



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE December 29, 2005

Contact: Andy Nielsen  
515/281-5834

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

The City's revenues totaled \$7,627,000 for the year ended June 30, 2005, and included \$943,127 from property tax, \$1,191,948 from tax increment financing, \$594,669 from charges for service, \$338,596 from operating grants, contributions and restricted interest, \$4,108,228 from capital grants, contributions and restricted interest, \$353,251 from local option sales tax, \$23,531 from unrestricted investment earnings and \$73,650 from other general revenues.

Expenses for City operations totaled \$3,238,711, and included \$824,396 for public works, \$784,128 for public safety and \$565,857 for debt service. Expenses for business type activities totaled \$463,172.

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

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**CITY OF LECLAIRE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2005**

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**City of LeClaire**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vernon C. Spring	Mayor	Jan 2006
Debra D. Smith	Mayor Pro tem	Jan 2006
Rodney L. Collier	Council Member	Jan 2006
Bruce R. Richardson	Council Member	Jan 2006
Mary L. Farmer	Council Member	Jan 2008
Michael R. Wolfe	Council Member	Jan 2008
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite

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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of LeClaire's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

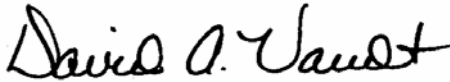
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2005 on our consideration of the City of LeClaire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 2, 2005



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of LeClaire provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental funds were approximately \$3,699,000 in fiscal 2005. Property tax (including TIF) collected amounted to approximately \$1,984,000, which represents an increase of approximately \$307,000 or, 18%.
- Governmental fund expenditures were approximately \$5,087,000 in fiscal 2005 and enterprise fund expenses totaled approximately \$463,000.
- The City's net assets increased 69.5%, or approximately \$4,388,000, from June 30, 2004 to June 30, 2005. Of this amount, the net assets of the governmental activities increased approximately \$3,421,000 and the net assets of the business type activities increased by approximately \$968,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statements*

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

sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

In the government-wide financial statements, the City's activities are divided into two kinds of activities:

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

#### *Fund Financial Statements*

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Fund. This fund reports services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Fund includes the Sewer Fund, a major fund of the City. The City is responsible for ensuring the assets reported in this fund is used only for their intended purposes and by those to whom the assets belong.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Condensed Statement of Net Assets						Per Cent Change June 30, 2004-2005
	Governmental Activities		Business Type Activities		Total		
	June 30,		June 30,		June 30,		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 3,162,817	2,601,009	38,889	82,413	3,201,706	2,683,422	19.3%
Capital assets	13,754,580	9,641,044	3,732,994	2,711,251	17,487,574	12,352,295	41.6%
Total assets	16,917,397	12,242,053	3,771,883	2,793,664	20,689,280	15,035,717	37.6%
Long-term liabilities	7,736,461	6,125,602	77,354	68,986	7,813,815	6,194,588	26.1%
Other liabilities	2,157,647	2,513,746	13,361	11,215	2,171,008	2,524,961	-14.0%
Total liabilities	9,894,108	8,639,348	90,715	80,201	9,984,823	8,719,549	14.5%
Net assets:							
Invested in capital assets, net of related debt	7,904,154	4,750,794	3,732,994	2,711,251	11,637,148	7,462,045	56.0%
Restricted	402,408	349,857	-	-	402,408	349,857	15.0%
Unrestricted	(1,283,273)	(1,497,946)	(51,826)	2,212	(1,335,099)	(1,495,734)	10.7%
Total net assets	\$ 7,023,289	3,602,705	3,681,168	2,713,463	10,704,457	6,316,168	69.5%

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is at a deficit of \$1,283,273 for governmental activities and \$51,826 for business type activities at the end of fiscal 2005. The governmental activities deficit is primarily due to debt payable from governmental activities for assets reported in business type activities. The business type activities deficit is primarily due to significant systems control and operational expenses during fiscal 2005, including related personnel expenses.

	Changes in Net Assets						
	Governmental		Business Type		Total		Per Cent
	Activities		Activities		City		
	Year ended June 30,		Year ended June 30,		Year ended June 30,		Change
2005	2004	2005	2004	2005	2004	2004-2005	
Revenues:							
Program revenues:							
Charges for service	\$ 242,328	238,582	352,341	406,530	594,669	645,112	-7.8%
Operating grants, contributions and restricted interest	338,596	354,279	-	-	338,596	354,279	-4.4%
Capital grants, contributions and restricted interest	3,030,147	358,999	1,078,081	-	4,108,228	358,999	1044.4%
General revenues:							
Property tax levied for:							
General purposes	886,550	791,316	-	-	886,550	791,316	12.0%
Debt service	56,577	40,334	-	-	56,577	40,334	40.3%
Tax increment financing	1,191,948	991,973	-	-	1,191,948	991,973	20.2%
Local option sales tax	353,251	350,201	-	-	353,251	350,201	.9%
Unrestricted investment earnings	23,440	15,751	91	2,841	23,531	18,592	26.6%
Gain on sale of capital assets	1,700	-	-	-	1,700	-	100.0%
Miscellaneous	71,586	21,166	364	4,082	71,950	25,248	185.0%
Total revenues	<u>6,196,123</u>	<u>3,162,601</u>	<u>1,430,877</u>	<u>413,453</u>	<u>7,627,000</u>	<u>3,576,054</u>	<u>113.3%</u>
Program expenses:							
Public safety	784,128	665,246	-	-	784,128	665,246	17.9%
Public works	824,396	885,179	-	-	824,396	885,179	-7.4%
Culture and recreation	225,184	314,071	-	-	225,184	314,071	-28.3%
Community and economic development	183,594	133,771	-	-	183,594	133,771	37.2%
General government	192,380	158,672	-	-	192,380	158,672	21.2%
Debt service	565,857	426,232	-	-	565,857	426,232	32.8%
Water	-	-	-	218,387	-	218,387	-100.0%
Sewer	-	-	463,172	462,598	463,172	462,598	.1%
Total expenses	<u>2,775,539</u>	<u>2,583,171</u>	<u>463,172</u>	<u>680,985</u>	<u>3,238,711</u>	<u>3,264,156</u>	<u>.8%</u>
Change in net assets	3,420,584	579,430	967,705	(267,532)	4,388,289	311,898	1307.0%
Transfers	-	645,446	-	(645,446)	-	-	0.0%
Special item - sale of water system	-	-	-	1,648,721	-	1,648,721	-100.0%
Net assets beginning of year	<u>3,602,705</u>	<u>2,377,829</u>	<u>2,713,463</u>	<u>1,977,720</u>	<u>6,316,168</u>	<u>4,355,549</u>	<u>45.0%</u>
Net assets end of year	<u>\$7,023,289</u>	<u>3,602,705</u>	<u>3,681,168</u>	<u>2,713,463</u>	<u>10,704,457</u>	<u>6,316,168</u>	<u>69.5%</u>

Overall revenues increased approximately \$4 million, or 113%, from FY04 to FY05. The increase was primarily in capital grants, contributions and restricted interest due to an increase in developer donated infrastructure.

Expenses decreased overall by approximately \$25,000, or .8%. Expenses for public safety increased slightly, primarily due to minor equipment purchases in FY05. Expenses for culture and recreation decreased due to payments made to other agencies in FY04, including \$74,651 paid on a library service contract. Expenses for community and economic development increased in FY05, primarily due to the purchase and installation of a city billboard. Expenses for general government increased due to salary increases and reallocation of salaries previously charged to the Water Fund. Water expenses and special items decreased due to the sale of the water system in FY04.

## INDIVIDUAL MAJOR FUND ANALYSIS

### Governmental Fund Highlights

As the City of LeClaire completed fiscal 2005, its governmental funds reported a combined fund balance of \$1,001,135, an increase of \$1,015,724 over last year's deficit of \$(14,589). The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund balance decreased by \$21,438 to \$83,741. Note proceeds of \$270,000 and transfers in of \$156,459 were offset by the on-going construction of the new City Hall and street construction projects in progress during this fiscal year.

The Special Revenue, Urban Renewal Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which are used to pay principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2005 with a \$12,039 fund balance compared to the prior year ending fund balance of \$101,230. Tax increment financing revenues increased by approximately \$200,000, while expenditures and transfers out to cover debt payments increased by approximately \$432,000.

The Debt Service Fund balance increased moderately by \$4,035 to \$8,397.

The Capital Projects Fund ended fiscal 2005 with a balance of \$839,319 compared to the prior year ending fund deficit of \$389,966. The fiscal 2005 balance is a result of unspent general obligation debt proceeds needed to fund completion of several projects.

### **Proprietary Fund Highlights**

The Sewer Fund ended fiscal 2005 with a net asset balance of \$3,681,168 compared to the prior year ending net asset balance of \$2,713,463. The increase in net assets was primarily due to a significant increase in developer donated infrastructure (i.e., Pebble Creek Project and others).

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once, in May 2005. The amendment was needed to cover unplanned disbursements in certain functions, including disbursements associated with projects carried over from the prior fiscal year. Overall, budgeted expenditures decreased primarily in the public works and capital projects functions.

At June 30, 2005, the City exceeded the budgeted amounts in the public safety, general government and business type activities functions.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$13,754,580 (net of accumulated depreciation) at June 30, 2005. Capital assets for business type activities totaled \$3,732,994 (net of accumulated depreciation) at June 30, 2005. See Note 3 to the financial statements for more information about the City's capital assets.

#### **LONG-TERM DEBT**

At June 30, 2005, the City had \$7,695,000 in total long-term debt outstanding for governmental activities. During the year ended June 30, 2005, the City issued a total of \$2,440,000 in general obligation notes to finance police and fire department equipment purchases, nuisance abatement activities (122 N. Cody Road), a levee paving project, City hall and IT projects and various City-wide street improvement projects.

The City does not have a formal bond rating issued by one of the nationally recognized bond rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,159,618 is below its constitutional debt limit of \$8,428,444. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE**

The major economic factors affecting decisions made by the City in setting its fiscal 2006 budget were:

1. Continuing steady increase in the assessed valuation of property within the City.
2. An Iowa Department of Transportation USTEP grant for the construction of the Eagle Ridge Road and U.S. Highway 67 intersection signal improvements.
3. Continuous steady increase in the City's population.

The General Fund is projected to end fiscal 2006 with a fund balance of approximately \$35,000.

The specific breakout of the tax levy rates per \$1,000 of taxable valuation for fiscal 2006 is provided below:

General	\$	8.10000
Levy Improvement		0.06750
Insurance		0.94032
Emergency		0.27000
Employee Benefits		4.96418
Debt Service		0.35437
		<hr/>
Total Regular Tax Levy Rate	\$	14.69637
		<hr/> <hr/>
Agricultural Tax Levy Rate	\$	3.00375
		<hr/> <hr/>

The City maintained its property tax rate at \$14.69639/\$1,000 for the fifth straight year during fiscal 2006.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator at (563)-289-4242, via email at [echoate@leclaireiowa.gov](mailto:echoate@leclaireiowa.gov) or at P.O. Box 605, 325 Wisconsin Street, LeClaire, Iowa 52753-0605.

## **Basic Financial Statements**

**Exhibit A**

City of LeClaire  
Statement of Net Assets  
June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 851,986	70	852,056
Receivables:			
Property tax:			
Delinquent	8,076	-	8,076
Succeeding year	770,000	-	770,000
Tax increment financing:			
Delinquent	11,753	-	11,753
Succeeding year	1,148,000	-	1,148,000
Customer accounts and unbilled usage	9,978	44,163	54,141
Accounts	56,208	-	56,208
Special assessments	1,136	10,109	11,245
Due from other governments	128,822	383	129,205
Due from other funds	121,612	(121,612)	-
Advances to/from other funds	(24,150)	24,150	-
Prepaid expenses	47,015	12,819	59,834
Restricted assets:			
Cash and pooled investments:			
Customer deposits	18,554	68,807	87,361
Capital assets not being depreciated	2,117,810	85,590	2,203,400
Capital assets (net of accumulated depreciation)	11,636,770	3,647,404	15,284,174
Bond issuance costs	13,827	-	13,827
<b>Total assets</b>	<b>16,917,397</b>	<b>3,771,883</b>	<b>20,689,280</b>
<b>Liabilities</b>			
Accounts payable	210,066	13,361	223,427
Accrued interest payable	29,581	-	29,581
Deferred revenue:			
Succeeding year property tax	770,000	-	770,000
Succeeding year tax increment financing	1,148,000	-	1,148,000
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	18,554	68,807	87,361
General obligation bonds/notes	920,000	-	920,000
Compensated absences	35,949	8,547	44,496
Portion due or payable after one year:			
General obligation bonds/notes (net of \$13,042 unamortized discount)	6,411,958	-	6,411,958
Urban renewal tax increment revenue bonds	350,000	-	350,000
<b>Total liabilities</b>	<b>9,894,108</b>	<b>90,715</b>	<b>9,984,823</b>



City of LeClaire  
Statement of Net Assets  
June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,904,154	3,732,994	11,637,148
Restricted for:			
Local option sales tax	21,591	-	21,591
Special levies	137,004	-	137,004
Debt service	90	-	90
Tourism	58,268	-	58,268
Park, levee and recreation	31,545	-	31,545
Capital projects	146,848	-	146,848
Other purposes	7,062	-	7,062
Unrestricted	(1,283,273)	(51,826)	(1,335,099)
<b>Total net assets</b>	<b>\$ 7,023,289</b>	<b>3,681,168</b>	<b>10,704,457</b>

See notes to financial statements.

City of LeClaire  
Statement of Activities  
Year ended June 30, 2005

<b>Functions/Programs:</b>	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 784,128	41,379	69,466	-
Public works	824,396	147,025	238,115	2,927,990
Culture and recreation	225,184	16,286	21,015	81,036
Community and economic development	183,594	10,821	10,000	3,000
General government	192,380	26,817	-	18,121
Debt service:				
Interest on long-term debt	335,943	-	-	-
Tax increment financing rebate payments	229,914	-	-	-
Total governmental activities	<u>2,775,539</u>	<u>242,328</u>	<u>338,596</u>	<u>3,030,147</u>
Business type activities:				
Sewer	463,172	352,341	-	1,078,081
Total	<u>\$ 3,238,711</u>	<u>594,669</u>	<u>338,596</u>	<u>4,108,228</u>

**General Revenues:**

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

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(673,283)	-	(673,283)
2,488,734	-	2,488,734
(106,847)	-	(106,847)
(159,773)	-	(159,773)
(147,442)	-	(147,442)
(335,943)	-	(335,943)
(229,914)	-	(229,914)
835,532	-	835,532
-	967,250	967,250
835,532	967,250	1,802,782
886,550	-	886,550
56,577	-	56,577
1,191,948	-	1,191,948
353,251	-	353,251
23,440	91	23,531
1,700	-	1,700
71,586	364	71,950
2,585,052	455	2,585,507
3,420,584	967,705	4,388,289
3,602,705	2,713,463	6,316,168
\$ 7,023,289	3,681,168	10,704,457

City of LeClaire  
Balance Sheet  
Governmental Funds

June 30, 2005

<b>Assets</b>	Special Revenue		
	General	Urban Renewal Tax Increment Financing	Debt Service
Cash and pooled investments	\$ 40,655	-	7,878
Receivables:			
Property tax:			
Delinquent	5,126	-	525
Succeeding year	470,000	-	31,000
Tax increment financing:			
Delinquent	-	11,753	-
Succeeding year	-	1,148,000	-
Customer accounts	9,978	-	-
Accounts	42,388	12,926	-
Special assessments	1,136	-	-
Due from other governments	44,071	-	-
Due from other funds	24,503	-	-
Prepaid expenditures	33,367	-	-
Restricted assets:			
Cash and pooled investments:			
Customer deposits	18,554	-	-
<b>Total assets</b>	<b>\$ 689,778</b>	<b>1,172,679</b>	<b>39,403</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 69,250	2,127	6
Due to other funds	22,848	10,513	-
Deferred revenue:			
Succeeding year property tax	470,000	-	31,000
Succeeding year tax increment financing	-	1,148,000	-
Other	1,235	-	-
Payable from restricted assets:			
Customer deposits	18,554	-	-
Advances from other funds	24,150	-	-
Total liabilities	606,037	1,160,640	31,006

Capital Projects	Nonmajor Special Revenue	Total
796,369	7,084	851,986
-	2,425	8,076
-	269,000	770,000
-	-	11,753
-	-	1,148,000
-	-	9,978
894	-	56,208
-	-	1,136
11,499	73,252	128,822
151,382	56,470	232,355
3,741	9,907	47,015
-	-	18,554
<u>963,885</u>	<u>418,138</u>	<u>3,283,883</u>

124,566	14,117	210,066
-	77,382	110,743
-	269,000	770,000
-	-	1,148,000
-	-	1,235
-	-	18,554
-	-	24,150
<u>124,566</u>	<u>360,499</u>	<u>2,282,748</u>

City of LeClaire  
 Balance Sheet  
 Governmental Funds

June 30, 2005

	Special Revenue		
	Urban Renewal		Debt
	General	Tax Increment Financing	Service
<b>Liabilities and Fund Balances (continued)</b>			
Fund balances:			
Reserved for:			
Debt service	-	12,039	8,397
Prepaid expenditures	33,367	-	-
Special levies	72,419	-	-
Tourism	58,268	-	-
Park, levee and recreation	31,545	-	-
Unreserved:			
Reported in:			
General fund	(111,858)	-	-
Special revenue funds	-	-	-
Capital projects fund	-	-	-
Total fund balances	83,741	12,039	8,397
<b>Total liabilities and fund balances</b>	<b>\$ 689,778</b>	<b>1,172,679</b>	<b>39,403</b>

See notes to financial statements.

Capital Projects	Nonmajor Special Revenue	Total
-	-	20,436
3,741	9,907	47,015
-	-	72,419
-	-	58,268
-	-	31,545
-	-	(111,858)
-	47,732	47,732
835,578	-	835,578
839,319	57,639	1,001,135
963,885	418,138	3,283,883

**City of LeClaire**



City of LeClaire

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

June 30, 2005

**Total governmental fund balances (page 21)** \$ 1,001,135

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,510,612 and the accumulated depreciation is \$2,756,032. 13,754,580

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,235

Bond issuance costs are reported as expenditures in governmental funds but are amortized and expensed over the life of the debt in the Statement of Activities. 13,827

Long-term liabilities, including general obligation bonds/notes, urban renewal tax increment revenue bonds, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (7,747,488)

**Net assets of governmental activities (page 15)** \$ 7,023,289

See notes to financial statements.

City of LeClaire

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

Year ended June 30, 2005

	<u>Special Revenue</u>		
	General	Urban Renewal Tax Increment Financing	Debt Service
Revenues:			
Property tax	\$ 475,093	-	55,154
Tax increment financing	-	1,191,949	-
Other city tax	137,866	-	1,423
Licenses and permits	4,837	-	-
Use of money and property	34,165	4,927	669
Intergovernmental	48,076	-	-
Charges for service	180,186	-	-
Special assessments	238	-	-
Miscellaneous	122,494	12,926	-
Total revenues	<u>1,002,955</u>	<u>1,209,802</u>	<u>57,246</u>
Expenditures:			
Operating:			
Public safety	665,675	-	-
Public works	181,239	-	-
Culture and recreation	165,213	-	-
Community and economic development	155,549	20,070	-
General government	156,653	-	-
Debt service	-	245,289	1,146,197
Capital projects	-	-	-
Total expenditures	<u>1,324,329</u>	<u>265,359</u>	<u>1,146,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(321,374)</u>	<u>944,443</u>	<u>(1,088,951)</u>
Other financing sources (uses):			
Operating transfers in	156,459	-	1,092,986
Operating transfers out	(122,473)	(1,033,634)	-
General obligation notes issued	270,000	-	-
Discount on general obligation notes	(4,050)	-	-
Total other financing sources (uses)	<u>299,936</u>	<u>(1,033,634)</u>	<u>1,092,986</u>
Net change in fund balances	(21,438)	(89,191)	4,035
Fund balances (deficit) beginning of year, as restated	<u>105,179</u>	<u>101,230</u>	<u>4,362</u>
Fund balances end of year	<u>\$ 83,741</u>	<u>12,039</u>	<u>8,397</u>

See notes to financial statements.

Capital Projects	Nonmajor Special Revenue	Total
-	261,924	792,171
-	-	1,191,949
-	364,917	504,206
-	-	4,837
13,248	1,810	54,819
235,684	238,511	522,271
-	-	180,186
-	-	238
298,320	14,675	448,415
547,252	881,837	3,699,092
-	62,650	728,325
-	352,467	533,706
-	20,822	186,035
-	4,717	180,336
-	48,328	204,981
-	-	1,391,486
1,861,899	-	1,861,899
1,861,899	488,984	5,086,768
(1,314,647)	392,853	(1,387,676)
481,318	-	1,730,763
(74,836)	(499,820)	(1,730,763)
2,170,000	-	2,440,000
(32,550)	-	(36,600)
2,543,932	(499,820)	2,403,400
1,229,285	(106,967)	1,015,724
(389,966)	164,606	(14,589)
839,319	57,639	1,001,135

City of LeClaire

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

Year ended June 30, 2005

**Net change in fund balances - Total governmental funds (page 25)** \$ 1,015,724

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

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

Expenditures for capital assets	\$ 1,930,197	
Capital assets contributed by developers	2,583,895	
Depreciation expense	<u>(402,256)</u>	4,111,836

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 1,700

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds. (88,564)

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

Issued	(2,440,000)	
Amortization of discount	(1,669)	
Repaid	<u>835,000</u>	(1,606,669)

Bond issuance costs are reported as expenditures in governmental funds but are amortized and expensed over the life of the debt in the Statement of Activities. (1,728)

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, as follows:

Compensated absences	(2,354)	
Accrued interest on long-term debt	<u>(9,361)</u>	<u>(11,715)</u>

**Change in net assets of governmental activities (page 17)** \$ 3,420,584

See notes to financial statements.

City of LeClaire  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

	Enterprise - Sewer
<b>Assets</b>	
Cash and pooled investments	\$ 70
Receivables:	
Customer accounts and unbilled usage	44,163
Special assessments	10,109
Due from other governments	383
Advances to other funds	24,150
Prepaid expenses	12,819
Restricted assets:	
Cash and pooled investments:	
Customer deposits	68,807
Capital assets not being depreciated	85,590
Capital assets (net of accumulated depreciation)	3,647,404
<b>Total assets</b>	<b>3,893,495</b>
<b>Liabilities</b>	
Accounts payable	13,361
Due to other funds	121,612
Payable from restricted assets:	
Customer deposits	68,807
Compensated absences	8,547
<b>Total liabilities</b>	<b>212,327</b>
<b>Net Assets</b>	
Invested in capital assets	3,732,994
Unrestricted	(51,826)
<b>Total net assets</b>	<b>\$ 3,681,168</b>

See notes to financial statements.

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

Year ended June 30, 2005

	<u>Enterprise - Sewer</u>
Operating revenues:	
Charges for service	\$ 352,341
Miscellaneous	364
Total operating revenues	<u>352,705</u>
Operating expenses:	
Business type activities:	
Cost of sales and services	365,413
Depreciation	97,759
Total operating expenses	<u>463,172</u>
Operating loss	(110,467)
Non-operating revenues:	
Interest income	91
Net loss before contributions	(110,376)
Capital contributions	<u>1,078,081</u>
Change in net assets	967,705
Net assets beginning of year	<u>2,713,463</u>
Net assets end of year	<u><u>\$ 3,681,168</u></u>

See notes to financial statements.

City of LeClaire

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2005

	Enterprise - Sewer
Cash flows from operating activities:	
Cash received from customers and users	\$ 353,339
Cash received from other revenues	78
Cash paid for personal services	(190,929)
Cash paid to suppliers	(174,128)
Net cash used for operating activities	(11,640)
Cash flows from noncapital financing activities:	
Deficit cash implicity financed	63,069
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(41,421)
Cash flows from investing activities:	
Interest on investments	91
Net increase in cash and cash equivalents	10,099
Cash and cash equivalents beginning of year	58,778
Cash and cash equivalents end of year	\$ 68,877
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (110,467)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	97,759
(Increase) in customer accounts, unbilled usage and other receivables	(9,387)
(Increase) in prepaid expenses	(59)
Increase in accounts payable	2,146
(Decrease) in compensated absences	(1,731)
Increase in customer deposits	10,099
Net cash used for operating activities	\$ (11,640)

During the year ended June 30, 2005, developers contributed sanitary sewer extensions and a lift station totaling \$1,078,081 to the Enterprise, Sewer Fund.

City of LeClaire

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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



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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary fund:

Enterprise:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The City maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund and other funds as provided by law. Investments consist of a money market account, which is stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax and tax increment financing receivables represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2004.

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

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Advances to/from Other Funds – Non-current portions of interfund loan receivables are reported as advances.

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

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

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

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

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

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

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

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Road Use Tax Funds.

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

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

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

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, general government and business type activities functions.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 486,455	-	-	486,455
Land, right of way	104,927	1,476	-	106,403
Construction in progress - infrastructure	1,473,283	715,650	(1,791,104)	397,829
Construction in progress - other	47,371	1,079,752	-	1,127,123
Total capital assets not being depreciated	2,112,036	1,796,878	(1,791,104)	2,117,810
Capital assets being depreciated:				
Buildings and improvements	3,262,725	63,213	-	3,325,938
Equipment and vehicles	1,631,979	73,282	(24,832)	1,680,429
Infrastructure, road network	5,012,912	4,373,523	-	9,386,435
Total capital assets being depreciated	9,907,616	4,510,018	(24,832)	14,392,802
Less accumulated depreciation for:				
Buildings and improvements	211,889	57,644	-	269,533
Equipment and vehicles	629,007	113,340	(24,832)	717,515
Infrastructure, road network	1,537,712	231,272	-	1,768,984
Total accumulated depreciation	2,378,608	402,256	(24,832)	2,756,032
Total capital assets being depreciated, net	7,529,008	4,107,762	-	11,636,770
Governmental activities capital assets, net	\$ 9,641,044	5,904,640	(1,791,104)	13,754,580
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 85,590	-	-	85,590
Capital assets being depreciated:				
Buildings	1,714,997	79,200	-	1,794,197
Equipment and vehicles	1,058,661	47,517	(80,378)	1,025,800
Infrastructure, sewer network	2,448,068	998,881	-	3,446,949
Total capital assets being depreciated	5,221,726	1,125,598	(80,378)	6,266,946
Less accumulated depreciation for:				
Buildings	1,086,381	46,623	-	1,133,004
Equipment and vehicles	906,273	13,229	(74,282)	845,220
Infrastructure, sewer network	603,411	37,907	-	641,318
Total accumulated depreciation	2,596,065	97,759	(74,282)	2,619,542
Total capital assets being depreciated, net	2,625,661	1,027,839	(6,096)	3,647,404
Business type activities capital assets, net	\$ 2,711,251	1,027,839	(6,096)	3,732,994

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety		\$ 79,206
Public works		286,727
Culture and recreation		21,815
General government		14,508
		<hr/>
Total depreciation expense - governmental activities		\$ 402,256
		<hr/>
Business type activities:		
Sewer		\$ 97,759
		<hr/>

As permitted by U.S. generally accepted accounting principles, the City will add storm sewer infrastructure from prior years during the next two years.

**(4) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 5,725,289	2,441,669	835,000	7,331,958	(1) 920,000
Urban renewal tax increment revenue bonds	350,000	-	-	350,000	-
Compensated absences	33,595	55,941	53,587	35,949	35,949
				<hr/>	
Total	\$ 6,108,884	2,497,610	888,587	7,717,907	955,949
				<hr/>	

(1) Notes were sold at a discount; unamortized discount at June 30, 2005 totaled \$13,042.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Compensated absences	\$ 10,278	12,147	13,878	8,547	8,547
				<hr/>	

General obligation bonds/notes

Seven issues of unmatured general obligation bonds/notes, totaling \$7,345,000, are outstanding at June 30, 2005. General obligation bonds/notes bear interest at rates ranging from 1.95% to 5.65% per annum and mature in varying annual amounts, ranging from \$10,000 to \$305,000, with the final maturities due in the year ending June 30, 2019.

Revenue bonds

One issue of unmatured urban renewal tax increment revenue bonds, totaling \$350,000, is outstanding at June 30, 2005. These bonds bear interest at rates ranging from 3.00% to 5.50% per annum and mature in annual amounts of \$50,000, with the final maturity due in the year ending June 30, 2014.

Details of general obligation and revenue bonds/notes payable at June 30, 2005 are as follows:

Governmental activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bonds/notes:						
Water improvement bonds	Nov 15, 1999	5.00-5.60 %	Jun 1, 2015	35,000-65,000	\$ 720,000	\$ 535,000
Corporate purpose notes	Apr 1, 2002	5.00	Jun 1, 2012	10,000-15,000	140,000	105,000
Taxable refunding notes	Dec 1, 2002	3.10-5.65	Jun 1, 2009	100,000-300,000	1,410,000	850,000
Corporate purpose and refunding	Dec 1, 2002	2.00-4.40	Jun 1, 2013	160,000-305,000	2,885,000	2,055,000
Refunding notes	May 30, 2003	3.05-3.25	Jun 1, 2006	40,000-45,000	130,000	45,000
Corporate purpose notes	Dec 1, 2003	1.95-4.00	Jun 1, 2013	25,000-240,000	1,365,000	1,315,000
Corporate purpose annual appropriation notes	Aug 1, 2004	2.65-5.00	Jun 1, 2019	145,000-265,000	2,440,000	2,440,000
Total general obligation bonds/notes						7,345,000
Revenue bonds:						
Urban renewal tax increment	Mar 1, 2004	3.00-5.50	Jun 1, 2014	50,000	350,000	350,000
Total governmental activities						\$ 7,695,000

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

Year Ending June 30,	General Obligation Bond/Notes			Urban Renewal Tax Increment Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 920,000	299,418	1,219,418	-	15,375	15,375
2007	795,000	267,320	1,062,320	-	15,375	15,375
2008	840,000	237,880	1,077,880	50,000	15,375	65,375
2009	835,000	203,570	1,038,570	50,000	13,875	63,875
2010	750,000	170,865	920,865	50,000	12,125	62,125
2011-2015	2,555,000	430,020	2,985,020	200,000	26,125	226,125
2016-2019	650,000	81,665	731,665	-	-	-
Total	\$ 7,345,000	1,690,738	9,035,738	350,000	98,250	448,250

#### Water Revenue Bond Defeasance

In the prior year, the City defeased water revenue bonds by creating an irrevocable trust fund. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's Statement of Net Assets. As of June 30, 2005, the amount of defeased debt outstanding but removed from the Statement of Net Assets is \$810,000.



Contingent Liability for Hydro-Electric Promissory Note

On January 15, 1990, the City entered into a loan agreement with Voith Hydro, Inc., for \$700,000. The City received \$250,000 on March 14, 1990 and \$450,000 during the year ended June 30, 1991 for the purpose of paying costs related to the planning, design and development of the hydro-electric generating plant. The note bears interest payable at maturity at the rate of 7.25% per annum. The note will mature 30 days after the issuance of the notice to proceed. The outstanding balance at June 30, 2005 was \$700,000.

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

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

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Group Insurance	\$ 140,982
	Emergency	14,702
	Friends of the Library	775
		<u>156,459</u>
Debt Service	General	11,027
	Special Revenue:	
	Urban Renewal Tax Increment Financing	663,762
	Local Option Sales Tax	343,361
Capital Projects		<u>74,836</u>
		<u>1,092,986</u>
Capital Projects	General	111,446
	Special Revenue:	
	Urban Renewal Tax Increment Financing	369,872
		<u>481,318</u>
Total		<u>\$ 1,730,763</u>

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

**(6) Interfund Assets/Liabilities**

The detail of interfund assets and liabilities at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Due From/Due to Other Funds:		
General	Special Revenue:	
	Urban Renewal Tax Increment Financing	\$ 10,513
	Local Option Sales Tax	13,990
Capital Projects	General	22,848
	Special Revenue:	
	Local Option Sales Tax	6,922
	Enterprise:	
	Sewer	121,612
Special Revenue:	Special Revenue:	
Workers' Compensation	Road Use Tax	13,181
Employees' Retirement FICA/IPERS	Road Use Tax	32,007
	Local Option Sales Tax	11,282
Total		<u>\$ 232,355</u>
Advances To/From Other Funds:		
Enterprise:		
Sewer	General	\$ 24,150

These balances result from interfund loans to finance projects and the elimination of cash deficits. Repayments will be made from future revenues.

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$50,789, \$45,556 and \$42,934, respectively, equal to the required contributions for each year.

**(8) Deficit Balances**

At June 30, 2005, the City had deficit unreserved/unrestricted fund balances/net assets in the following funds:

Fund	Unreserved/Unrestricted Fund Balance/Net Assets (Deficit) June 30, 2005
General	\$ (111,858)
Special Revenue: Road Use Tax	(40,214)
Enterprise: Sewer	(51,826)

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

The Enterprise, Sewer Fund deficit is the result of significant systems control and operational expenses during the fiscal year, including related personnel expenses. The deficit will be eliminated through reduction of future expenses, including postponing capital improvement plans, and through a future rate increase.

**(9) Risk Management**

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

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City's group insurance is a partial self-funded health plan. Under the partial self-funded plan, the City will reimburse an eligible employee for a portion of the deductible. The amount of the deductibles for the employees and City are as follows:

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

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

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

**(10) Development and Rebate Agreements**

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

During the year ended June 30, 2005, the City entered into six development and rebate agreements totaling \$2,561,000 and rebated \$229,914 of incremental taxes to the developers, paying \$179,424 of principal and \$50,490 of interest. The outstanding principal balance on the rebate agreements at June 30, 2005 is \$15,272,898. The City plans to withdraw one development agreement totaling \$870,000 in January 2006 if the related housing project is not complete. The City feels it is unlikely the developer will complete the project.

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

Twelve of the fifteen agreements include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining three agreements do not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of these agreements is subject to the constitutional debt limitation.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not exceed budgeted appropriations at the function level. During the year ended June 30, 2005, expenditures in the public safety, general government and business type activities functions exceeded the amounts budgeted.

**(12) Construction Commitments**

The City has entered into construction contracts totaling \$2,261,573 for construction of the City Hall building, City Hall plaza, fiber optic installation and levee paving projects. The projects were primarily funded through the issuance of general obligation notes. As of June 30, 2005, costs of \$1,035,851 have been incurred on the projects. The remaining \$1,225,722 will be paid as work on the projects progresses.

**(13) Subsequent Events**

Lease-Purchase Agreement

In July 2005, the City entered into a \$772,000 lease-purchase agreement for a fire truck.

### Development and Rebate Agreement

In July 2005, the City entered into a development and rebate agreement to assist in an urban renewal project. The City agreed to rebate incremental taxes of the lesser of the developer's costs and land acquisition costs or \$3,500,000 in exchange for public improvements and housing units.

### General Obligation Bonds

In August 2005, the City issued \$570,000 of general obligation refunding bonds, series 2005A. The bonds were issued to fund various projects, including street improvements, purchasing a fire truck and constructing levee improvements. Additionally, the bonds were issued to fund the redemption of the callable portion of the City's outstanding general obligation water improvement bonds, series 1999, dated November 15, 1999, and for the redemption of the City's outstanding general obligation corporate purpose notes, dated April 1, 2002. These bonds are payable from a continuing annual levy of taxes against all taxable property of the City.

In August 2005, the City issued \$1,225,000 of general obligation annual appropriation bonds, series 2005B. The bonds were issued to fund various projects including the City Hall plaza and arcade project, municipal information technology and fiber optic program, constructing street improvements, purchasing a fire truck and constructing levee improvements. These bonds are subject to non-appropriation by the City Council.

### Construction Contracts

In August 2005, the City entered into a contract for \$433,799 for street improvements. The project will be financed through the issuance of general obligation debt.

In October 2005, the City entered into a contract for \$325,654 for street improvements. The project will be financed through the issuance of general obligation debt.

## **(14) Restatement**

A portion of the Special Revenue, Group Insurance Fund was reclassified to the General Fund to more appropriately report the City's self insurance activity in accordance with Governmental Accounting Standards Board Statement No. 10. As a result, the July 1, 2004 General Fund balance was increased by \$10,002 and the July 1, 2004 Special Revenue, Group Insurance Fund balance was decreased by \$10,002.

**City of LeClaire**

**Required Supplementary Information**

City of LeClaire

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Property tax	\$ 792,171	-
Tax increment financing	1,191,949	-
Other city tax	504,206	-
Licenses and permits	4,837	-
Use of money and property	54,819	91
Intergovernmental	522,271	-
Charges for service	180,186	352,341
Special assessments	238	-
Miscellaneous	448,415	1,078,445
Total receipts	<u>3,699,092</u>	<u>1,430,877</u>
Disbursements:		
Public safety	728,325	-
Public works	533,706	-
Culture and recreation	186,035	-
Community and economic development	180,336	-
General government	204,981	-
Debt service	1,391,486	-
Capital projects	1,861,899	-
Business type activities	-	463,172
Total disbursements	<u>5,086,768</u>	<u>463,172</u>
Excess (deficiency) of receipts over (under) disbursements	(1,387,676)	967,705
Other financing sources/(uses), net	<u>2,403,400</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,015,724	967,705
Balances beginning of year	<u>(14,589)</u>	<u>2,713,463</u>
Balances end of year	<u>\$ 1,001,135</u>	<u>3,681,168</u>

See accompanying independent auditor's report.



Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
			Original	Final	
792,171	-	792,171	789,852	790,207	1,964
1,191,949	-	1,191,949	1,123,681	1,176,034	15,915
504,206	-	504,206	493,485	493,485	10,721
4,837	-	4,837	4,845	4,845	(8)
54,910	-	54,910	36,062	48,040	6,870
522,271	-	522,271	640,716	511,883	10,388
532,527	-	532,527	513,577	513,577	18,950
238	-	238	125	125	113
1,526,860	14,533	1,512,327	353,267	388,645	1,123,682
5,129,969	14,533	5,115,436	3,955,610	3,926,841	1,188,595
728,325	-	728,325	668,803	697,695	(30,630)
533,706	-	533,706	808,539	552,579	18,873
186,035	8,083	177,952	198,704	201,193	23,241
180,336	-	180,336	193,467	290,959	110,623
204,981	-	204,981	156,703	201,256	(3,725)
1,391,486	-	1,391,486	1,390,030	1,391,491	5
1,861,899	-	1,861,899	2,868,420	2,697,483	835,584
463,172	-	463,172	384,320	414,285	(48,887)
5,549,940	8,083	5,541,857	6,668,986	6,446,941	905,084
(419,971)	6,450	(426,421)	(2,713,376)	(2,520,100)	2,093,679
2,403,400	(775)	2,404,175	2,632,344	2,403,400	775
1,983,429	5,675	1,977,754	(81,032)	(116,700)	2,094,454
2,698,874	1,387	2,697,487	323,318	2,697,488	(1)
4,682,303	7,062	4,675,241	242,286	2,580,788	2,094,453

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City of LeClaire

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

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

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

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$222,045. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements in the public safety, general government and business type activities functions exceeded the amounts budgeted.

**Other Supplementary Information**

City of LeClaire  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds

June 30, 2005

	Road Use Tax	Workers' Compensation	Employees' Retirement FICA/IPERS
<b>Assets</b>			
Cash and pooled investments	\$ 20	-	2
Receivables:			
Property tax:			
Delinquent	-	209	826
Succeeding year	-	19,000	95,000
Due from other governments	19,071	-	396
Due from other funds		13,181	43,289
Prepaid expenditures	-	9,907	-
<b>Total assets</b>	<b>\$ 19,091</b>	<b>42,297</b>	<b>139,513</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 14,117	-	-
Due to other funds	45,188	-	-
Deferred revenue:			
Succeeding year property tax	-	19,000	95,000
Total liabilities	59,305	19,000	95,000
Fund equity:			
Fund balances (deficit):			
Reserved for prepaid expenditures	-	9,907	-
Unreserved	(40,214)	13,390	44,513
	(40,214)	23,297	44,513
<b>Total liabilities and fund equity</b>	<b>\$ 19,091</b>	<b>42,297</b>	<b>139,513</b>

See accompanying independent auditor's report.

Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Total
-	-	-	7,062	7,084
1,260	130	-	-	2,425
141,000	14,000	-	-	269,000
-	-	53,785	-	73,252
-	-	-	-	56,470
-	-	-	-	9,907
142,260	14,130	53,785	7,062	418,138
-	-	-	-	14,117
-	-	32,194	-	77,382
141,000	14,000	-	-	269,000
141,000	14,000	32,194	-	360,499
-	-	-	-	9,907
1,260	130	21,591	7,062	47,732
1,260	130	21,591	7,062	57,639
142,260	14,130	53,785	7,062	418,138

City of LeClaire

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

Year ended June 30, 2005

	Road Use Tax	Workers' Compensation	Employees' Retirement FICA/IPERS
Revenues:			
Property tax	\$ -	22,532	89,153
Other city tax	-	989	3,972
Use of money and property	-	132	400
Intergovernmental	238,115	-	396
Miscellaneous	-	-	142
Total revenues	<u>238,115</u>	<u>23,653</u>	<u>94,063</u>
Expenditures:			
Operating:			
Public safety	-	9,223	52,521
Public works	305,869	6,383	14,762
Culture and recreation	-	1,498	9,308
Community and economic development	-	-	617
General government	-	379	10,266
Total expenditures	<u>305,869</u>	<u>17,483</u>	<u>87,474</u>
Excess (deficiency) of revenues over (under) expenditures	(67,754)	6,170	6,589
Other financing uses:			
Operating transfers out	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(67,754)	6,170	6,589
Fund balances beginning of year, as restated	<u>27,540</u>	<u>17,127</u>	<u>37,924</u>
Fund balances (deficit) end of year	<u>\$ (40,214)</u>	<u>23,297</u>	<u>44,513</u>

See accompanying independent auditor's report.

Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Total
136,164	14,075	-	-	261,924
6,078	627	353,251	-	364,917
-	79	1,199	-	1,810
-	-	-	-	238,511
-	-	-	14,533	14,675
142,242	14,781	354,450	14,533	881,837
-	-	906	-	62,650
-	-	25,453	-	352,467
-	-	1,933	8,083	20,822
-	-	4,100	-	4,717
-	-	37,683	-	48,328
-	-	70,075	8,083	488,984
142,242	14,781	284,375	6,450	392,853
(140,982)	(14,702)	(343,361)	(775)	(499,820)
1,260	79	(58,986)	5,675	(106,967)
-	51	80,577	1,387	164,606
1,260	130	21,591	7,062	57,639

**Schedule 3**

## City of LeClaire

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

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property tax	\$ 792,171	684,998	719,944
Tax increment financing	1,191,949	991,973	773,172
Other city tax	504,206	496,853	477,157
Licenses and permits	4,837	5,522	4,115
Use of money and property	54,819	47,502	43,178
Intergovernmental	522,271	353,943	298,527
Charges for service	180,186	180,064	164,715
Special assessments	238	49	81
Miscellaneous	448,415	311,898	89,083
Total	<u>\$ 3,699,092</u>	<u>3,072,802</u>	<u>2,569,972</u>
Expenditures:			
Operating:			
Public safety	\$ 728,325	1,392,127	572,454
Public works	533,706	736,645	408,116
Culture and recreation	186,035	266,241	157,341
Community and economic development	180,336	156,997	96,336
General government	204,981	143,664	130,476
Debt service	1,391,486	1,134,384	1,241,646
Capital projects	1,861,899	2,935,147	802,625
Total	<u>\$ 5,086,768</u>	<u>6,765,205</u>	<u>3,408,994</u>

See accompanying independent auditor's report.



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

**City of LeClaire**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, 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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of LeClaire's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of LeClaire's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

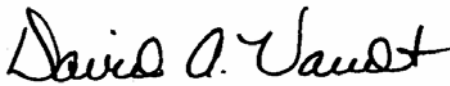
Compliance and Other Matters

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

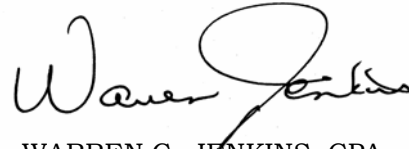
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 2, 2005

City of LeClaire  
Schedule of Findings  
June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Information Systems – During our review of internal control, the existing control activities in the City’s computer based 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 based systems were noted:

The City has adopted a written policy for its information system but has not implemented the following procedure:

- Developing a written disaster recovery plan.

Recommendation – The City should develop a disaster recovery plan.

Response – The disaster recovery plan will be implemented as a part of the implementation of the EOC (Emergency Operations Center) plan connected with the facilities (including the City’s new computer network) at the new City hall. This will take place over the next year.

Conclusion – Response accepted.

- (B) Capital Assets – During our review of internal controls over capital assets, the following items were noted:

- Although the City has used consistent capitalization thresholds and useful lives, a formal policy has not been adopted to establish the thresholds and useful lives.
- A physical observation of capital assets has not been performed periodically by an employee having no responsibility for the assets.
- The disposal of assets is not approved by an independent person.

Recommendation – The City should adopt a formal capital asset policy, including capitalization thresholds and useful lives for all capital assets. A physical observation of capital assets should be performed periodically by an employee having no responsibility for the assets. The disposal of an asset should be approved by the appropriate department head.

City of LeClaire

Schedule of Findings

June 30, 2005

Response – The City will use the model developed by V.K. (independent consultants) to implement a formal, written, capital asset policy. The entire purchasing system (including appropriate department head review and approval and the ultimate disposal of items) will be handled through a centralized office position where these responsibilities will be controlled by that position which will address these comments specifically. This will take place over the next year.

Conclusion – Response accepted.

(C) Bank Reconciliation – Although the City Administrator reviews monthly bank reconciliations, the review does not include the following:

- A review of the images of the cancelled checks for proper payee, endorsement and dual signatures of appropriate City officials.
- A review that the total of imaged checks clearing the bank equals total checks cleared per the bank statement.
- A review for deposits in transit and outstanding checks clearing the bank in the subsequent month.
- A review of other reconciling items.

Recommendation – The independent review of the bank reconciliation should include reviewing cancelled checks for proper payee, endorsement and dual signatures of appropriate City officials, total of images of checks which cleared the bank equal total checks cleared per the bank statement, deposits in transit and outstanding checks clearing the bank in subsequent months and other reconciling items.

Response – The above-referenced duties have already been assigned to specific individuals and will be implemented immediately.

Conclusion – Response accepted.

City of LeClaire  
 Schedule of Findings  
 June 30, 2005

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

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the public safety, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – Last minute and unforeseeable expenditures in these functions occurred after a reasonable budget amendment estimate was developed and adopted. The City is aware of this provision and will continuously try to improve on its budgetary controls.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (4) Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Chad M. Stoltenberg, Police Officer and Volunteer Firefighter, owner	Repair and parts	\$ 189
Michael R. Wolfe, City Council member, owner	Development agreement	81,000

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Chad M. Stoltenberg does not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the year.

On May 2, 2005, the City approved a development agreement with MRW Properties, Inc, owned by Michael R. Wolfe, City Council member. Mr. Wolfe abstained from voting on the agreement.

City of LeClaire  
 Schedule of Findings  
 June 30, 2005

Under the agreement, the City agrees to make future tax rebate payments to the developer for up to \$81,000 over ten years. The payments to be made under the agreement represent the incremental property taxes paid by the developer related to the project.

In the opinion of the City Attorney, the development agreement does not appear to represent a conflict of interest.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (9) Financial Condition – At June 30, 2004 and 2005, the City had deficit unreserved/unrestricted fund balance/net assets in the following funds:

Fund	Unreserved/Unrestricted Fund Balance/Net Assets (Deficit)	
	June 30,	
	2004	2005
General	\$ (32,954)	(111,858)
Special Revenue:		
Road Use Tax	27,540	(40,214)
Enterprise:		
Sewer	2,212	(51,826)

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

Response – The City will address and correct these issues in the FY05-06 and FY06-07 budgets.

Conclusion – Response accepted.

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



City of LeClaire  
Schedule of Findings  
June 30, 2005

the financial condition of the plan and to file an annual financial report with the Insurance Commissioner.

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

Response – The City will continue to evaluate the merits, (financial, legal, logistical and otherwise), of this comment.

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

- (11) Accrued Interest – On August 1, 2004, the City issued \$2,440,000 Annual Appropriation General Obligation Corporate Purpose Notes, Series 2004A. The note resolution requires the City to deposit accrued interest received of \$2,455 in the Debt Service Fund. The City deposited the accrued interest in the General and Capital Projects Funds.

Recommendation – The City should transfer the accrued interest recorded in the General and Capital Projects Funds to the Debt Service Fund.

Response – Book adjustments were performed to correct this oversight on November 4, 2005.

Conclusion – Response accepted.

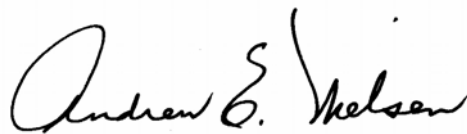
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City of LeClaire

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Kimberly M. Knight, CPA, Senior Auditor  
Heather L. Templeton, Staff Auditor  
Jessica L. Christensen, Assistant Auditor  
Melissa J. Knoll, Assistant Auditor  
Curtis E. Van Zee, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and a distinct "E".

Andrew E. Nielsen, CPA  
Deputy Auditor of State