	-	-	186,748
276,442	330,656	-	46,339	1,389,322
-	17,822	-	219,621	277,302
15,315	9,469	84,146	43,175	190,383
-	-	-	3,850	95,548
-	-	30,000	8,353	2,000,567
-	-	270,000	-	270,000
<u>\$ 1,180,970</u>	<u>\$ 1,910,880</u>	<u>\$ 2,622,845</u>	<u>\$ 1,595,374</u>	<u>\$ 26,103,313</u>

\$ 77,887	\$ 977,951	\$ -	\$ 64,337	\$ 1,419,160
38,244	-	-	600	38,844
-	91,635	-	-	91,635
-	-	-	-	163,146
-	-	245,903	7,816	254,285
<u>116,131</u>	<u>1,069,586</u>	<u>245,903</u>	<u>72,753</u>	<u>1,967,070</u>

-	-	2,141,918	345,063	14,306,022
-	-	-	-	2,115,479
-	17,822	-	219,621	277,302
-	-	-	-	80,069
-	-	80,716	-	630,162
-	57,857	84,146	37,045	179,048
<u>-</u>	<u>75,679</u>	<u>2,306,780</u>	<u>601,729</u>	<u>17,588,082</u>

-	-	-	3,850	95,548
-	-	-	7,000	7,000
-	-	70,162	-	327,736
1,064,839	-	-	-	1,064,839
-	765,615	-	-	1,152,885
-	-	-	-	610,017
-	-	-	861,455	1,248,725
-	-	-	48,587	48,587
-	-	-	-	1,992,824
<u>1,064,839</u>	<u>765,615</u>	<u>70,162</u>	<u>920,892</u>	<u>6,548,161</u>

<u>\$ 1,180,970</u>	<u>\$ 1,910,880</u>	<u>\$ 2,622,845</u>	<u>\$ 1,595,374</u>	<u>\$ 26,103,313</u>
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City of Clinton, Iowa

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015**

Total governmental fund balances \$ 6,548,161

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

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

Capital assets	\$ 199,715,359	
Accumulated depreciation	(93,988,512)	105,726,847

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

Special assessments	277,302	
Local option sales tax	80,069	
Delinquent property tax	630,162	
Grants	179,048	1,166,581

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

General obligation bonds and notes, current	(3,115,000)	
General obligation bonds and notes, noncurrent	(23,830,000)	
Bond premium	(238,349)	
TIF bonds, noncurrent	(754,000)	
Accrued interest payable	(376,866)	
Litigation payable, current	(450,000)	
Litigation payable, noncurrent	(1,800,000)	
Compensated absences, current	(424,353)	
Early retirement, current	(190,500)	
Early retirement, noncurrent	(691,500)	
Net OPEB obligation	(1,383,334)	
Due to other government	(5,325,432)	
Net pension liability	(8,891,967)	(47,471,301)

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

Deferred outflows of resources	2,513,397	
Deferred inflows of resources	(4,087,633)	(1,574,236)

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The assets and liabilities
of the Internal Service Fund are included in governmental activities
statement of net position:

Other current assets	2,402,087	
Other current liabilities	(568,885)	
Internal Service Fund allocated to business-type activities	(286,355)	1,546,847

Net position of governmental activities	\$ 65,942,899
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See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Governmental Funds

Year Ended June 30, 2015

		Special	
	General	Local Option Sales Tax	Employee Benefits
Revenues:			
Property tax	\$ 8,579,607	\$ -	\$ 4,817,448
Tax increment financing	-	-	-
Other city tax	511,771	3,298,910	-
Licenses and permits	418,992	-	-
Use of money and property	266,852	3	-
Intergovernmental	475,355	-	114,055
Charges for services	1,182,790	-	-
Miscellaneous	155,054	-	-
Total revenues	11,590,421	3,298,913	4,931,503
Expenditures:			
Current:			
Public safety	10,341,696	-	-
Public works	-	-	-
Culture and recreation	2,648,048	-	-
Community and economic development	482,248	-	-
General government	1,356,809	-	58,102
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	14,828,801	-	58,102
Revenues over (under) expenditures	(3,238,380)	3,298,913	4,873,401
Other financing sources (uses):			
Issuance of long-term debt	-	-	-
Bond issuance premium	-	-	-
Transfers in	4,877,150	-	-
Transfers out	(1,383,263)	(2,930,000)	(4,602,644)
Total other financing sources (uses)	3,493,887	(2,930,000)	(4,602,644)
Net change in fund balances	255,507	368,913	270,757
Fund balances (deficits), beginning, as restated	1,829,015	405,627	339,260
Fund balances, ending	<u>\$ 2,084,522</u>	<u>\$ 774,540</u>	<u>\$ 610,017</u>

See Notes to Basic Financial Statements.

Revenue						
Tax Increment Financing	Road Use Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total	
\$ -	\$ -	\$ -	\$ 1,956,032	\$ 118,568	\$	15,471,655
2,033,285	-	-	-	-		2,033,285
-	-	-	-	225,019		4,035,700
-	7,350	-	-	22,065		448,407
-	175	44,996	-	840		312,866
-	3,080,523	902,436	43,913	596,364		5,212,646
-	-	-	-	64,252		1,247,042
-	201,460	478,591	-	64,836		899,941
2,033,285	3,289,508	1,426,023	1,999,945	1,091,944		29,661,542
-	-	-	-	615,847		10,957,543
-	2,916,339	8,119	-	26,689		2,951,147
-	-	16,200	-	372,455		3,036,703
1,332,505	-	-	-	269,874		2,084,627
-	-	11,644	450,000	293,098		2,169,653
-	-	5,297,935	-	24,006		5,321,941
-	-	674,568	2,700,000	-		3,374,568
-	-	-	701,028	-		701,028
-	-	184,266	4,250	-		188,516
1,332,505	2,916,339	6,192,732	3,855,278	1,601,969		30,785,726
700,780	373,169	(4,766,709)	(1,855,333)	(510,025)		(1,124,184)
-	-	7,600,000	-	300,000		7,900,000
-	-	103,177	-	-		103,177
-	-	2,001,600	1,730,995	710,779		9,320,524
(752,341)	(100,000)	(4,045,879)	-	(352,256)		(14,166,383)
(752,341)	(100,000)	5,658,898	1,730,995	658,523		3,157,318
(51,561)	273,169	892,189	(124,338)	148,498		2,033,134
309,135	791,670	(126,574)	194,500	772,394		4,515,027
\$ 257,574	\$ 1,064,839	\$ 765,615	\$ 70,162	\$ 920,892	\$	6,548,161

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City of Clinton, Iowa

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

Year Ended June 30, 2015

Net change in fund balances - governmental funds		\$	2,033,134
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which depreciation exceeded capital outlays in the current year:			
Capital outlay			5,886,554
Depreciation:			
Public safety	(382,381)		
Public works	(3,679,202)		
Culture and recreation	(157,513)		
General government	(529,392)		(4,748,488)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
Special assessments	27,959		
Local option sales tax	(8,915)		
Delinquent taxes	368,517		
Hotel/Motel tax	(120,025)		
Grants	179,048		446,584
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Pension expense	(738,190)		
Change in compensated absences	38,009		
Change in other postemployment benefits obligation	(302,337)		
Change in litigation payable	450,000		
Change in early retirement payable	202,500		(350,018)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of certain activities of the Internal Service Fund is reported with governmental activities			
Change in Internal Service Fund allocation to business-type activities			735,837
The current year City employer share of IPERS and MFPSI contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.			
			1,776,897
The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of discounts, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:			
Repayment of due to other government	674,568		
Issuance of long-term debt	(7,900,000)		
Bond premium	(103,177)		
Bond premium amortization	22,099		
Repayment of bonds and notes principal	2,700,000		
Accrued interest payable	(47,496)		(4,654,006)
Change in net position of governmental activities		\$	967,470

See Notes to Basic Financial Statements.

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City of Clinton, Iowa

**Statement of Net Position
Proprietary Funds
June 30, 2015**

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Assets				
Current assets:				
Cash and investments	\$ 5,725,398	\$ 2,383,100	\$ 8,108,498	\$ 2,350,617
Due from other funds	-	29	29	-
Receivables, net of allowance for uncollectible amounts of \$1,044,213:				
Service fees	2,538,608	671,589	3,210,197	49,583
Special assessments	898,534	207,429	1,105,963	-
Other	15,785	75,287	91,072	-
Intergovernmental	103,869	204,749	308,618	-
Prepays	-	13,404	13,404	1,887
Total current assets	9,282,194	3,555,587	12,837,781	2,402,087
Noncurrent assets:				
Capital assets:				
Nondepreciable:				
Land	2,377,526	1,276,545	3,654,071	-
Construction-in-progress	2,790,579	-	2,790,579	-
Depreciable:				
Machinery and equipment	4,241,869	5,990,827	10,232,696	-
Land improvements	519,058	359,592	878,650	-
Buildings	18,684,198	6,359,378	25,043,576	-
Intangibles	35,756	20,601	56,357	-
Infrastructure	147,125,183	29,015,494	176,140,677	-
Accumulated depreciation	(62,755,598)	(19,787,977)	(82,543,575)	-
Total noncurrent assets	113,018,571	23,234,460	136,253,031	-
Total assets	\$ 122,300,765	\$ 26,790,047	\$ 149,090,812	\$ 2,402,087
Deferred outflows of resources				
Pension related deferred outflows	\$ 116,816	\$ 166,004	\$ 282,820	\$ -
Liabilities and Net Position				
Current liabilities:				
Accounts payable	\$ 726,954	\$ 182,881	\$ 909,835	\$ 202,793
Contracts payable	446,065	-	446,065	-
Early retirement payable	-	21,000	21,000	-
Unearned revenue	135,641	-	135,641	-
Due to other funds	-	1,746,311	1,746,311	-
Accrued interest payable	167,605	-	167,605	-
Compensated absences	38,710	69,255	107,965	-
Claims payable	-	-	-	366,092
Notes payable	2,333,000	-	2,333,000	-
Total current liabilities	3,847,975	2,019,447	5,867,422	568,885
Noncurrent liabilities:				
Other postemployment benefits obligation	188,361	204,056	392,417	-
Early retirement payable	-	105,000	105,000	-
Notes payable	70,654,848	-	70,654,848	-
Net pension liability	616,052	875,441	1,491,493	-
Advances from other funds	-	270,000	270,000	-
Total noncurrent liabilities	71,459,261	1,454,497	72,913,758	-
Total liabilities	75,307,236	3,473,944	78,781,180	568,885
Deferred inflows of resources				
Pension related deferred inflows	250,025	355,298	605,323	-
Net position:				
Net investment in capital assets	40,030,723	23,234,460	63,265,183	-
Unrestricted	6,829,597	(107,651)	6,721,946	1,833,202
Total net position	\$ 46,860,320	\$ 23,126,809	\$ 69,987,129	\$ 1,833,202

See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Reconciliation of Enterprise Funds Net Position
to the Statement of Net Position
June 30, 2015**

Total enterprise funds net position \$ 69,987,129

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

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

286,355

Net position of business-type activities

\$ 70,273,484

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2015

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Operating revenues:				
Charges for services	\$ 9,361,069	\$ 2,425,368	\$ 11,786,437	\$ 3,565,230
Property rental	-	401,051	401,051	-
Miscellaneous	74,748	210,793	285,541	-
Total operating revenues	9,435,817	3,037,212	12,473,029	3,565,230
Operating expenses:				
Personal services	1,385,718	1,999,141	3,384,859	-
Commodities	-	855,574	855,574	-
Contractual services	2,143,956	642,612	2,786,568	2,829,393
Repairs, maintenance and utilities	427,270	547,561	974,831	-
Depreciation	4,101,408	1,693,387	5,794,795	-
Total operating expenses	8,058,352	5,738,275	13,796,627	2,829,393
Operating income (loss)	1,377,465	(2,701,063)	(1,323,598)	735,837
Nonoperating revenues (expenses):				
Investment earnings	26,905	-	26,905	-
Interest expense and fiscal charges	(2,262,932)	-	(2,262,932)	-
Intergovernmental	-	1,275,508	1,275,508	-
Loss on sale of capital assets	(3,083)	-	(3,083)	-
Total nonoperating revenues (expenses)	(2,239,110)	1,275,508	(963,602)	-
Income (loss) before transfers	(861,645)	(1,425,555)	(2,287,200)	735,837
Transfers in	4,175,879	721,680	4,897,559	-
Transfers out	-	(51,700)	(51,700)	-
Change in net position	3,314,234	(755,575)	2,558,659	735,837
Total net position, beginning of year, as restated	43,546,086	23,882,384	67,428,470	1,097,365
Total net position, end of year	\$ 46,860,320	\$ 23,126,809	\$ 69,987,129	\$ 1,833,202

See Notes to Basic Financial Statements.

City of Clinton, Iowa

**Reconciliation of the Change in Net Position of
Enterprise Funds to the Statement of Activities
Year Ended June 30, 2015**

Net changes in net position in enterprise funds	\$ 2,558,659
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Amounts reported for enterprise fund activities in the statement of activities
are different because:

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

159,024

Change in net position of business-type activities

<u>\$ 2,717,683</u>

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,357,710	\$ 2,973,455	\$ 12,331,165	\$ 3,521,518
Payments to suppliers	(2,333,573)	(1,957,928)	(4,291,501)	(2,947,156)
Payments to employees	(1,461,789)	(2,046,990)	(3,508,779)	-
Net cash provided by (used in) operating activities	5,562,348	(1,031,463)	4,530,885	574,362
Cash flows from noncapital financing activities:				
Intergovernmental	87,703	1,819,405	1,907,108	-
Proceeds from interfund accounts	1,642,512	262,736	1,905,248	-
Payments to interfund accounts	(10,023)	(211,998)	(222,021)	-
Transfers in	4,175,879	721,680	4,897,559	-
Transfers out	-	(51,700)	(51,700)	-
Net cash provided by (used in) noncapital financing activities	5,896,071	2,540,123	8,436,194	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(5,031,647)	(864,697)	(5,896,344)	-
Payment on debt	(2,268,000)	-	(2,268,000)	-
Proceeds from state revolving note	1,460,390	-	1,460,390	-
Interest on debt	(2,273,413)	-	(2,273,413)	-
Net cash (used in) capital and related financing activities	(8,112,670)	(864,697)	(8,977,367)	-
Cash flows from investing activities, investment earnings	26,905	-	26,905	-
Increase (decrease) in cash and cash equivalents	3,372,654	643,963	4,016,617	574,362
Cash and cash equivalents, beginning of year	2,352,744	1,739,137	4,091,881	1,776,255
Cash and cash equivalents, end of year	<u>\$ 5,725,398</u>	<u>\$ 2,383,100</u>	<u>\$ 8,108,498</u>	<u>\$ 2,350,617</u>

(Continued)

City of Clinton, Iowa

Statement of Cash Flows (Continued)

Proprietary Funds

Year Ended June 30, 2015

	Sewer Revenue	Nonmajor Enterprise	Total Enterprise Funds	Internal Service Health Insurance
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,377,465	\$ (2,701,063)	\$ (1,323,598)	\$ 735,837
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,101,408	1,693,387	5,794,795	-
Change in assets and liabilities:				
Receivables	5,505	(39,287)	(33,782)	(43,712)
Special assessments	(76,189)	(24,470)	(100,659)	-
Prepays	3,523	(262)	3,261	(55)
Unearned revenue	(7,423)	-	(7,423)	-
Accounts payable	234,130	88,081	322,211	(11,903)
Compensated absences	(7,639)	892	(6,747)	-
Pension liability and related deferrals	(40,346)	(57,338)	(97,684)	-
Claims payable	-	-	-	(105,805)
Early retirement benefit	(13,500)	(36,000)	(49,500)	-
Other postemployment benefits obligation	(14,586)	44,597	30,011	-
Net cash provided by (used in) operating activities	\$ 5,562,348	\$ (1,031,463)	\$ 4,530,885	\$ 574,362
Schedule of noncash items, capital and related financing activities:				
Payment of contracts payable for acquisition of capital assets	\$ 205,342	\$ 68,118	\$ 273,460	\$ -

See Notes to Basic Financial Statements.

City of Clinton, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

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

Reporting entity:

The City's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments as prescribed by the Governmental Accounting Standards Board.

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

The City is a municipal corporation governed by a council, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

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

Notes to Basic Financial Statements

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

Basis of presentation:

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

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

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

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

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

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

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

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

City of Clinton, Iowa

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Internal Service Fund: Is used to account for services provided by designated departments to other departments of the City. The City's internal service fund, Health Insurance, accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to its employees, City retirees, and two outside agencies. The City's Assessor's Office, Clinton Housing Authority, and certain retirees have the ability to participate in the plan, but at their cost.

Notes to Basic Financial Statements

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

Measurement focus and basis of accounting:

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

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

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

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

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

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

City of Clinton, Iowa

Notes to Basic Financial Statements

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

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

Summary of significant accounting policies:

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

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

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

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

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

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at year-end and unpaid taxes. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that fiscal year.

Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The 2015 tax levy recorded as taxes receivable was certified in March 2015 based on the 2014 assessed valuations. These taxes are due in two installments, on September 1, 2015 and the following March 1, 2016 with a 1.5 percent per month penalty for delinquent payment. Since the 2015 tax levy is budgeted and levied for the fiscal year 2016, the revenue is a deferred inflow of resources and is reported as unavailable revenue. Revenue has been recognized for those taxes receivable which represent the prior year's delinquent taxes and which are expected to be collected within 60 days after year-end.

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

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

City of Clinton, Iowa

Notes to Basic Financial Statements

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

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

Capital assets: Capital assets, including land, construction-in-progress, machinery and equipment, land improvements, buildings, intangibles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide and the proprietary fund statement of net position. All land is capitalized. All other capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$25,000 for buildings and improvements and \$50,000 for infrastructure) and an initial useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year ended June 30, 2015, no interest expense was added to the cost of assets acquired in the business-type activities.

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

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

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

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

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

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

City of Clinton, Iowa

Notes to Basic Financial Statements

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

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

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

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

Compensated absences: City employees accumulate earned but unused vacation and compensatory time benefits. For proprietary fund types and the government-wide statements, these accumulations are recorded as expenses and liabilities of the appropriate fund and activity in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation leave, which is payable from available resources, is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations: In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column or applicable proprietary fund in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as an expense in the year the costs are incurred. In the governmental fund financial statements, bond premiums are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

City of Clinton, Iowa

Notes to Basic Financial Statements

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

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

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

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

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

Net position: In proprietary funds, and government-wide financial statements, net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, excludes unspent bond proceeds. There are no unspent bond proceeds as of June 30, 2015. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

Budgetary and legal appropriation and amendment policies:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The City exceeded the amended budget in the public safety, public works, culture and recreation, general government, and debt service functions for the year ended June 30, 2015.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 2. Deposits and Investments

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

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

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The investments in the Iowa Public Agency Trust have a maturity of 1 day.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally statistical rating organization. As of June 30, 2015, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$222,219 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investments in the Iowa Public Agency Investment Trust are unrated.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2015, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

A reconciliation of cash and investments as of June 30, 2015 follows:

Depository accounts	\$ 14,718,061
Iowa Public Agency Investment Trust	222,219
	<u>\$ 14,940,280</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	June 30, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,003,709	\$ 598,816	\$ -	\$ 22,602,525
Construction-in-progress	1,426,033	3,589,267	3,148,407	1,866,893
Total capital assets, not being depreciated	23,429,742	4,188,083	3,148,407	24,469,418
Capital assets, being depreciated:				
Machinery and equipment	15,208,042	731,092	163,241	15,775,893
Land Improvements	3,804,534	-	-	3,804,534
Buildings	19,654,798	131,507	-	19,786,305
Intangibles	171,663	21,920	-	193,583
Infrastructure	131,723,267	3,962,359	-	135,685,626
Total capital assets, being depreciated	170,562,304	4,846,878	163,241	175,245,941
Less accumulated depreciation for:				
Machinery and equipment	13,526,714	436,549	163,241	13,800,022
Land Improvements	2,340,453	104,352	-	2,444,805
Buildings	8,312,054	596,276	-	8,908,330
Intangibles	157,683	9,373	-	167,056
Infrastructure	65,066,361	3,601,938	-	68,668,299
Total accumulated depreciation	89,403,265	4,748,488	163,241	93,988,512
Total capital assets, being depreciated, net	81,159,039	98,390	-	81,257,429
Governmental activities capital assets, net	\$ 104,588,781	\$ 4,286,473	\$ 3,148,407	\$ 105,726,847

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,654,071	\$ -	\$ -	\$ 3,654,071
Construction-in-progress	7,170,135	5,376,809	9,756,365	2,790,579
Total capital assets, not being depreciated	10,824,206	5,376,809	9,756,365	6,444,650
 Machinery and equipment	 9,840,519	 533,177	 141,000	 10,232,696
Land Improvements	878,650	-	-	878,650
Buildings	23,151,299	1,892,277	-	25,043,576
Intangibles	56,357	-	-	56,357
Infrastructure	168,153,007	7,987,670	-	176,140,677
Total capital assets, being depreciated	202,079,832	10,413,124	141,000	212,351,956
 Less accumulated depreciation for:				
Machinery and equipment	6,771,906	673,503	137,917	7,307,492
Land Improvements	381,819	27,938	-	409,757
Buildings	12,497,938	442,516	-	12,940,454
Intangibles	53,898	547	-	54,445
Infrastructure	57,181,136	4,650,291	-	61,831,427
Total accumulated depreciation	76,886,697	5,794,795	137,917	82,543,575
 Total capital assets, being depreciated, net	125,193,135	4,618,329	3,083	129,808,381
 Business-type activities capital assets, net	\$ 136,017,341	\$ 9,995,138	\$ 9,759,448	\$ 136,253,031

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

Governmental Activities:

Public safety	\$ 382,381
Public works	3,679,202
Culture and recreation	157,513
General government	529,392
Total depreciation expense, governmental activities	\$ 4,748,488

Business-Type Activities:

Sewer	\$ 4,101,408
Solid Waste	142,447
Transit	516,548
Airport Operations	669,872
Marina	364,520
Total depreciation expense, business-type activities	\$ 5,794,795

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt

A summary of the changes in bonded and other long-term debt for the year ended June 30, 2015 is as follows:

	Balance, Beginning as restated	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
Governmental Activities					
General obligation bonds and notes	\$ 21,745,000	\$ 7,900,000	\$ 2,700,000	\$ 26,945,000	\$ 3,115,000
Bond premium	157,271	103,177	22,099	238,349	-
TIF bonds	754,000	-	-	754,000	-
Compensated absences	462,362	666,683	704,692	424,353	424,353
Early retirement	1,084,500	-	202,500	882,000	190,500
Litigation payable	2,700,000	-	450,000	2,250,000	450,000
Net OPEB liability	1,080,997	348,734	46,397	1,383,334	-
Net pension liability	13,278,133	-	4,386,166	8,891,967	-
Due to other government	6,000,000	-	674,568	5,325,432	-
	<u>\$ 47,262,263</u>	<u>\$ 9,018,594</u>	<u>\$ 9,186,422</u>	<u>\$ 47,094,435</u>	<u>\$ 4,179,853</u>
Business-Type Activities					
Sewer revenue notes	\$ 73,795,458	\$ 1,460,390	\$ 2,268,000	\$ 72,987,848	\$ 2,333,000
Compensated absences	114,712	158,382	165,129	107,965	107,965
Early retirement	175,500	-	49,500	126,000	21,000
Net OPEB liability	362,406	30,011	-	392,417	-
Net pension liability	2,131,438	-	639,945	1,491,493	-
	<u>\$ 76,579,514</u>	<u>\$ 1,648,783</u>	<u>\$ 3,122,574</u>	<u>\$ 75,105,723</u>	<u>\$ 2,461,965</u>

Governmental activities:

Noncurrent Due to Other Government: Pursuant to a Chapter 28E agreement between the City and Clinton County, the County is participating in the City-managed Lincolnway Railport Project by contributing \$6,000,000 of the series 2010B general obligation bond proceeds to the City of Clinton to be used solely for the purpose designated in the Clinton County Lincolnway Railport urban renewal area. The City is to repay the County from a portion of the sale of property in the Industrial Park. If the County has not been reimbursed by December 2020, the City will reimburse the County for any unpaid balance due on the monies advanced by the County for the project. As of June 30, 2015, \$6,000,000 of bond proceeds had been advanced to the City and repayments of \$674,568 have been made.

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

Operating leases: The City has an operating lease for occupancy of a building and parking lot for the police department which resulted in rent paid of \$68,612 for the year ended June 30, 2015. The original lease agreement was signed in November 1997 and renewed in October 2002, February 2006 and March 2008. The term of the current lease is five years with two five year options at current monthly payments of \$5,808.

Litigation: In September 2009, the City was ordered to pay \$4,500,000 in regards to a federal lawsuit. The balance owed is to be paid over a 10 year period, with the final payment being due in 2019. As of June 30, 2015, the City owed \$2,250,000 in regards to the judgment.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

General obligation bonds and notes: The City issues general obligation bonds and capital loan notes to provide funds for the acquisition and construction of major capital facilities and procurement of capital equipment. General obligation bonds and capital notes have been issued for general government purposes. Governmental activities general obligation bonds and notes outstanding at June 30, 2015 as follows:

Purpose	Date of Issue	Interest Rates	Amount Originally Issued	Amount Outstanding
Corporate purpose bond	09/01/08	3.25 - 4.75	\$ 6,270,000	\$ 4,475,000
Corporate purpose bond	08/26/09	1.75 - 5.00	4,600,000	3,010,000
				<u>7,485,000</u>
Capital loan note	10/10/12	0.60 - 1.90	3,065,000	2,775,000
Capital loan note	02/20/13	1.00 - 2.15	4,975,000	3,430,000
Capital loan note, taxable	02/20/13	0.50 - 1.30	2,095,000	1,065,000
Capital loan note	10/23/13	3.00 - 4.00	4,155,000	3,955,000
Capital loan note, taxable	05/12/14	1.20 - 2.00	335,000	335,000
Capital loan note	10/07/14	1.31 - 3.80	3,225,000	3,225,000
Capital loan note, taxable	05/13/15	0.70 - 2.30	625,000	625,000
Capital loan note, taxable	05/13/15	2.00 - 3.25	4,050,000	4,050,000
				<u>19,460,000</u>
Total				<u>\$ 26,945,000</u>

During 2015, the following capital loan notes were issued:

In October 2014, the City issued \$3,225,000 General Obligation Capital Loan Notes Series 2014B to provide funds to pay costs of street and sidewalk improvements, traffic control devices and various other improvements to facilities city-wide. The notes have an outstanding balance of \$3,225,000 which matures in annual amounts ranging from \$15,000 to \$290,000 through June 1, 2029 with interest rates ranging from 1.31 to 3.8 percent.

In May 2015, the City issued \$625,000 in Taxable General Obligation Capital Loan Notes Series 2015A to provide funds to pay the costs of aiding in the planning, undertaking and carrying out of urban renewal projects. The notes have an outstanding balance of \$625,000 which matures in annual amounts ranging from \$100,000 to \$120,000 through June 1, 2021 with interest rates ranging from 0.7 to 2.3 percent.

In May 2015, the City issued \$4,050,000 in Taxable General Obligation Capital Loan Notes Series 2015B to provide funds to pay the costs of sewer and storm sewer utility improvements. The notes have an outstanding balance of \$4,050,000 which matures in annual amounts ranging from \$170,000 to \$265,000 through June 1, 2034 with interest rates ranging from 2.0 to 3.25 percent.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,315,000	\$ 325,466	\$ 1,640,466
2017	1,050,000	274,886	1,324,886
2018	1,290,000	232,676	1,522,676
2019	870,000	176,801	1,046,801
2020	880,000	136,675	1,016,675
2021-2025	1,780,000	227,705	2,007,705
2026-2028	300,000	28,300	328,300
	<u>\$ 7,485,000</u>	<u>\$ 1,402,509</u>	<u>\$ 8,887,509</u>

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,800,000	\$ 448,485	\$ 2,248,485
2017	1,955,000	420,244	2,375,244
2018	1,800,000	393,292	2,193,292
2019	1,645,000	360,581	2,005,581
2020	1,595,000	329,154	1,924,154
2021-2025	6,410,000	1,157,250	7,567,250
2026-2030	2,815,000	514,238	3,329,238
2031-2034	1,440,000	116,062	1,556,062
	<u>\$ 19,460,000</u>	<u>\$ 3,739,306</u>	<u>\$ 23,199,306</u>

In addition, the City has an Urban Renewal Tax Increment Bond (TIF Bonds) with an original amount of \$800,000 plus to the extent funds are available interest at 6% per year and an outstanding balance at June 30, 2015 of \$754,000. The TIF Bonds are not general obligations of the City but are payable solely from the incremental property taxes to be paid in the future with respect to the property financed through the project. The bonds mature on June 30, 2018. For the current year, principal and interest paid and total TIF property tax revenues were \$31,629 and \$2,033,285 respectively.

Business-type activities:

Sewer revenue notes have been issued to provide funds for sewer plant improvements. Notes payable at June 30, 2015 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding</u>
Sewer revenue notes	08/03/06	3.00	\$ 2,478,000	\$ 1,534,000
Sewer revenue notes	12/13/07	3.00	9,898,000	7,076,000
Sewer revenue notes	07/06/11	3.00	9,797,000	8,652,000
Sewer revenue notes	07/06/11	3.00	4,577,000	4,042,000
Sewer revenue notes	09/15/10	3.00	46,660,000	42,984,000
Sewer revenue notes	11/30/12	1.75	2,179,000	1,905,000
Sewer revenue notes	08/09/13	0.76	7,205,000	6,794,848
				<u>\$ 72,987,848</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

During the fiscal year ended June 30, 2015, the City drew \$1,455,390 on the \$6,550,000 sewer revenue note issued in August 2013. The note was not final as of year-end and is projected to include interest at 1.75 percent. The City also drew \$5,000 on the \$4,577,000 sewer revenue note issued in July 2011. The note was final as of year-end and includes interest at 3 percent. The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance.

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

Year ending June 30:	Principal	Interest	Total
2016	\$ 2,333,000	\$ 2,014,285	\$ 4,347,285
2017	2,400,000	1,952,847	4,352,847
2018	2,469,000	1,889,519	4,358,519
2019	2,538,000	1,824,258	4,362,258
2020	2,610,000	1,757,019	4,367,019
2021-2025	14,218,000	7,701,693	21,919,693
2026-2030	14,332,000	5,731,746	20,063,746
2031-2035	13,255,848	3,920,492	17,176,340
2036-2040	13,520,000	2,039,090	15,559,090
2041-2042	5,312,000	229,530	5,541,530
	<u>\$ 72,987,848</u>	<u>\$ 29,060,479</u>	<u>\$ 102,048,327</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the sewer revenue notes. Proceeds from the notes provided financing for acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping the sewer system. The notes are payable solely from sewer customer net revenues and are payable through 2042. Total principal and interest remaining to be paid on the sewer revenue notes and total customer net revenues were \$102,048,327 and \$5,478,873 and principal and interest payments were \$4,371,076.

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

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

Annual principal and interest payments on the notes are expected to require less than 80% of net revenues.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 5. Termination Benefits

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

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

At June 30, 2015, the City has obligations to thirteen participants with a total liability of \$1,008,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$252,000.

Note 6. Interfund Receivables, Payables and Transfers

The following is a schedule of transfers for the year ended June 30, 2015:

	Transfers In	Transfers Out
Governmental activities:		
Major governmental funds:		
General	\$ 4,877,150	\$ 1,383,263
Local option sales tax	-	2,930,000
Employee benefits	-	4,602,644
Tax increment financing	-	752,341
Road use tax	-	100,000
Capital projects	2,001,600	4,045,879
Debt service	1,730,995	-
Nonmajor governmental funds	710,779	352,256
Total governmental activities	\$ 9,320,524	\$ 14,166,383
Business-type activities:		
Major enterprise funds, Sewer	4,175,879	-
Nonmajor enterprise funds	721,680	51,700
Total business-type activities	\$ 4,897,559	\$ 51,700
Total	\$ 14,218,083	\$ 14,218,083

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

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

City of Clinton, Iowa

Notes to Basic Financial Statements

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

Individual interfund receivables and payables balances as of June 30, 2015 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities:		
Major governmental funds:		
General	\$ 1,962,214	\$ 566
Debt service	300,000	245,903
Nonmajor governmental funds	8,353	7,816
Business-type activities:		
Nonmajor enterprise funds	29	2,016,311
Total	\$ 2,270,596	\$ 2,270,596

An interfund advance of \$300,000 is due from the Enterprise, Airport Operations Fund to the Debt Service Fund for partial repayment of bonds issued. The advance will be repaid over the next ten years.

Note 7. Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$349,270.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 7. Risk Management (Continued)

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

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

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a Health Insurance Fund for insuring benefits provided to City employees covered dependents, retirees, and two outside agencies which is included in the Internal Service Fund. Health benefits were self-insured up to a specific stop loss amount of \$50,000 and an aggregate stop loss of approximately \$3.1 million for 2015. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate.

All funds of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims. Certain retirees and the two outside agencies make payments directly to the fund. The claims liability of \$366,092 in the Health Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimated claims liability does not include any allocated or unallocated claims adjustment expenses.

Changes in reported liabilities for the fiscal year ended June 30, 2015 are summarized as follows:

	2015	2014
Claims payable, beginning of the year	\$ 471,897	\$ 479,691
Claims expense	2,145,282	3,138,189
Claims payments	(2,251,087)	(3,145,983)
Claims payable, end of the year	<u>\$ 366,092</u>	<u>\$ 471,897</u>

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems

Iowa Public Employees Retirement System:

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

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

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

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

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The Actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$436,492.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$3,242,376 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .0817562 percent, which was an increase of 0.0057060 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$224,139. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,239	\$ -
Changes of assumptions	143,094	-
Net difference between projected and actual earnings on pension plan investments	-	1,236,547
Changes in proportion and differences between City contributions and proportionate share of contributions	-	79,373
City contributions subsequent to the measurement date	436,492	-
Total	\$ 614,825	\$ 1,315,920

\$436,492 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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

Year Ended June 30,	
2016	\$ (286,016)
2017	(286,016)
2018	(286,016)
2019	(286,016)
2020	6,477
Total	\$ (1,137,587)

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 percent to 17.00 percent, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15%	6.76%
Private Equity	13%	11.34%
Real Estate	8%	3.52%
Core Plus Fixed Income	28%	2.06%
Credit Opportunities	5%	3.67%
TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	-0.69%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 6,126,378	\$ 3,242,376	\$ 807,979

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

Payables to the Pension Plan – At June 30, 2015, the City reported payables to the defined benefit pension plan of \$48,418 for legally required employer contributions and \$1,609 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Municipal Fire and Police Retirement System of Iowa:

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

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

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

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

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

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

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

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

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

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

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 were \$1,541,191. If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$7,141,084 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .01969964 percent, which was an increase of .00024702 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$617,155. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,210
Changes of assumptions	527,798	-
Net difference between projected and actual earnings on pension plan investments	-	3,356,826
Changes in proportion and differences between City contributions and proportionate share of contributions	112,403	-
City contributions subsequent to the measurement date	1,541,191	-
Total	\$ 2,181,392	\$ 3,377,036

\$1,541,191 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (704,426)
2017	(704,426)
2018	(704,426)
2019	(704,426)
2020	80,869
Total	\$ (2,736,835)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00 percent per annum
Salary Increases	4.50 percent to 15.11 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 13,692,456	\$ 7,141,084	\$ 1,697,483

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 8. Pension and Retirement Systems (Continued)

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

Payables to the Pension Plan – At June 30, 2015, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$859 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

Pension Plan Total Information is as follows:

	IPERS			MFPRSI	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Total
Net pension liability	\$ (1,750,883)	\$ (1,491,493)	\$ (3,242,376)	\$ (7,141,084)	\$ (10,383,460)
Deferred outflows of resources related to pensions	332,005	282,820	614,825	2,181,392	2,796,217
Deferred inflows of resources related to pensions	(710,597)	(605,323)	(1,315,920)	(3,377,036)	(4,692,956)
Pension expense	121,035	103,104	224,139	617,155	841,294

Note 9. Other Postemployment Benefits

Plan description: The City operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 187 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding policy: The contribution requirements of plan members are established and may be amended by the City. The current funding policy of the City is to pay claims as they occur. The required contributions are based on projected pay-as-you-go financing. For fiscal year 2015, the City contributed \$46,397 which includes \$23,412 and \$22,985 related to the City's explicit and implicit subsidy, respectively for including the retirees in the plan.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actuarially contributed to the plan and changes in the City's annual OPEB obligation:

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits (Continued)

Annual required contribution	\$ 441,787
Interest on net OPEB obligation	36,085
Adjustment to annual required contribution	(99,127)
Annual OPEB cost	378,745
Contributions and payments made	46,397
Increase in net OPEB obligation	332,348
Net OPEB obligation, beginning of year	1,443,403
Net OPEB obligation, end of year	\$ 1,775,751

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2014 and 2013 are as follows in the table below:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 378,745	12.3%	\$ 1,775,751
June 30, 2014	396,240	16.5	1,443,403
June 30, 2013	422,836	17.5	1,112,564

Funded status and funding progress: As of July 1, 2013, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$3,192,421 and the actuarial value of assets was none, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,192,421. The covered payroll (annual payroll of active employees covered by the plan) was \$9,573,543 and the ratio of the UAAL to the covered payroll was 33.35 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 2.5 percent discount rate and an annual health care cost trend rate of 6 percent. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2015 was 30 years.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 10. Industrial Development Revenue Bonds

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

Note 11. Deficit Net Position

At June 30, 2015, the Solid Waste Collection Fund had a deficit net position of \$389,173. The Solid Waste Collection Fund deficit is the result of lost revenue due to problems related to the implementation of a new solid waste collection process that began in fiscal year 2012. The City is working to resolve this deficit balance by implementing a rate structure that was recommended as part of a professionally contracted study in 2012.

Note 12. Commitment and Contingent Liabilities

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

The City has projects related to sewer improvements, asphalt, and various street construction in progress at the end of the year. The total amount of contracts outstanding for these projects is approximately \$18 million. As of June 30, 2015, costs of \$10.5 million have been incurred on the projects. The remaining contractual amounts on these projects total approximately \$7.5 million as of June 30, 2015 and will be paid as work on the projects progresses.

The City has received financial assistance from numerous federal and state agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability in the applicable fund.

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

The City adopted the following statements during the year ended June 30, 2015:

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Notes to Basic Financial Statements

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

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

The implementation of the above statements did not have a material impact to the City's financial statements except for GASB Statement No. 68 and 71 which required the City to change the accounting and reporting of pension expense, net pension liability, and the related deferred inflows of resources and deferred outflows of resources. As a result, the City's financial statements required a restatement as stated in Note 16. In addition, the new standards required new required supplementary information schedules.

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the City beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

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

Notes to Basic Financial Statements

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

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

Note 14. Development Agreements

In order to encourage development within designated Urban Renewal Areas, the City Council has approved development rebate agreements related to two different projects. Rebates are to be paid only after certain conditions have been met by each project developer, and are to be paid over many years in the form of a rebate of a predetermined percentage of future property taxes generated by the property. It is estimated that outstanding commitments of approximately \$15.1 million exist, of which \$1.5 million is likely to be eligible to be paid in the next fiscal year. The payments will be expensed in the period in which they are paid. No liability for these obligations is recognized due to the fact that the agreements are conditional and the payments are to be funded by future property taxes received on the project. Obligations for one of the agreements is subject to annual appropriation.

Note 15. Subsequent Event

In August 2015, the City issued \$5,130,000 of general obligation capital loan notes to pay the costs of street, sidewalk, and trail improvements as well as improvements at the City airport, equipping the City’s police, fire, streets, sanitation, transit, grounds, and facilities departments, and abatement of nuisances including demolition of abandoned, dilapidated or dangerous buildings. The notes are payable from a continuing annual levy of property tax against all taxable property of the City.

In January 2016, the City issued \$3,305,000 of general obligation capital loan notes to pay the costs of certain sewer and storm sewer utility improvements. The notes are payable from a continuing annual levy of property tax against all taxable property of the City.

City of Clinton, Iowa

Notes to Basic Financial Statements

Note 16. Restatements

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities	Major Governmental Fund Capital Projects	Major Enterprise Fund Sewer	Nonmajor Enterprise Funds
Net position/fund balance June 30, 2014, as previously reported	\$ 82,580,339	\$ 69,467,481	\$ (26,574)	\$ 44,335,693	\$ 25,004,457
Net pension liability at June 30, 2014	(13,278,133)	(2,131,438)	-	(880,377)	(1,251,061)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	1,773,223	219,758	-	90,770	128,988
Due to other government	(6,000,000)	-	-	-	-
Prepaid items/expenses	(100,000)	-	(100,000)	-	-
Net position/fund balance July 1, 2014, as restated	\$ 64,975,429	\$ 67,555,801	\$ (126,574)	\$ 43,546,086	\$ 23,882,384

In addition, the City restated governmental activities net position \$6,000,000 to record the Due To Other Government for a 28E agreement with the County. The City also restated governmental activities net position and the Capital Projects Fund fund balance \$100,000 to eliminate a prepaid item recorded as of June 30, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Clinton, Iowa

Required Supplementary Information
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2015	7/1/2013	\$ -	\$ 3,192,421	\$ 3,192,421	- %	\$ 9,573,543	33.35%
2014	7/1/2013	-	3,192,421	3,192,421	-	10,107,016	31.59
2013	7/1/2011	-	3,201,687	3,201,687	-	10,031,926	31.91
2012	7/1/2011	-	3,201,687	3,201,687	-	9,434,000	33.94
2011	7/1/2009	-	2,616,000	2,616,000	-	10,900,000	24.00

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

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

City of Clinton, Iowa

**Budgetary Comparison Schedule
Budget and Actual - All Governmental and Enterprise Funds
Required Supplementary Information
Year Ended June 30, 2015**

	Governmental Fund Types Actual	Enterprise Fund Types Actual	Total Actual
Revenues:			
Taxes	\$ 15,471,655	\$ -	\$ 15,471,655
Tax increment financing	2,033,285	-	2,033,285
Other city tax	4,035,700	-	4,035,700
Licenses and permits	448,407	-	448,407
Use of money and property	312,866	427,956	740,822
Intergovernmental	5,212,646	1,275,508	6,488,154
Charges for services	1,247,042	11,786,437	13,033,479
Miscellaneous	899,941	282,458	1,182,399
Total revenues	29,661,542	13,772,359	43,433,901
Expenditures/expenses:			
Public safety	10,957,543	-	10,957,543
Public works	2,951,147	-	2,951,147
Culture and recreation	3,036,703	-	3,036,703
Community and economic development	2,084,627	-	2,084,627
General government	2,169,653	-	2,169,653
Debt service	4,264,112	-	4,264,112
Capital outlay	5,321,941	-	5,321,941
Business-type	-	16,059,559	16,059,559
Total expenditures/expenses	30,785,726	16,059,559	46,845,285
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,124,184)	(2,287,200)	(3,411,384)
Other financing sources (uses)			
Bond proceeds	8,003,177	-	8,003,177
Transfers in	9,320,524	4,897,559	14,218,083
Transfers out	(14,166,383)	(51,700)	(14,218,083)
Net change in fund balance/net position	2,033,134	2,558,659	4,591,793
Balance, beginning of year, as restated	4,515,027	67,428,470	71,943,497
Balance, end of year	\$ 6,548,161	\$ 69,987,129	\$ 76,535,290

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 14,531,608	\$ 14,531,608	\$ 940,047	
2,013,953	2,013,953	19,332	
5,058,930	5,124,230	(1,088,530)	
368,350	388,500	59,907	
532,336	415,686	325,136	
6,151,818	6,151,818	336,336	
12,596,421	12,577,876	455,603	
1,791,838	1,744,988	(562,589)	
43,045,254	42,948,659	485,242	
10,885,947	10,714,947	(242,596)	
2,581,959	2,581,959	(369,188)	
2,726,576	2,701,926	(334,777)	
2,382,127	2,389,627	305,000	
1,821,774	1,774,625	(395,028)	
3,795,309	3,795,309	(468,803)	
6,583,953	6,583,953	1,262,012	
16,606,783	16,606,783	547,224	
47,384,428	47,149,129	303,844	
(4,339,174)	(4,200,470)	789,086	
3,059,928	2,875,928	5,127,249	
19,584,030	19,584,030	(5,365,947)	
(19,584,030)	(19,584,030)	5,365,947	
(1,279,246)	(1,324,542)	5,916,335	
8,111,434	16,222,868	55,720,629	
\$ 6,832,188	\$ 14,898,326	\$ 61,636,964	

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City of Clinton, Iowa

Required Supplementary Information

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

Iowa Public Employees' Retirement System

Last Fiscal Year*

	<u>2015</u>
City's proportion of the net pension liability	0.0817562%
City's proportionate share of the net pension liability	\$ 3,242,376
City's covered-employee payroll	\$ 5,336,473
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.8%
Plan fiduciary net pension as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Notes to Required Supplementary Information.

City of Clinton, Iowa

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

	2015	2014	2013	2012
Statutorily required contribution	\$ 437	\$ 479	\$ 434	\$ 447
Contributions in relation to the statutorily required contribution	\$ (437)	\$ (479)	\$ (434)	\$ (447)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 4,888	\$ 5,336	\$ 4,987	\$ 5,519
Contributions as a percentage of covered-employee payroll	8.94%	8.98%	8.71%	8.09%

NOTE: Amounts in thousands

See Notes to Required Supplementary Information.

2011	2010	2009	2008	2007	2006
\$ 409	\$ 352	\$ 300	\$ 280	\$ 260	\$ 250
\$ (409)	\$ (352)	\$ (300)	\$ (280)	\$ (260)	\$ (250)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,870	\$ 5,296	\$ 4,728	\$ 4,613	\$ 4,515	\$ 4,298
6.96%	6.66%	6.35%	6.08%	5.76%	5.81%

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City of Clinton, Iowa

Required Supplementary Information

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

Municipal Fire and Police Retirement System of Iowa

Last Fiscal Year*

	<u>2015</u>
City's proportion of the net pension liability	0.01969964%
City's proportionate share of the net pension liability	\$ 7,141,084
City's covered-employee payroll	\$ 5,030,678
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.95%
Plan fiduciary net pension as a percentage of the total pension liability	86.27%

* The amounts presented for each fiscal year were determined as of June 30.

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Notes to Required Supplementary Information.

City of Clinton

Required Supplementary Information

Schedule of City Contributions

Municipal Fire and Police Retirement System of Iowa

Last Ten Fiscal Years

	2015	2014	2013	2012
Statutorily required contribution	\$ 1,541	\$ 1,515	\$ 1,271	\$ 1,186
Contributions in relation to the statutorily required contribution	\$ (1,541)	\$ (1,515)	\$ (1,271)	\$ (1,186)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 5,068	\$ 5,031	\$ 4,865	\$ 4,789
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.13%	24.77%

Note: Amounts reported in thousands

See Notes to Required Supplementary Information.

2011	2010	2009	2008	2007	2006
\$ 1,025	\$ 841	\$ 892	\$ 1,179	\$ 1,246	\$ 1,178
\$ (1,025)	\$ (841)	\$ (892)	\$ (1,179)	\$ (1,246)	\$ (1,178)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,033	\$ 4,916	\$ 4,698	\$ 4,616	\$ 4,458	\$ 4,116
20.37%	17.11%	18.99%	25.55%	27.96%	28.62%

City of Clinton, Iowa

Notes to Required Supplementary Information

Note 1. Budgetary Information

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

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, one budget amendment decreased budgeted expenditures by \$235,299. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues.

During the year ended June 30, 2015, expenditures in the public safety, public works, culture and recreation, general government and debt service functions exceeded the amounts budgeted.

Note 2. Iowa Public Employees' Retirement System

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Notes to Required Supplementary Information

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

Changes of assumptions:

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

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

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Clinton, Iowa

Notes to Required Supplementary Information

Note 3. Municipal Fire and Police Retirement System

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

Changes of assumptions: Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

SUPPLEMENTARY AND OTHER INFORMATION

City of Clinton, Iowa

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	Special Revenue			
	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability	Miscellaneous
Assets				
Cash and investments	\$ 180,587	\$ 364,518	\$ 46,799	\$ 324,265
Receivables:				
Property tax:				
Delinquent	-	-	-	4,016
Succeeding year	-	-	-	345,063
Intergovernmental	7,816	37,045	-	1,478
Special assessments	-	-	-	219,621
Other	43,175	-	-	-
Prepaid items	-	-	3,850	-
Due from other funds	-	-	-	8,353
Total assets	\$ 231,578	\$ 401,563	\$ 50,649	\$ 902,796
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 56,789	\$ -	\$ -	\$ 7,548
Deposits payable	-	-	-	600
Due to other funds	7,816	-	-	-
Total liabilities	64,605	-	-	8,148
Deferred inflows of resources, unavailable revenue:				
Succeeding year property tax	-	-	-	345,063
Special assessments	-	-	-	219,621
Grants	-	37,045	-	-
Total deferred inflows of resources	-	37,045	-	564,684
Fund Balances:				
Nonspendable:				
Prepaid items	-	-	3,850	-
Endowments, corpus	-	-	-	-
Restricted:				
Community programs and services	166,973	364,518	-	329,964
Other purposes	-	-	46,799	-
Total fund balances	166,973	364,518	50,649	329,964
Total liabilities, deferred inflow of resources and fund balances	\$ 231,578	\$ 401,563	\$ 50,649	\$ 902,796

Permanent			
Hayes Trust	Boyd Henningesen	Total	
\$ 3,747	\$ 5,041	\$	924,957
-	-		4,016
-	-		345,063
-	-		46,339
-	-		219,621
-	-		43,175
-	-		3,850
-	-		8,353
<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$</u>	<u>1,595,374</u>
\$ -	\$ -	\$	64,337
-	-		600
-	-		7,816
<u>-</u>	<u>-</u>		<u>72,753</u>
-	-		345,063
-	-		219,621
<u>-</u>	<u>-</u>		<u>37,045</u>
-	-		601,729
-	-		3,850
3,000	4,000		7,000
-	-		861,455
747	1,041		48,587
<u>3,747</u>	<u>5,041</u>		<u>920,892</u>
<u>\$ 3,747</u>	<u>\$ 5,041</u>	<u>\$</u>	<u>1,595,374</u>

City of Clinton, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2015**

	Leisure/ Cultural Programs	Community and Economic Development	Tort Liability	Miscellaneous
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ 118,568
Other city tax	225,019	-	-	-
Licenses and permits	-	-	-	22,065
Use of money and property	-	-	-	840
Intergovernmental	41,832	-	-	554,532
Charges for services	36,651	-	-	27,601
Miscellaneous	1,000	-	-	63,836
Total revenues	304,502	-	-	787,442
Expenditures:				
Current:				
Public safety	41,543	-	-	574,304
Public works	-	-	-	26,689
Culture and recreation	314,200	-	-	58,255
Community and economic developme	-	49,045	-	220,829
General government	-	-	293,098	-
Capital outlay	-	-	-	24,006
Total expenditures	355,743	49,045	293,098	904,083
Revenue over (under) expenditures	(51,241)	(49,045)	(293,098)	(116,641)
Other financing sources (uses):				
Issuance of long-term debt	-	-	-	300,000
Transfers in	323,694	48,696	337,889	500
Transfers out	(336,756)	-	-	(15,500)
Total other financing sources (uses)	(13,062)	48,696	337,889	285,000
Net change in fund balances	(64,303)	(349)	44,791	168,359
Fund balances, beginning of year	231,276	364,867	5,858	161,605
Fund balances, end of year	<u>\$ 166,973</u>	<u>\$ 364,518</u>	<u>\$ 50,649</u>	<u>\$ 329,964</u>

Permanent			
Hayes Trust	Boyd Henningsen Trust	Total	
\$ -	\$ -	\$	118,568
-	-		225,019
-	-		22,065
-	-		840
-	-		596,364
-	-		64,252
-	-		64,836
-	-		1,091,944
-	-		615,847
-	-		26,689
-	-		372,455
-	-		269,874
-	-		293,098
-	-		24,006
-	-		1,601,969
-	-		(510,025)
-	-		300,000
-	-		710,779
-	-		(352,256)
-	-		658,523
-	-		148,498
3,747	5,041		772,394
\$ 3,747	\$ 5,041	\$	920,892

City of Clinton, Iowa

**Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015**

	Solid Waste Collection	Transit System	Airport Operations
Assets			
Current assets:			
Cash and investments	\$ -	\$ 1,412,597	\$ 197,360
Receivables, net of allowance for uncollectible amounts of \$72,000:			
Service fees	671,589	-	-
Special assessments	207,429	-	-
Other	2,817	9,675	21,949
Intergovernmental	-	54,749	150,000
Prepays	-	3,000	-
Due from other funds	29	-	-
Total current assets	881,864	1,480,021	369,309
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	-	84,600	790,945
Depreciable:			
Machinery and equipment	1,117,810	4,538,416	317,801
Land improvements	36,000	-	131,200
Buildings	136,000	2,152,608	3,318,565
Intangibles	-	8,200	-
Infrastructure	-	15,800	19,523,553
Accumulated depreciation	(715,549)	(3,440,584)	(13,205,517)
Total noncurrent assets	574,261	3,359,040	10,876,547
Total assets	\$ 1,456,125	\$ 4,839,061	\$ 11,245,856
Deferred outflows of resources			
Pension related deferred outflows	\$ 43,038	\$ 110,669	\$ 12,297
Liabilities			
Current liabilities:			
Accounts payable	\$ 27,083	\$ 30,931	\$ 4,318
Early retirement payable	-	21,000	-
Due to other funds	1,451,780	-	294,531
Compensated absences	15,834	47,025	6,396
Total current liabilities	1,494,697	98,956	305,245
Noncurrent liabilities:			
Other postemployment benefits obligation	74,559	117,725	11,772
Early retirement payable	-	105,000	-
Net pension liability	226,966	583,628	64,847
Advance from other funds	-	-	270,000
Total noncurrent liabilities	301,525	806,353	346,619
Total liabilities	1,796,222	905,309	651,864
Deferred inflows of resources			
Pension related deferred inflows	92,114	236,866	26,318
Net position:			
Investment in capital assets	574,261	3,359,040	10,876,547
Unrestricted	(963,434)	448,515	(296,576)
Total net position	\$ (389,173)	\$ 3,807,555	\$ 10,579,971

Dock Operations		Marina		Parking System		Total
\$	39,666	\$	723,164	\$	10,313	\$ 2,383,100
	-		-		-	671,589
	-		-		-	207,429
	-		40,821		25	75,287
	-		-		-	204,749
	-		10,404		-	13,404
	-		-		-	29
	39,666		774,389		10,338	3,555,587
	-		184,000		217,000	1,276,545
	-		16,800		-	5,990,827
	-		39,692		152,700	359,592
	-		752,205		-	6,359,378
	-		-		12,401	20,601
	-		9,326,625		149,516	29,015,494
	-		(2,111,710)		(314,617)	(19,787,977)
	-		8,207,612		217,000	23,234,460
\$	39,666	\$	8,982,001	\$	227,338	\$ 26,790,047
\$	-	\$	-	\$	-	\$ 166,004
\$	-	\$	120,549	\$	-	\$ 182,881
	-		-		-	21,000
	-		-		-	1,746,311
	-		-		-	69,255
	-		120,549		-	2,019,447
	-		-		-	204,056
	-		-		-	105,000
	-		-		-	875,441
	-		-		-	270,000
	-		-		-	1,454,497
	-		120,549		-	3,473,944
	-		-		-	355,298
	-		8,207,612		217,000	23,234,460
	39,666		653,840		10,338	(107,651)
\$	39,666	\$	8,861,452	\$	227,338	\$ 23,126,809

City of Clinton, Iowa

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2015

	Solid Waste Collection	Transit System	Airport Operations	Dock Operations
Operating revenues:				
Charges for services	\$ 1,659,080	\$ 211,420	\$ 476,495	\$ -
Property rental	4,724	-	130,262	-
Miscellaneous	1,842	69,047	4,521	-
Total operating revenues	1,665,646	280,467	611,278	-
Operating expenses:				
Personal services	568,278	1,282,859	148,004	-
Commodities	167,577	230,545	353,542	-
Contractual services	346,123	58,271	28,049	-
Repairs, maintenance and utilities	315,643	45,332	67,959	-
Depreciation	142,447	516,548	669,872	-
Total operating expenses	1,540,068	2,133,555	1,267,426	-
Operating (loss)	125,578	(1,853,088)	(656,148)	-
Nonoperating revenues (expenses):				
Intergovernmental	-	1,105,213	170,295	-
Total nonoperating revenues	-	1,105,213	170,295	-
Income (loss) before transfers	125,578	(747,875)	(485,853)	-
Transfers in	-	652,680	69,000	-
Transfers out	-	-	(28,950)	(22,750)
Change in net position	125,578	(95,195)	(445,803)	(22,750)
Total net position, beginning of year, as restated	(514,751)	3,902,750	11,025,774	62,416
Total net position, end of year	\$ (389,173)	\$ 3,807,555	\$ 10,579,971	\$ 39,666

Marina	Parking System	Total
\$ 78,373	\$ -	\$ 2,425,368
266,065	-	401,051
135,383	-	210,793
479,821	-	3,037,212
-	-	1,999,141
103,910	-	855,574
210,169	-	642,612
118,627	-	547,561
364,520	-	1,693,387
797,226	-	5,738,275
(317,405)	-	(2,701,063)
-	-	1,275,508
-	-	1,275,508
(317,405)	-	(1,425,555)
-	-	721,680
-	-	(51,700)
(317,405)	-	(755,575)
9,178,857	227,338	23,882,384
\$ 8,861,452	\$ 227,338	\$ 23,126,809

City of Clinton, Iowa

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2015

	Solid Waste Collection	Transit System	Airport Operations	Dock Operations
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,604,986	\$ 281,288	\$ 617,904	\$ -
Payments to suppliers	(831,475)	(324,145)	(480,704)	-
Payments to employees	(572,004)	(1,323,492)	(151,494)	-
Net cash provided by (used in) operating activities	201,507	(1,366,349)	(14,294)	-
Cash flows from noncapital financing activities:				
Intergovernmental	-	1,779,858	39,547	-
Proceeds from interfund accounts	-	-	262,736	-
Payments to interfund accounts	(201,507)	(10,491)	-	-
Transfers in	-	652,680	69,000	-
Transfers (out)	-	-	(28,950)	(22,750)
Net cash provided by (used in) noncapital financing activities	(201,507)	2,422,047	342,333	(22,750)
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(394,956)	(462,941)	-
Net cash (used in) capital and related financing activities	-	(394,956)	(462,941)	-
Increase in cash and cash equivalents	-	660,742	(134,902)	(22,750)
Cash and cash equivalents, beginning of year	-	751,855	332,262	62,416
Cash and cash equivalents, end of year	\$ -	\$ 1,412,597	\$ 197,360	\$ 39,666

(Continued)

Marina	Parking System	Total
\$ 469,277	\$ -	\$ 2,973,455
(321,604)	-	(1,957,928)
-	-	(2,046,990)
147,673	-	(1,031,463)
-	-	1,819,405
-	-	262,736
-	-	(211,998)
-	-	721,680
-	-	(51,700)
-	-	2,540,123
(6,800)	-	(864,697)
(6,800)	-	(864,697)
140,873	-	643,963
582,291	10,313	1,739,137
\$ 723,164	\$ 10,313	\$ 2,383,100

City of Clinton, Iowa

Combining Statement of Cash Flows (Continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2015

	Solid Waste Collection	Transit System	Airport Operations	Dock Operations	Marina
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:					
Operating (loss)	\$ 125,578	\$ (1,853,088)	\$ (656,148)	\$ -	\$ (317,405)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:					
Depreciation	142,447	516,548	669,872	-	364,520
Change in assets and liabilities:					
Receivables	(36,190)	821	6,626	-	(10,544)
Special assessments	(24,470)	-	-	-	-
Prepays	-	-	-	-	(262)
Accounts payable	(2,132)	10,003	(31,154)	-	111,364
Compensated absences	(1,810)	2,844	(142)	-	-
Pension liability and related deferrals	(14,866)	(38,224)	(4,248)	-	-
Early retirement benefit	-	(36,000)	-	-	-
Other postemployment benefits obligation	12,950	30,747	900	-	-
Net cash provided by (used in) operating activities	\$ 201,507	\$ (1,366,349)	\$ (14,294)	\$ -	\$ 147,673
Schedule of noncash items, capital and related financing activities, Payment of contracts payable for acquisition of capital assets	\$ -	\$ -	\$ 68,118	\$ -	\$ -

Parking System	Total
\$ -	\$ (2,701,063)
-	1,693,387
-	(39,287)
-	(24,470)
-	(262)
-	88,081
-	892
-	(57,338)
-	(36,000)
-	44,597
<u>\$ -</u>	<u>\$ (1,031,463)</u>
<u>\$ -</u>	<u>\$ 68,118</u>

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OTHER INFORMATION

City of Clinton, Iowa

Schedule of Balance Sheet Accounts Required by Revenue Bond Ordinance
Sewer Revenue Fund-By Account on Bond Ordinance Basis
June 30, 2015

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund
Assets				
Cash and investments	\$ 51,356	\$ -	\$ 757,418	\$ 49,336
Receivables, net of allowance for uncollectible amounts of \$972,213:				
Service fees	-	-	-	-
Special assessments	-	-	-	-
Other	645	-	-	-
Intergovernmental	-	-	-	-
Due from other accounts	-	-	-	-
Total assets	52,001	-	757,418	49,336
Liabilities and Net Position				
Liabilities:				
Accounts payable	156,073	-	-	-
Contracts payable	-	-	-	-
Due to other accounts	-	65,522	-	-
Total liabilities	156,073	65,522	-	-
Net position:				
Unrestricted	(104,072)	(65,522)	757,418	49,336
Total net position	(104,072)	(65,522)	757,418	49,336
Total liabilities and net position	\$ 52,001	\$ -	\$ 757,418	\$ 49,336

Sewer Reserve Fund	Sewer Revenue Fund	Sewer Improvement	Total
\$ 403,598	\$ 750,906	\$ 3,712,784	\$ 5,725,398
-	2,538,608	-	2,538,608
-	898,534	-	898,534
-	15,140	-	15,785
-	-	103,869	103,869
-	-	65,522	65,522
403,598	4,203,188	3,882,175	9,347,716
-	23,568	547,313	726,954
-	-	446,065	446,065
-	-	-	65,522
-	23,568	993,378	1,238,541
403,598	4,179,620	2,888,797	8,109,175
403,598	4,179,620	2,888,797	8,109,175
\$ 403,598	\$ 4,203,188	\$ 3,882,175	\$ 9,347,716

City of Clinton, Iowa

**Schedule of Revenues, Expenses and Changes in Net Position Required by Revenue Bond Ordinance
Sewer Revenue Fund-By Account on Bond Ordinance Basis
Year Ended June 30, 2015**

	Water Pollution Control Operations	Emergency Repair Reserve	EPA Equipment Replacement Reserve	Sewer Sinking Fund	Sewer Reserve Fund
Operating revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	62,582	-	-	-	-
Total operating revenues	62,582	-	-	-	-
Operating expenses:					
Personal services	1,471,813	-	-	-	-
Contractual services	1,155,259	-	-	-	-
Repairs, maintenance and utilities	799,125	-	-	-	-
Capital outlay/improvements	131,421	-	-	-	-
Total operating expenses	3,557,618	-	-	-	-
Operating income (loss)	(3,495,036)	-	-	-	-
Nonoperating revenues (expenses):					
Investment earnings	-	-	-	-	-
Interest expense	-	-	-	(2,262,932)	-
Principal payments	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	(2,262,932)	-
Income (loss) before transfers	(3,495,036)	-	-	(2,262,932)	-
Transfers in	3,384,102	-	-	4,590,749	403,598
Transfers out	-	(403,598)	-	(2,278,481)	-
Change in net position	(110,934)	(403,598)	-	49,336	403,598
Total net position, beginning of year	6,862	338,076	757,418	-	-
Total net position, end of year	\$ (104,072)	\$ (65,522)	\$ 757,418	\$ 49,336	\$ 403,598

Sewer Revenue Fund	Sewer Improvement	Total
\$ 9,352,590	\$ 1,054	\$ 9,353,644
12,166	-	74,748
9,364,756	1,054	9,428,392
-	-	1,471,813
-	536,996	1,692,255
79,844	-	878,969
-	5,105,568	5,236,989
79,844	5,642,564	9,280,026
9,284,912	(5,641,510)	148,366
26,905	-	26,905
-	(10,481)	(2,273,413)
-	(807,609)	(807,609)
26,905	(818,090)	(3,054,117)
9,311,817	(6,459,600)	(2,905,751)
-	7,254,360	15,632,809
(8,774,851)	-	(11,456,930)
536,966	794,760	1,270,128
3,642,654	2,094,037	6,839,047
\$ 4,179,620	\$ 2,888,797	\$ 8,109,175

City of Clinton, Iowa

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES				
Taxes	\$ 21,540,640	\$ 21,340,941	\$ 21,060,047	\$ 20,061,933
Licenses and permits	448,407	397,268	390,214	388,142
Use of money and property	312,866	1,879,184	535,225	166,362
Intergovernmental	5,212,646	4,844,194	5,425,060	5,077,516
Charges for services	1,247,042	1,235,039	1,045,323	1,276,132
Miscellaneous	899,941	799,992	1,504,955	2,301,813
TOTAL REVENUES	<u><u>\$ 29,661,542</u></u>	<u><u>\$ 30,496,618</u></u>	<u><u>\$ 29,960,824</u></u>	<u><u>\$ 29,271,898</u></u>
EXPENDITURES				
Current				
Public safety	\$ 10,957,543	\$ 10,776,743	\$ 10,117,478	\$ 10,099,168
Public works	2,951,147	2,606,996	2,471,001	2,931,985
Culture and recreation	3,036,703	3,142,259	2,919,245	3,016,460
Community and economic development	2,084,627	1,877,259	2,028,721	2,749,648
General government	2,169,653	2,478,543	2,762,672	1,656,335
Debt service	4,264,112	3,992,096	8,468,734	3,477,659
Capital outlay	5,321,941	7,760,095	8,221,941	7,817,225
TOTAL EXPENDITURES	<u><u>\$ 30,785,726</u></u>	<u><u>\$ 32,633,991</u></u>	<u><u>\$ 36,989,792</u></u>	<u><u>\$ 31,748,480</u></u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 19,459,376	\$ 18,966,982	\$ 17,685,612	\$ 16,696,773	\$ 16,356,349	\$ 15,093,950
280,236	756,662	278,034	302,729	271,733	192,010
409,167	433,911	467,610	505,698	533,043	509,542
15,396,842	4,401,029	3,287,033	6,943,004	8,325,118	6,926,122
1,257,521	1,365,157	1,230,528	1,566,224	1,518,430	1,363,812
326,379	529,325	558,340	723,501	938,498	970,657
<u>\$ 37,129,521</u>	<u>\$ 26,453,066</u>	<u>\$ 23,507,157</u>	<u>\$ 26,737,929</u>	<u>\$ 27,943,171</u>	<u>\$ 25,056,093</u>
\$ 10,522,406	\$ 9,451,323	\$ 9,632,937	\$ 9,414,773	\$ 9,103,189	\$ 8,704,919
3,831,214	3,364,814	3,449,917	3,147,176	2,819,417	2,689,177
3,056,645	2,691,561	2,882,200	2,560,291	2,525,097	2,443,820
2,500,810	1,933,560	966,803	1,346,733	1,175,920	1,356,850
1,860,914	2,288,430	2,432,760	1,128,739	1,047,609	1,050,086
3,348,133	3,993,984	4,750,160	4,445,382	4,755,246	8,379,435
10,061,875	6,267,321	6,986,200	7,915,554	7,553,288	12,522,925
<u>\$ 35,181,997</u>	<u>\$ 29,990,993</u>	<u>\$ 31,100,977</u>	<u>\$ 29,958,648</u>	<u>\$ 28,979,766</u>	<u>\$ 37,147,212</u>

City of Clinton, Iowa

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Taxes				
Property tax and tax increment financing	\$ 16,195,117	\$ 16,568,522	\$ 16,287,628	\$ 14,972,295
Mobile home taxes	5,031	4,528	4,528	5,205
Utility excise taxes	1,304,792	1,151,368	1,151,368	1,129,203
Local option sales taxes	3,298,910	3,064,314	3,064,314	3,429,223
Hotel/motel taxes	511,771	361,661	361,661	332,554
Gaming/Cable television franchise fees	225,019	179,083	179,083	190,496
Other taxes	-	11,465	11,465	-
	<u>\$ 21,540,640</u>	<u>\$ 21,340,941</u>	<u>\$ 21,060,047</u>	<u>\$ 20,058,976</u>
Intergovernmental				
Road use taxes	\$ 3,080,523	\$ 2,671,825	\$ 2,606,751	\$ 2,529,235
Bank franchise tax	-	-	-	-
Machinery and equipment tax replacement	-	-	-	-
Other federal/state revenues	1,883,123	1,953,220	2,605,406	7,607,513
County contributions	75,988	49,284	50,948	105,757
School district contributions	173,012	169,865	161,955	-
	<u>\$ 5,212,646</u>	<u>\$ 4,844,194</u>	<u>\$ 5,425,060</u>	<u>\$ 10,242,505</u>
TOTAL	<u><u>\$ 26,753,286</u></u>	<u><u>\$ 26,185,135</u></u>	<u><u>\$ 26,485,107</u></u>	<u><u>\$ 30,301,481</u></u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 14,488,035	\$ 14,498,220	\$ 13,062,069	\$ 12,594,715	\$ 11,943,048	\$ 11,624,678
5,713	6,179	7,544	6,029	6,717	7,492
1,001,996	684,958	699,751	710,877	747,851	658,333
3,345,242	2,931,452	3,412,843	2,883,810	3,211,844	2,363,972
313,352	252,413	348,364	357,639	303,726	296,306
142,155	142,675	144,091	143,701	143,163	143,172
-	-	-	-	-	-
<u>\$ 19,296,493</u>	<u>\$ 18,515,897</u>	<u>\$ 17,674,662</u>	<u>\$ 16,696,771</u>	<u>\$ 16,356,349</u>	<u>\$ 15,093,953</u>
\$ 2,559,000	\$ 2,445,174	\$ 2,301,748	\$ 2,379,640	\$ 2,323,732	\$ 2,323,216
-	-	-	-	-	-
-	-	-	-	-	-
10,892,450	7,474,466	3,032,831	5,411,763	6,290,529	5,264,706
78,385	58,088	42,726	46,731	50,893	58,083
-	-	-	-	-	-
<u>\$ 13,529,835</u>	<u>\$ 9,977,728</u>	<u>\$ 5,377,305</u>	<u>\$ 7,838,134</u>	<u>\$ 8,665,154</u>	<u>\$ 7,646,005</u>
<u>\$ 32,826,328</u>	<u>\$ 28,493,625</u>	<u>\$ 23,051,967</u>	<u>\$ 24,534,905</u>	<u>\$ 25,021,503</u>	<u>\$ 22,739,958</u>

City of Clinton, Iowa

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

Fiscal Year:	2006	2007	2008	2009
January 1 Valuation	2004	2005	2006	2007
Residential property	\$ 651,917,505	\$ 680,990,248	\$ 717,652,186	\$ 794,554,206
Commercial property	212,733,005	239,709,838	254,475,073	258,943,100
Industrial property	90,567,968	92,280,556	103,889,045	113,859,248
Utilities	85,108,878	87,104,661	86,562,503	84,928,187
Other	446,750	446,750	446,750	446,750
Subtotal	1,040,774,106	1,100,532,053	1,163,025,557	1,252,731,491
Agricultural land	10,420,888	10,961,103	10,898,984	10,628,345
TOTAL	\$ 1,051,194,994	\$ 1,111,493,156	\$ 1,173,924,541	\$ 1,263,359,836

2010	2011	2012	2013	2014	2015
2008	2009	2010	2011	2012	2013
\$ 809,102,152	\$ 824,901,714	\$ 873,107,272	\$ 838,077,699	\$ 844,469,640	\$ 846,761,092
263,428,838	264,671,175	270,207,165	263,324,605	290,590,290	281,717,781
144,102,110	143,732,802	193,742,825	223,544,136	172,403,126	149,910,562
87,449,615	519,907,540	151,620,680	162,756,342	167,379,969	188,751,208
446,750	446,750	446,750	446,750	446,750	446,750
1,304,529,465	1,753,659,981	1,489,124,692	1,488,149,532	1,475,289,775	1,467,587,393
10,611,413	13,514,673	15,324,520	17,773,135	17,535,589	26,798,891
<u>\$ 1,315,140,878</u>	<u>\$ 1,767,174,654</u>	<u>\$ 1,504,449,212</u>	<u>\$ 1,505,922,667</u>	<u>\$ 1,492,825,364</u>	<u>\$ 1,494,386,284</u>

City of Clinton, Iowa

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

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

	2010	2011	2012	2013	2014	2015
	2008	2009	2010	2011	2012	2013
\$	364,473,337	\$ 383,571,449	\$ 421,511,650	\$ 422,003,802	\$ 443,940,901	\$ 457,007,659
	263,428,838	264,671,175	270,207,165	263,324,605	290,590,290	265,401,457
	144,102,110	143,732,802	193,742,825	223,544,136	172,403,126	142,412,661
	63,694,959	66,006,035	94,263,469	101,857,832	102,341,142	101,402,573
	446,750	446,750	446,750	446,750	446,750	446,750
	836,145,994	858,428,211	980,171,859	1,011,177,125	1,009,722,209	966,671,100
	3,578,990	3,456,758	3,389,160	3,313,228	3,226,184	3,113,212
\$	832,567,004	\$ 854,971,453	\$ 976,782,699	\$ 1,007,863,897	\$ 1,006,496,025	\$ 963,557,888
\$	9,955,176	\$ 8,950,487	\$ 10,576,243	\$ 10,194,936	\$ 10,494,318	\$ 11,409,968

City of Clinton, Iowa

Schedule of General Obligation Bond and Capital Loan Note Maturities
June 30, 2015

Year Ending June 30	Principal	Interest	Total
2016	\$ 3,115,000	\$ 773,951	\$ 3,888,951
2017	3,005,000	695,130	3,700,130
2018	3,090,000	625,968	3,715,968
2019	2,515,000	537,382	3,052,382
2020	2,475,000	465,829	2,940,829
2021	2,520,000	392,065	2,912,065
2022	1,865,000	314,391	2,179,391
2023	1,405,000	265,173	1,670,173
2024	1,180,000	222,996	1,402,996
2025	1,220,000	190,330	1,410,330
2026	685,000	155,536	840,536
2027	700,000	132,970	832,970
2028	725,000	109,312	834,312
2029	640,000	83,720	723,720
2030	365,000	61,000	426,000
2031	380,000	48,750	428,750
2032	395,000	36,000	431,000
2033	400,000	22,700	422,700
2034	265,000	8,612	273,612
	<u>\$ 26,945,000</u>	<u>\$ 5,141,815</u>	<u>\$ 32,086,815</u>

City of Clinton, Iowa

Schedule of General Obligation Bond Maturities
June 30, 2015

Summary

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,315,000	\$ 325,466	\$ 1,640,466
2017	1,050,000	274,886	1,324,886
2018	1,290,000	232,676	1,522,676
2019	870,000	176,801	1,046,801
2020	880,000	136,675	1,016,675
2021	900,000	95,115	995,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 7,485,000</u>	<u>\$ 1,402,509</u>	<u>\$ 8,887,509</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 965,000	\$ 182,435	\$ 1,147,435
2017	690,000	146,730	836,730
2018	720,000	119,820	839,820
2019	295,000	91,020	386,020
2020	305,000	78,925	383,925
2021	320,000	66,115	386,115
2022	330,000	52,515	382,515
2023	350,000	38,325	388,325
2024	100,000	23,100	123,100
2025	100,000	18,650	118,650
2026	100,000	14,100	114,100
2027	100,000	9,450	109,450
2028	100,000	4,750	104,750
	<u>\$ 4,475,000</u>	<u>\$ 845,935</u>	<u>\$ 5,320,935</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 350,000	\$ 143,031	\$ 493,031
2017	360,000	128,156	488,156
2018	570,000	112,856	682,856
2019	575,000	85,781	660,781
2020	575,000	57,750	632,750
2021	580,000	29,000	609,000
	<u>\$ 3,010,000</u>	<u>\$ 556,574</u>	<u>\$ 3,566,574</u>

City of Clinton, Iowa

Schedule of General Obligation Capital Loan Note Maturities
June 30, 2015

Summary - Capital Loan Note Principal and Interest

Year																		
Ending																		
June 30	\$	3,065,000	\$	4,975,000	\$	2,095,000	\$	4,155,000	\$	335,000	\$	3,225,000	\$	625,000	\$	4,050,000	Total	
2016	\$	284,690	\$	791,968	\$	361,380	\$	227,700	\$	85,380	\$	112,426	\$	110,096	\$	274,845	\$	2,248,485
2017		402,730		379,568		363,230		424,700		89,420		332,228		108,916		274,452		2,375,244
2018		184,080		386,218		364,680		415,700		88,400		373,446		107,916		272,852		2,193,292
2019		517,356		311,043		-		406,700		86,700		298,014		111,516		274,252		2,005,581
2020		526,050		311,918		-		397,700		-		298,204		114,730		275,552		1,924,154
2021		528,550		307,718		-		393,700		-		297,700		112,530		276,752		1,916,950
2022		529,880		308,098		-		389,550		-		296,496		-		272,852		1,796,876
2023		-		307,968		-		400,250		-		299,678		-		273,952		1,281,848
2024		-		307,458		-		400,350		-		297,136		-		274,952		1,279,896
2025		-		311,558		-		405,150		-		299,120		-		275,852		1,291,680
2026		-		-		-		149,500		-		300,494		-		276,442		726,436
2027		-		-		-		145,650		-		301,264		-		276,606		723,520
2028		-		-		-		151,800		-		301,436		-		276,326		729,562
2029		-		-		-		147,000		-		301,020		-		275,700		723,720
2030		-		-		-		152,200		-		-		-		273,800		426,000
2031		-		-		-		152,000		-		-		-		276,750		428,750
2032		-		-		-		156,600		-		-		-		274,400		431,000
2033		-		-		-		150,800		-		-		-		271,900		422,700
2034		-		-		-		-		-		-		-		273,612		273,612
	\$	2,973,336	\$	3,723,515	\$	1,089,290	\$	5,067,050	\$	349,900	\$	4,108,662	\$	665,704	\$	5,221,849	\$	23,199,306

Summary - Capital Loan Note Principal

Year Ending																		
June 30	\$	3,065,000	\$	4,975,000	\$	2,095,000	\$	4,155,000	\$	335,000	\$	3,225,000	\$	625,000	\$	4,050,000	Total	
2016		245,000		740,000		350,000		100,000		80,000		15,000		100,000		170,000		1,800,000
2017		365,000		335,000		355,000		300,000		85,000		235,000		100,000		180,000		1,955,000
2018		150,000		345,000		360,000		300,000		85,000		280,000		100,000		180,000		1,800,000
2019		485,000		275,000		-		300,000		85,000		210,000		105,000		185,000		1,645,000
2020		500,000		280,000		-		300,000		-		215,000		110,000		190,000		1,595,000
2021		510,000		280,000		-		305,000		-		220,000		110,000		195,000		1,620,000
2022		520,000		285,000		-		310,000		-		225,000		-		195,000		1,535,000
2023		-		290,000		-		330,000		-		235,000		-		200,000		1,055,000
2024		-		295,000		-		340,000		-		240,000		-		205,000		1,080,000
2025		-		305,000		-		355,000		-		250,000		-		210,000		1,120,000
2026		-		-		-		110,000		-		260,000		-		215,000		585,000
2027		-		-		-		110,000		-		270,000		-		220,000		600,000
2028		-		-		-		120,000		-		280,000		-		225,000		625,000
2029		-		-		-		120,000		-		290,000		-		230,000		640,000
2030		-		-		-		130,000		-		-		-		235,000		365,000
2031		-		-		-		135,000		-		-		-		245,000		380,000
2032		-		-		-		145,000		-		-		-		250,000		395,000
2033		-		-		-		145,000		-		-		-		255,000		400,000
2034		-		-		-		-		-		-		-		265,000		265,000
	\$	2,775,000	\$	3,430,000	\$	1,065,000	\$	3,955,000	\$	335,000	\$	3,225,000	\$	625,000	\$	4,050,000	\$	19,460,000

Summary - Capital Loan Note Interest

Year Ending																		
June 30	\$	3,065,000	\$	4,975,000	\$	2,095,000	\$	4,155,000	\$	335,000	\$	3,225,000	\$	625,000	\$	4,050,000	Total	
2016	\$	39,690	\$	51,968	\$	11,380	\$	127,700	\$	5,380	\$	97,426	\$	10,096	\$	104,845	\$	448,485
2017		37,730		44,568		8,230		124,700		4,420		97,228		8,916		94,452		420,244
2018		34,080		41,218		4,680		115,700		3,400		93,446		7,916		92,852		393,292
2019		32,356		36,043		-		106,700		1,700		88,014		6,516		89,252		360,581
2020		26,050		31,918		-		97,700		-		83,204		4,730		85,552		329,154
2021		18,550		27,718		-		88,700		-		77,700		2,530		81,752		296,950
2022		9,880		23,098		-		79,550		-		71,496		-		77,852		261,876
2023		-		17,968		-		70,250		-		64,678		-		73,952		226,848
2024		-		12,458		-		60,350		-		57,136		-		69,952		199,896
2025		-		6,558		-		50,150		-		49,120		-		65,852		171,680
2026		-		-		-		39,500		-		40,494		-		61,442		141,436
2027		-		-		-		35,650		-		31,264		-		56,606		123,520
2028		-		-		-		31,800		-		21,436		-		51,326		104,562
2029		-		-		-		27,000		-		11,020		-		45,700		83,720
2030		-		-		-		22,200		-		-		-		38,800		61,000
2031		-		-		-		17,000		-		-		-		31,750		48,750
2032		-		-		-		11,600		-		-		-		24,400		36,000
2033		-		-		-		5,800		-		-		-		16,900		22,700
2034		-		-		-		-		-		-		-		8,612		8,612
	\$	198,336	\$	293,515	\$	24,290	\$	1,112,050	\$	14,900	\$	883,662	\$	40,704	\$	1,171,849	\$	3,739,306

City of Clinton, Iowa

**Computation of Legal Debt Margin
June 30, 2015**

Actual Property Valuation-January 1, 2013 (Includes TIF valuation)	<u><u>\$ 1,543,871,190</u></u>
Debt limit, 5% of total actual valuation	\$ 77,193,560
Debt applicable to debt limit, debt service:	
General obligation loan notes and bonds	26,945,000
Due to other government	5,325,432
Tax increment financing indebtedness	<u>9,856,556</u>
Legal debt margin	<u><u>\$ 35,066,572</u></u>

City of Clinton, Iowa

Miscellaneous Statistics

(Unaudited)

June 30, 2015

Date Chartered	January 28.1857
Form of Government	Mayor/Council/City Administrator
Number of Employees (excluding seasonal)	
Full-time Equivalent	176
Area in Square Miles	38.4
Population	26,886
City of Clinton Facilities and Services:	
Miles of Streets	123
Parks and Recreation:	
Parks	18
Park Acreage	496
Swimming Pool	1
Softball and Baseball Diamonds	15
Tennis Courts	10
Baseball Stadium	1
Libraries:	2
Number of Registered Borrowers	18,271
Number of Items in Collection	101,356
Police Protection:	
Number of Stations	1
Number of Sworn Officers	40
Fire Protection:	
Number of Stations	3
Number of Fire Personnel	44
Sewer System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	4.5 million
Maximum Daily Capacity in Gallons	18 million
Number of Customers	10,350
Sewer Rate - Residential	\$8.96 per 100 cubic feet
Commercial Class 1	\$8.96 per 100 cubic feet
Commercial Class 2	\$11.648 per 100 cubic feet
Commercial Class 3	\$15.232 per 100 cubic feet
Public Transportation System:	
Buses	12
Fixed Routes Served	6
Para Transit Vehicles	6
Municipal Airport:	1
Primary Runway Length (in feet)	5,204
Other Runway (in feet)	4,201

COMPLIANCE SECTION

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CITY OF CLINTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Program	CFDA Number	Pass-Through Number	Program Expenditures
Direct:			
Department of Justice			
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	2015-BUBX15077025	\$ 410
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0584	21,610
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0653	19,812
			41,422
Equitable Sharing Program	16.922	IA0230100	53,652
Total Department of Justice Direct Programs			95,484
Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0019-019	150,001
Environmental Protection Agency			
Office of Solid Waste and Emergency Response			
Superfund State, Political Subdivision, and Indian Tribal Site-Specific Cooperative Agreements	66.802	OSWER-OEM-PROD MC5104A	21,013
Department of Homeland Security			
Federal Emergency Management Association			
Port Security Grant Program	97.056	EMW-2013-PU-00113	373,280
Total Direct Programs			639,778
Indirect:			
Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/Entitlement Grants	14.218	14-HSG-002	37,045
Department of Justice			
Iowa Governor's Office of Drug Control Policy			
Project Safe Neighborhoods	16.609	11-PSN-SD09	7,959
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	HDP-1415(618)-71-23	57,857
Formula Grants for Rural Areas	20.509	IA-18-X030	599,845
Formula Grants for Rural Areas	20.509	IA018-0031-141-15	2,278
			602,123
Bus and Bus Facilities Formula Program	20.526	IA-04-0117	318,532
Governor's Traffic Safety Bureau			
State and Community Highway Safety	20.600	14-402-M00P, Task 23-40-00	670
Total Department of Transportation Indirect Programs			979,182
Department of Homeland Security			
Iowa Homeland Security and Emergency Management Department			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH-00164	16,891
Total Indirect Programs			1,041,077
Total expenditures of federal awards			\$ 1,680,855

See notes to the schedule of expenditures of federal awards.

City of Clinton, Iowa

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of City of Clinton, Iowa under programs of the federal government for the year ended June 30, 2015. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Clinton, Iowa, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Clinton, Iowa.

Note 2 Summary of Significant Accounting Policies

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

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

City of Clinton



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Clinton, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clinton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-15 through II-F-15 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Clinton's Responses to the Findings


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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 2, 2016

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

City of Clinton



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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Clinton, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Clinton's major federal programs for the year ended June 30, 2015. The City of Clinton's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Clinton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Clinton's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Clinton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Clinton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Clinton's

internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-15 and III-C-15 to be significant deficiencies.

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 2, 2016

City of Clinton
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies and a material weakness in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program were as follows:
 - CFDA Number 20.509 – Formula Grants for Rural Areas.
 - CFDA Number 20.526 – Bus and Bus Facilities Formula Program.
 - CFDA Number 97.056 – Port Security Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Clinton did not qualify as a low-risk auditee.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

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

- II-B-15 Financial Reporting – During the audit, we identified a material amount of cash, tax receivable, receivables, prepaid items, payables and long-term debt not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

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

Response – These are fixed for FY15. Reconciliation procedures will be put in place to ensure this does not happen in the future.

Conclusion – Response accepted.

- II-C-15 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared for both sewer and solid waste utilities. Also, utility collections were not reconciled to deposits. A reconciliation is designed to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

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

Response – Our system does prepare an aged accounts listing. The Finance Director will determine a way to do a monthly reconciliation of utility accounts receivables.

Conclusion – Response accepted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-D-15 Solid Waste Billings – The City does not maintain a complete listing of customers for the residents receiving solid waste cart services.

Recommendation – Procedures should be established to develop a complete listing of customers receiving solid waste cart services.

Response – The City has been working on an interface with our utility billing software to provide information about carts issued or retrieved from a residence. We know a lot of information was not recorded when our “cart program” was rolled out in 2011/2012. The current management staff is working to remedy this problem.

Conclusion – Response accepted.

- II-E-15 Check Endorsement – Checks are not restrictively endorsed upon receipt in the Marina, Airport and Transit offices.

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

Response – The Finance Director will order endorsement stamps for the Marina, Airport and Transit offices.

Conclusion – Response accepted.

- II-F-15 Computer Systems – During our review of internal control, the existing control activities in the City’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer systems were noted:

The City does not have written policies for:

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

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

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

Response – The City is working on a password policy for computer use. The IT staff person is also aware and working on proper backup procedures for servers. Along with passwords, users will not have the ability to install their own software on their workstations.

Conclusion – Response accepted.

City of Clinton
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 20.509: Formula Grants for Rural Areas
Pass-through Agency Number: IA-18-X030
Federal Award Year: 2015
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

CFDA Number 20.526: Capital Investment Assistance Project
Pass-through Agency Number: IA-04-0117
Federal Award Year: 2015
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-15 Segregation of Duties over Federal Revenue – The City did not properly
(2015-001) segregate collection, deposit and record-keeping for revenues, including
those related to federal programs. See item II-A-15.

CFDA Number 97.056: Port Security Grant Program
Pass-through Agency Number: EMW-2013-PU-00113
Federal Award Year: 2015
U.S. Department of Homeland Security

III-B-15 Procurement and Suspension and Debarment – OMB Circular A-133
(2015-002) requires the City to perform a verification check for procurement
contracts by checking the Excluded Parties List System (EPLS)
maintained by the General Services Administration. The City did not
perform verification checks to ensure contracts made with grant
funds are not made with entities included on the EPLS.

Recommendation – The City should perform a verification check for
procurement contracts by checking the EPLS.

Response and Corrective Action Planned – The City went through a
separate audit with FEMA for the procurement of the fireboat. We
are changing our purchasing policy to include a verification check for
procurement contracts with the Excluded Parties List System.

Conclusion – Response accepted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

III-C-15 Federal Financial Reports – The Federal Financial Report for the
(2015-003) quarter ended March 31, 2015 was not submitted timely (30 days
after the reporting period) in accordance with 44 CFR 13.41(b)(4).

Recommendation – The City should submit reports timely.

Response and Corrective Action Planned – The City will submit future
reports timely.

Conclusion – Response accepted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, public safety, culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – Although City personnel did a budget amendment in April of 2015 for the FY15 budget, end of year accruals exceeded what was anticipated for the amendment.

Conclusion – Response accepted.

IV-B-15 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

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

Certain transfers between funds were not approved by the City Council prior to making the transfer between funds. Certain disbursements were not approved by the City Council and listed in the minutes record.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and should publish a summary of all receipts. The City should approve all transfers prior to the actual transfer and all disbursements and document approval and amount(s) as part of the minutes record.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Response – We will begin publishing the required summary of receipts starting January 2016. We will ensure all transfers and disbursements are approved by the City Council.

Conclusion – Response accepted.

- IV-G-15 Deposits and Investments – Deposits and investments were in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy, except for the following:

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

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

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

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

Conclusion – Response accepted.

- IV-H-15 Revenue Bonds and Notes – No instances of non-compliance with the sewer revenue note provisions were noted.

- IV-I-15 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.

- IV-J-15 Financial Condition – The Enterprise, Solid Waste Collection Fund had a deficit net position of \$389,173 at June 30, 2015.

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

Response – The City implemented a rate increase for solid waste collection services on July 1, 2015, which is part of a larger 5-year plan to clear this deficit. City staff will continue to bring forward rate updates to the City Council to ensure rates are set to clear this deficit.

Conclusion – Response accepted.

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-K-15 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

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

Response – City personnel will work to clear these outstanding checks and remit the obligations to the Great Iowa Treasure Hunt.

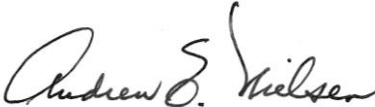
Conclusion – Response accepted.

City of Clinton

Staff

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