



**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 4, 2008

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 \$5,372,371 for the year ended June 30, 2008, a 15% decrease from the prior year, and included \$956,946 from property tax, \$1,659,131 from tax increment financing, \$788,479 from charges for service, \$419,846 from operating grants, contributions and restricted interest, \$879,828 from capital grants, contributions and restricted interest, \$172,264 from hotel/motel tax, \$405,210 from local option sales tax, \$4,594 from unrestricted investment earnings and \$86,073 from other general revenues.

Expenses for City operations totaled \$4,498,182, a 16% increase over the prior year, and included \$1,043,433 for public works, \$914,395 for public safety and \$650,652 for community and economic development. Expenses for business type activities totaled \$579,576.

The significant decrease in revenues was primarily due to decreases in developer donated infrastructure. The significant increase in expenditures was primarily due to higher fuel and snow removal costs, expenditures to fund a grant to the Buffalo Bill Museum and increases in developer rebate payments.

A copy of the audit 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, 2008**

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**City of LeClaire**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Vernon C. Spring	Mayor	Jan 2008
Debra D. Smith	Mayor Pro tem	Jan 2010
Mary L. Farmer	Council Member	Jan 2008
Michael R. Wolfe	Council Member	Jan 2008
Lane R. Bleeker	Council Member	Jan 2010
Bruce R. Richardson	Council Member	Jan 2010
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite
<b>(After January 2008)</b>		
Robert Scannell	Mayor	Jan 2010
Ronald L. Leiby	Mayor Pro tem	Jan 2012
Lane R. Bleeker	Council Member	Jan 2010
Bruce R. Richardson	Council Member	Jan 2010
Debra D. Smith	Council Member	Jan 2010
Mary L. Farmer	Council Member	Jan 2012
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite

**City of LeClaire**



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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2008, 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, 2008, 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.

The City's governmental activities unrestricted net assets decreased to a deficit of \$1,898,043 at June 30, 2008, a decrease of \$508,287 during the year ended June 30, 2008. The deficit represents approximately 40% of the City's governmental activities revenue for the year ended June 30, 2008. Although the City's unreserved General Fund balance increased \$39,558 during the year, the unreserved General Fund deficit balance at June 30, 2008 was \$374,873. The City stated it would investigate alternatives to eliminate the deficit fund balance.

The City's outstanding general obligation debt of \$4,544,597 at June 30, 2008 is within the City's constitutional debt limit of \$10,669,976. However, at June 30, 2008 the City also has \$8,013,750 of annual appropriation bonds/notes, \$692,165 of annual appropriation capital lease purchase agreement and \$30,543,738 of annual appropriation urban renewal rebate agreements which are not subject to the constitutional debt limitation. Included in the annual appropriation bonds/notes is approximately \$339,000 of general obligation bonds issued during the year ended June 30, 2008 to provide assistance to the City's General Fund pursuant to Chapter 384.24A of the Code of Iowa.

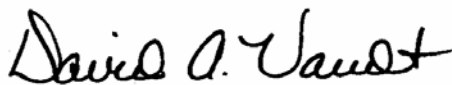
In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2008 on our consideration of the City of LeClaire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

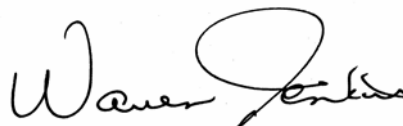
Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures,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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LeClaire's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (which are not presented herein). For the three years ended June 30, 2007, we expressed unqualified opinions on the financial statements. For the year ended June 30, 2004, we expressed unqualified opinions on the financial statements, except we expressed a qualified opinion on the financial statements of the Enterprise, Water Fund due to the omission of the capital assets at July 1, 2003 and the omission of the gain or loss on the disposal of the water system and related capital assets on the business type activities and the Enterprise, Water Fund. For the year ended June 30, 2003, we expressed a qualified opinion on the financial statements other than those of the Enterprise Funds due to the omission of the general fixed assets account group and an adverse opinion on the financial statements of the Enterprise Funds due to the omission of the Enterprise Fund capital assets.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 5, 2008



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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities decreased 12%, or approximately \$619,000, from fiscal 2007 to fiscal 2008. Capital grants, contributions and restricted interest decreased approximately \$944,000 while tax increment financing revenues increased approximately \$215,000.
- Revenues of the City's business type activities decreased 33%, or approximately \$324,000, from fiscal 2007 to fiscal 2008. Capital grants, contributions and restricted interest decreased approximately \$362,000.
- Program expenses of the City's governmental activities increased 17%, or approximately \$565,000, in fiscal 2008 from fiscal 2007.
- Program expenses of the City's business type activities increased 9%, or approximately \$46,000, in fiscal 2008 from fiscal 2007.
- The City's net assets increased 6%, or approximately \$874,000, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities increased approximately \$744,000 and the net assets of the business type activities increased approximately \$130,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor 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.

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Fund is the Sewer Fund, a major fund of the City.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets at Year-end					
	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 3,225,386	4,233,300	167,627	132,206	3,393,013	4,365,506
Capital assets	23,353,007	20,917,351	4,590,587	4,466,286	27,943,594	25,383,637
Total assets	<u>26,578,393</u>	<u>25,150,651</u>	<u>4,758,214</u>	<u>4,598,492</u>	<u>31,336,607</u>	<u>29,749,143</u>
Long-term liabilities	12,379,334	11,760,186	191,108	168,176	12,570,442	11,928,362
Other liabilities	3,396,291	3,332,035	123,120	116,181	3,519,411	3,448,216
Total liabilities	<u>15,775,625</u>	<u>15,092,221</u>	<u>314,228</u>	<u>284,357</u>	<u>16,089,853</u>	<u>15,376,578</u>
Net assets:						
Invested in capital assets, net of related debt	12,290,340	11,172,598	4,408,748	4,309,147	16,699,088	15,481,745
Restricted	410,471	275,588	-	-	410,471	275,588
Unrestricted	<u>(1,898,043)</u>	<u>(1,389,756)</u>	<u>35,238</u>	<u>4,988</u>	<u>(1,862,805)</u>	<u>(1,384,768)</u>
Total net assets	<u>\$ 10,802,768</u>	<u>10,058,430</u>	<u>4,443,986</u>	<u>4,314,135</u>	<u>15,246,754</u>	<u>14,372,565</u>

Net assets of governmental activities increased approximately \$744,000, or 7%, from FY07. Net assets of business type activities increased approximately \$130,000, or 3%, from FY07. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, for governmental activities is approximately (\$1,898,000) at the end of this year. The governmental activities deficit has increased from FY07 to FY08 by approximately \$508,000, due primarily to the elimination of a deficit in the Capital Projects Fund and the issuance of general obligation debt for non-capital purposes.

	Changes in Net Assets for the Year ended June 30,					
	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for service	\$ 304,404	321,526	484,075	447,428	788,479	768,954
Operating grants, contributions and restricted interest	419,846	428,658	-	-	419,846	428,658
Capital grants, contributions and restricted interest	706,264	1,650,370	173,564	535,453	879,828	2,185,823
General revenues:						
Property tax levied for:						
General purposes	865,253	850,126	-	-	865,253	850,126
Debt service	91,693	42,113	-	-	91,693	42,113
Tax increment financing	1,659,131	1,444,328	-	-	1,659,131	1,444,328
Hotel/motel tax	172,264	161,697	-	-	172,264	161,697
Local option sales tax	405,210	391,293	-	-	405,210	391,293
Unrestricted investment earnings	3,792	7,614	802	381	4,594	7,995
Gain on sale of capital assets	-	7,403	-	-	-	7,403
Miscellaneous	79,915	21,907	6,158	5,577	86,073	27,484
Total revenues	4,707,772	5,327,035	664,599	988,839	5,372,371	6,315,874
Program expenses:						
Public safety	914,395	857,937	-	-	914,395	857,937
Public works	1,043,433	932,168	-	-	1,043,433	932,168
Culture and recreation	434,801	272,913	-	-	434,801	272,913
Community and economic development	650,652	137,403	-	-	650,652	137,403
General government	303,598	297,905	-	-	303,598	297,905
Debt service	571,727	855,458	-	-	571,727	855,458
Sewer	-	-	579,576	533,980	579,576	533,980
Total expenses	3,918,606	3,353,784	579,576	533,980	4,498,182	3,887,764
Increase in net assets before transfers	789,166	1,973,251	85,023	454,859	874,189	2,428,110
Transfers	(44,828)	(62,840)	44,828	62,840	-	-
Increase in net assets	744,338	1,910,411	129,851	517,699	874,189	2,428,110
Net assets beginning of year	10,058,430	8,148,019	4,314,135	3,796,436	14,372,565	11,944,455
Net assets end of year	\$ 10,802,768	10,058,430	4,443,986	4,314,135	15,246,754	14,372,565

Revenues decreased overall approximately \$944,000, or 15%, from FY07 to FY08. Capital grants, contributions and restricted interest decreased approximately \$1,306,000 due to a decrease in developer donated infrastructure. Tax increment financing increased approximately \$215,000 due to a combination of an increase in debt certified on the TIF debt certificate and an increase in property valuation.

Expenses increased overall approximately \$610,000, or 16%. Community and economic development expenses increased approximately \$513,000 due to developer rebate payments no longer being classified in the debt service function. Public works expenses increased approximately \$111,000 due to increased fuel and snow removal costs and culture and recreation expenses increased approximately \$162,000 due to expenses for the Lone Star renovation grant.

## INDIVIDUAL MAJOR FUND ANALYSIS

### Governmental Fund Highlights

As the City of LeClaire completed fiscal 2008, its governmental funds reported a combined fund balance of \$(215,001), which is less than the \$943,718 total fund balance at June 30, 2007. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund ended fiscal 2008 with a deficit balance of \$(100,274) compared to the prior year ending balance of \$(266,035), an increase of \$165,761. The increase in fund balance was achieved in part due to a reduction in expenditures combined with a short-term debt issuance to help fund the remaining expenditures in the General Fund.

The Special Revenue, Urban Renewal Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2008 with a deficit balance of \$(14,672) compared to the prior year ending balance of \$4. The deficit fund balance is a result of expenditures and transfers for urban renewal projects and payment of debt in excess of the collection of tax increment financing revenue and is a one-time, non-recurring event.

The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements and property tax relief. This fund ended fiscal 2008 with a \$35,772 balance compared to the prior year ending fund balance of \$4,411.

The Debt Service Fund ended fiscal 2008 with a \$1,420 balance compared to the prior year ending balance of \$(20,011). The primary reason for the increase in the ending balance of this fund is the increase in the amount of funds transferred in from other sources.

The Capital Projects Fund ended fiscal 2008 with a balance of \$(289,273) compared to the prior year ending balance of \$1,118,818. The fiscal 2008 deficit is a result of project costs exceeding available funds. The deficit will be eliminated through the issuance of general obligation debt during fiscal year 2009.

### **Proprietary Fund Highlights**

The Enterprise, Sewer Fund ended fiscal 2008 with a \$4,443,986 net asset balance compared to the prior year ending net asset balance of \$4,314,135. The increase is primarily due to developer donated infrastructure.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of LeClaire amended its budget once. The amendment was made in February 2008. This amendment was needed to cover unplanned expenditures, including expenditures associated with projects carried over from the prior fiscal year.

The City's revenues were \$154,953 more than budgeted, a variance of 3%. The most significant variance resulted from the inclusion of developers' capital contributions in miscellaneous revenue which were not included in the City's budgeted revenues.

Total expenditures were \$141,940 more than budgeted, due primarily to capital project costs exceeding budget. In addition, the City also exceeded the budgeted amounts in the public safety, public works, community and economic development 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 \$23,353,007 (net of accumulated depreciation) at June 30, 2008. Capital assets for business type activities totaled \$4,590,587 (net of accumulated depreciation) at June 30, 2008. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the purchase of a dump truck, developer donated infrastructure and the downtown revitalization project. Construction in progress at June 30, 2008 consisted of street projects.

For business type activities, major additions included developer donated infrastructure. Construction in progress at June 30, 2008 consisted of engineering and design costs for an expanded and upgraded sanitary sewer system.

### **LONG-TERM DEBT**

At June 30, 2008, the City had \$12,330,080 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$181,839 at June 30, 2008. During the year ended June 30, 2008, the City issued a total of \$1,770,000 in general obligation bonds to finance street improvements, the purchase of a dump truck, fire station improvements, roof for recreation center, Lone Star renovation grant and the purchase of a police car. Additionally, the City borrowed \$24,700 on a sewer interim project note during the year ended June 30, 2008. This note was issued to finance the planning and development stage of the sewer improvement and renovation project.

The City does not have a formal bond rating issued by one of the nationally recognized bond rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the 100% assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,544,597 is below its constitutional debt limit of \$10,669,976. Additional information about the City's long-term debt is presented in Note 4 of the financial statements.

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

Several economic factors affected decisions made by the City in setting its fiscal 2009 budget. The City of LeClaire again issued short-term debt to assist and support the operations of the General Fund and to reduce and eliminate the deficit balance. The City's assessed valuations continue to increase and the Council continues to carefully review its options with respect to the amounts certified for TIF purposes and for use within the General (and other) funds, both for the City and the other Scott County taxing entities dependent upon the City's valuations for revenue.

The General Fund is projected to end fiscal 2009 with a fund balance of approximately \$76,000 as shown in its 2009 adopted budget summary submitted to the State.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2009 are provided below:

General	\$ 8.10000
Levy Improvement	0.06750
Insurance	2.25378
Emergency	0.27000
Employee Benefits	2.69437
Debt Service	1.31433
	<hr/>
Total Regular Tax Levy Rate	\$ 14.69998
	<hr/>
Agricultural Tax Levy Rate	\$ 3.00375
	<hr/>

The City's property tax rate for fiscal 2009 is \$14.69998/\$1,000 of valuation, basically unchanged from the rate in fiscal 2008.

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

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

**City of LeClaire**



## **Basic Financial Statements**

**Exhibit A**

City of LeClaire  
Statement of Net Assets  
June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 35,959	2,799	38,758
Receivables:			
Property tax:			
Delinquent	10,142	-	10,142
Succeeding year	1,026,700	-	1,026,700
Tax increment financing:			
Delinquent	41,263	-	41,263
Succeeding year	1,861,000	-	1,861,000
Customer accounts and unbilled usage	12,152	45,299	57,451
Accounts	14,979	-	14,979
Special assessments	1,804	20,708	22,512
Due from other governments	216,444	287	216,731
Due from other funds	(19,508)	19,508	-
Inventories	13,066	1,639	14,705
Prepaid expenses	11,385	3,348	14,733
Restricted assets:			
Cash and pooled investments:			
Customer deposits	-	74,039	74,039
Capital assets not being depreciated	4,350,665	305,284	4,655,949
Capital assets (net of accumulated depreciation)	19,002,342	4,285,303	23,287,645
<b>Total assets</b>	<b>26,578,393</b>	<b>4,758,214</b>	<b>31,336,607</b>
<b>Liabilities</b>			
Accounts payable	434,403	25,329	459,732
Salaries and benefits payable	1,372	-	1,372
Accrued interest payable	45,775	-	45,775
Deferred revenue:			
Succeeding year property tax	1,026,700	-	1,026,700
Succeeding year tax increment financing	1,861,000	-	1,861,000
Liabilities payable from restricted assets:			
Customer deposits	27,041	97,791	124,832
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,190,000	-	1,190,000
Urban renewal tax increment revenue bonds	131,250	-	131,250
Capital lease purchase agreement	27,915	-	27,915
Compensated absences	40,490	9,269	49,759
Portion due or payable after one year:			
General obligation bonds/notes	9,470,000	-	9,470,000
Urban renewal tax increment revenue bonds	818,750	-	818,750
Sewer interim project note	-	181,839	181,839
Capital lease purchase agreement	692,165	-	692,165
Compensated absences	8,764	-	8,764
<b>Total liabilities</b>	<b>15,775,625</b>	<b>314,228</b>	<b>16,089,853</b>

City of LeClaire  
 Statement of Net Assets  
 June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	12,290,340	4,408,748	16,699,088
Restricted for:			
Local option sales tax	35,772	-	35,772
Special levies	141,506	-	141,506
Tourism	95,740	-	95,740
Park, levee and recreation	55,925	-	55,925
Capital projects	45,569	-	45,569
Other purposes	35,959	-	35,959
Unrestricted	(1,898,043)	35,238	(1,862,805)
<b>Total net assets</b>	<b>\$ 10,802,768</b>	<b>4,443,986</b>	<b>15,246,754</b>

See notes to financial statements.

City of LeClaire  
Statement of Activities  
Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 914,395	36,453	76,599	6,424
Public works	1,043,433	196,956	245,744	699,840
Culture and recreation	434,801	35,194	63,881	-
Community and economic development	650,652	5,777	20,000	-
General government	303,598	30,024	-	-
Interest on long-term debt	571,727	-	13,622	-
Total governmental activities	3,918,606	304,404	419,846	706,264
Business type activities:				
Sewer	579,576	484,075	-	173,564
Total	\$ 4,498,182	788,479	419,846	879,828

**General Revenues:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
Hotel/motel tax  
Local option sales tax  
Unrestricted investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets beginning of year  
Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(794,919)	-	(794,919)
99,107	-	99,107
(335,726)	-	(335,726)
(624,875)	-	(624,875)
(273,574)	-	(273,574)
(558,105)	-	(558,105)
(2,488,092)	-	(2,488,092)
-	78,063	78,063
(2,488,092)	78,063	(2,410,029)
865,253	-	865,253
91,693	-	91,693
1,659,131	-	1,659,131
172,264	-	172,264
405,210	-	405,210
3,792	802	4,594
79,915	6,158	86,073
(44,828)	44,828	-
3,232,430	51,788	3,284,218
744,338	129,851	874,189
10,058,430	4,314,135	14,372,565
\$ 10,802,768	4,443,986	15,246,754

City of LeClaire  
Balance Sheet  
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Urban Renewal Tax Increment Financing	Local Option Sales Tax
<b>Assets</b>			
Cash and pooled investments	\$ -	-	-
Receivables:			
Property tax:			
Delinquent	5,627	-	-
Succeeding year	674,000	-	-
Tax increment financing:			
Delinquent	-	41,263	-
Succeeding year	-	1,861,000	-
Customer accounts	12,152	-	-
Accounts	14,287	692	-
Special assessments	1,804	-	-
Due from other governments	47,807	-	60,210
Due from other funds	-	-	-
Inventories	4,029	-	-
Prepaid expenditures	4,397	-	-
<b>Total assets</b>	<b>\$ 764,103</b>	<b>1,902,955</b>	<b>60,210</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 144,091	889	-
Salaries and benefits payable	1,372	-	-
Due to other funds	16,687	55,738	24,438
Deferred revenue:			
Succeeding year property tax	674,000	-	-
Succeeding year tax increment financing	-	1,861,000	-
Other	1,186	-	-
Payable from restricted assets:			
Customer deposits	27,041	-	-
Total liabilities	<b>864,377</b>	<b>1,917,627</b>	<b>24,438</b>

Debt Service	Capital Projects	Nonmajor	Total
-	-	35,959	35,959
1,555	-	2,960	10,142
162,700	-	190,000	1,026,700
-	-	-	41,263
-	-	-	1,861,000
-	-	-	12,152
-	-	-	14,979
-	-	-	1,804
-	88,685	19,742	216,444
-	8,931	109,216	118,147
-	-	9,037	13,066
-	-	6,988	11,385
164,255	97,616	373,902	3,363,041

-	278,696	10,727	434,403
-	-	-	1,372
135	19,508	21,149	137,655
162,700	-	190,000	1,026,700
-	-	-	1,861,000
-	88,685	-	89,871
-	-	-	27,041
162,835	386,889	221,876	3,578,042

City of LeClaire  
Balance Sheet  
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Urban Renewal Tax Increment Financing	Local Option Sales Tax
<b>Liabilities and Fund Balances (continued)</b>			
Fund balances:			
Reserved for:			
Special levies	28,939	-	-
Inventories	4,029	-	-
Prepaid expenditures	4,397	-	-
Park, levee and recreation	55,925	-	-
Tourism	95,740	-	-
Debt service	-	-	-
Capital projects	85,569	-	-
Endowment	-	-	-
Unreserved:			
Reported in:			
General fund	(374,873)	-	-
Special revenue funds	-	(14,672)	35,772
Capital projects fund	-	-	-
Total fund balances	(100,274)	(14,672)	35,772
<b>Total liabilities and fund balances</b>	<b>\$ 764,103</b>	<b>1,902,955</b>	<b>60,210</b>

See notes to financial statements.



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Debt Service	Capital Projects	Nonmajor	Total
-	-	-	28,939
-	-	9,037	13,066
-	-	6,988	11,385
-	-	-	55,925
-	-	-	95,740
1,420	-	-	1,420
-	-	-	85,569
-	-	24,022	24,022
-	-	-	(374,873)
-	-	111,979	133,079
-	(289,273)	-	(289,273)
1,420	(289,273)	152,026	(215,001)
164,255	97,616	373,902	3,363,041

**City of LeClaire**

City of LeClaire

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

June 30, 2008

**Total governmental fund balances (page 23)** \$ (215,001)

***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 \$27,772,830 and the accumulated depreciation is \$4,419,823. 23,353,007

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 89,871

Long-term liabilities, including general obligation bonds/notes, urban renewal tax increment revenue bonds, capital lease purchase agreement, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (12,425,109)

**Net assets of governmental activities (page 17)** \$ 10,802,768

See notes to financial statements.

City of LeClaire

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

Year ended June 30, 2008

	Special Revenue		
	General	Urban Renewal Tax Increment Financing	Local Option Sales Tax
Revenues:			
Property tax	\$ 524,789	-	-
Tax increment financing	-	1,659,131	-
Other city tax	224,911	-	405,210
Licenses and permits	8,576	-	-
Use of money and property	34,184	10,463	2,594
Intergovernmental	60,314	-	-
Charges for service	230,906	-	-
Special assessments	21	-	-
Miscellaneous	161,744	756	-
Total revenues	1,245,445	1,670,350	407,804
Expenditures:			
Operating:			
Public safety	801,513	-	-
Public works	505,020	-	-
Culture and recreation	362,834	-	-
Community and economic development	121,793	469,022	-
General government	220,494	-	750
Debt service	-	97,875	-
Capital projects	-	-	-
Total expenditures	2,011,654	566,897	750
Excess (deficiency) of revenues over (under) expenditures	(766,209)	1,103,453	407,054
Other financing sources (uses):			
Operating transfers in	116,920	-	-
Operating transfers out	(26,180)	(1,118,129)	(375,693)
General obligation bonds issued	773,600	-	-
Sale of capital assets	67,630	-	-
Total other financing sources (uses)	931,970	(1,118,129)	(375,693)
Net change in fund balances	165,761	(14,676)	31,361
Fund balances (deficit) beginning of year	(266,035)	4	4,411
Fund balances (deficit) end of year	\$ (100,274)	(14,672)	35,772

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
89,884	-	277,369	892,042
-	-	-	1,659,131
1,809	-	10,448	642,378
-	-	-	8,576
565	15,121	1,141	64,068
-	-	245,744	306,058
-	2,310	-	233,216
-	-	-	21
-	5,380	43,259	211,139
92,258	22,811	577,961	4,016,629
-	-	115,833	917,346
-	-	257,196	762,216
-	-	30,687	393,521
-	-	304	591,119
-	-	25,553	246,797
1,623,307	-	-	1,721,182
-	2,395,749	-	2,395,749
1,623,307	2,395,749	429,573	7,027,930
(1,531,049)	(2,372,938)	148,388	(3,011,301)
1,552,480	-	-	1,669,400
-	(31,553)	(102,893)	(1,654,448)
-	996,400	-	1,770,000
-	-	-	67,630
1,552,480	964,847	(102,893)	1,852,582
21,431	(1,408,091)	45,495	(1,158,719)
(20,011)	1,118,818	106,531	943,718
1,420	(289,273)	152,026	(215,001)

City of LeClaire

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

Year ended June 30, 2008

**Net change in fund balances - Total governmental funds (page 27)** \$ (1,158,719)

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

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

Expenditures for capital assets	\$ 2,586,732	
Capital assets contributed by developers	602,458	
Depreciation expense	<u>(643,899)</u>	2,545,291

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (109,635)

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. 88,685

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	(1,770,000)	
Repaid	<u>1,151,591</u>	(618,409)

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

Compensated absences	(739)	
Accrued interest on long-term debt	<u>(2,136)</u>	<u>(2,875)</u>

**Change in net assets of governmental activities (page 19)** \$ 744,338

See notes to financial statements.

City of LeClaire  
Statement of Net Assets  
Proprietary Fund  
June 30, 2008

	Enterprise - Sewer
<b>Assets</b>	
Cash and pooled investments	\$ 2,799
Receivables:	
Customer accounts and unbilled usage	45,299
Special assessments	20,708
Due from other governments	287
Due from other funds	19,508
Inventories	1,639
Prepaid expenses	3,348
Restricted assets:	
Cash and pooled investments:	
Customer deposits	74,039
Capital assets not being depreciated	305,284
Capital assets (net of accumulated depreciation)	4,285,303
<b>Total assets</b>	<b>4,758,214</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	25,329
Due to other funds	-
Compensated absences	9,269
Payable from restricted assets:	
Customer deposits	97,791
Long-term liabilities:	
Sewer interim project note	181,839
<b>Total liabilities</b>	<b>314,228</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,408,748
Unrestricted	35,238
<b>Total net assets</b>	<b>\$ 4,443,986</b>

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2008

	<u>Enterprise - Sewer</u>
Operating revenues:	
Charges for service	\$ 484,075
Miscellaneous	6,158
Total operating revenues	<u>490,233</u>
Operating expenses:	
Business type activities:	
Cost of sales and services	443,129
Depreciation	136,447
Total operating expenses	<u>579,576</u>
Operating loss	(89,343)
Non-operating revenues:	
Interest income	802
Net loss before contributions and transfers	<u>(88,541)</u>
Contributions and transfers:	
Capital contributions	233,344
Transfers out	(14,952)
Total contributions and transfers	<u>218,392</u>
Change in net assets	129,851
Net assets beginning of year	<u>4,314,135</u>
Net assets end of year	<u>\$ 4,443,986</u>

See notes to financial statements.



City of LeClaire  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2008

	Enterprise - Sewer
Cash flows from operating activities:	
Cash received from customers and users	\$ 492,441
Cash received from other revenues	6,158
Cash paid for personal services	(202,705)
Cash paid to suppliers	(244,227)
Net cash provided by operating activities	51,667
Cash flows from noncapital financing activities:	
Deficit cash implicity financed	(80,645)
Transfers to other funds	(14,952)
Net cash used for noncapital financing activities	(95,597)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(27,404)
Sewer interim project note proceeds	55,023
Net cash provided by capital and related financing activities	27,619
Cash flows from investing activities:	
Interest on investments	802
Net decrease in cash and cash equivalents	(15,509)
Cash and cash equivalents beginning of year	92,347
Cash and cash equivalents end of year	\$ 76,838
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (89,343)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	136,447
Decrease in customer accounts, unbilled usage and other receivables	304
(Increase) in prepaid expenses	(911)
(Increase) in inventories	(1)
(Decrease) in accounts payable	(1,123)
(Decrease) in compensated absences	(1,768)
Increase in customer deposits	8,062
Net cash provided by operating activities	\$ 51,667

During the year ended June 30, 2008, developers contributed sanitary sewer extensions totaling \$173,564 to the Enterprise, Sewer Fund. In addition, the Capital Projects Fund contributed sanitary sewer extensions totaling \$33,611 and the General Fund contributed a truck totaling \$26,169 to the Enterprise, Sewer Fund.

See notes to financial statements.

City of LeClaire

Notes to Financial Statements

June 30, 2008

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

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The City maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2008 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2007.

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, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Road Use Tax Funds.

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

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

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

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the public safety, public works, community and economic development, capital projects and business type activities functions.

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

The City's deposits in banks at June 30, 2008 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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 772,599	-	(101,880)	670,719
Land, right of way	106,403	-	-	106,403
Construction in progress - infrastructure	1,975,349	2,370,613	(772,419)	3,573,543
Total capital assets not being depreciated	2,854,351	2,370,613	(874,299)	4,350,665
Capital assets being depreciated:				
Buildings and improvements	4,632,606	29,990	-	4,662,596
Equipment and vehicles	2,643,322	186,129	(22,158)	2,807,293
Infrastructure, road network	14,325,358	1,374,877	-	15,700,235
Infrastructure, other	252,041	-	-	252,041
Total capital assets being depreciated	21,853,327	1,590,996	(22,158)	23,422,165
Less accumulated depreciation for:				
Buildings and improvements	436,486	90,829	-	527,315
Equipment and vehicles	956,741	166,094	(14,403)	1,108,432
Infrastructure, road network	2,384,498	378,575	-	2,763,073
Infrastructure, other	12,602	8,401	-	21,003
Total accumulated depreciation	3,790,327	643,899	(14,403)	4,419,823
Total capital assets being depreciated, net	18,063,000	947,097	(7,755)	19,002,342
Governmental activities capital assets, net	\$ 20,917,351	3,317,710	(882,054)	23,353,007
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 85,590	-	-	85,590
Construction in progress - infrastructure, sewer network	158,679	61,015	-	219,694
Total capital assets not being depreciated	244,269	61,015	-	305,284
Capital assets being depreciated:				
Buildings	1,794,197	-	-	1,794,197
Equipment and vehicles	1,025,800	26,169	-	1,051,969
Infrastructure, sewer network	4,278,457	173,564	-	4,452,021
Total capital assets being depreciated	7,098,454	199,733	-	7,298,187
Less accumulated depreciation for:				
Buildings	1,237,490	52,243	-	1,289,733
Equipment and vehicles	898,457	27,924	-	926,381
Infrastructure, sewer network	740,490	56,280	-	796,770
Total accumulated depreciation	2,876,437	136,447	-	3,012,884
Total capital assets being depreciated, net	4,222,017	63,286	-	4,285,303
Business type activities capital assets, net	\$ 4,466,286	124,301	-	4,590,587

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety	\$ 119,676
Public works	427,914
Culture and recreation	41,909
General government	54,400
Total depreciation expense - governmental activities	\$ 643,899
Business type activities:	
Sewer	\$ 136,447

### (4) Long-Term Liabilities



A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 9,965,000	1,770,000	1,075,000	10,660,000	1,190,000
Urban renewal tax increment revenue bonds	1,000,000	-	50,000	950,000	131,250
Capital lease purchase agreement	746,671	-	26,591	720,080	27,915
Compensated absences	48,515	73,139	72,400	49,254	40,490
<b>Total</b>	<b>\$ 11,760,186</b>	<b>1,843,139</b>	<b>1,223,991</b>	<b>12,379,334</b>	<b>1,389,655</b>
Business type activities:					
Sewer interim project note	\$ 157,139	24,700	-	181,839	-
Compensated absences	11,037	21,525	23,293	9,269	9,269
<b>Total</b>	<b>\$ 168,176</b>	<b>46,225</b>	<b>23,293</b>	<b>191,108</b>	<b>9,269</b>

### General obligation bonds/notes

Eight issues of general obligation bonds/notes totaling \$10,660,000 are outstanding at June 30, 2008. General obligation bonds/notes bear interest at rates ranging from 1.95% to 5.65% per annum and mature in varying annual amounts, ranging from \$15,000 to \$360,000, with the final maturities due in the year ending June 30, 2020.

### Revenue bonds

Two issues of urban renewal tax increment revenue bonds totaling \$950,000 are outstanding at June 30, 2008. Urban renewal tax increment revenue bonds bear interest at rates ranging from 3.00% to 6.40% per annum and mature in annual amounts of \$50,000 and \$81,250, with the final maturities due in the year ending June 30, 2016.

Details of general obligation and revenue bonds/notes payable at June 30, 2008 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
Governmental activities:						
General obligation bonds/notes:						
Taxable refunding notes	Dec 1, 2002	3.10-5.65%	Jun 1, 2009	\$100,000-300,000	\$ 1,410,000	\$ 100,000
Corporate purpose and refunding notes	Dec 1, 2002	2.00-4.40	Jun 1, 2013	160,000-305,000	2,885,000	1,265,000
Corporate purpose notes	Dec 1, 2003	1.95-4.00	Jun 1, 2013	25,000-240,000	1,365,000	1,115,000
Corporate purpose annual appropriation notes	Aug 1, 2004	2.65-5.00	Jun 1, 2019	145,000-265,000	2,440,000	1,850,000
Refunding bonds	Aug 3, 2005	3.15-4.00	Jun 1, 2015	15,000-75,000	570,000	475,000
Corporate purpose annual appropriation bonds	Aug 3, 2005	3.45-4.80	Jun 1, 2020	65,000-115,000	1,225,000	1,090,000
Corporate purpose annual appropriation bonds	Oct 3, 2006	4.40-4.85	Jun 1, 2018	155,000-360,000	3,155,000	2,995,000
Corporate purpose annual appropriation bonds	Oct 17, 2007	4.75	Jun 1, 2018	125,000-220,000	1,770,000	1,770,000
<b>Total general obligation bonds/notes</b>						<b>10,660,000</b>

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
Revenue bonds:						
Urban renewal tax increment annual appropriation	Mar 1, 2004	3.00-5.50	Jun 1, 2014	50,000	350,000	300,000
Urban renewal tax increment annual appropriation	Apr 17, 2006	4.85-6.40	Jun 1, 2016	81,250	650,000	<u>650,000</u>
Total revenue bonds						<u>950,000</u>
Total governmental activities						<u>\$ 11,610,000</u>
Business type activities:						
Sewer interim project note	Nov 2, 2006	0.00	Nov 2, 2009	N/A	181,839	<u>\$ 181,839</u>

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

Year Ending June 30,	General Obligation Bond/Notes			Urban Renewal Tax Increment Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,190,000	466,738	1,500,655	131,250	46,700	177,950
2010	1,215,000	419,528	1,447,662	131,250	42,269	173,519
2011	1,305,000	370,778	1,421,390	131,250	36,694	167,944
2012	1,245,000	316,608	1,459,052	131,250	30,625	161,875
2013	1,245,000	263,378	1,396,770	131,250	24,225	155,475
2014-2018	4,060,000	665,699	4,171,955	293,750	32,650	326,400
2019-2020	400,000	24,960	1,073,320	-	-	-
Total	<u>\$ 10,660,000</u>	<u>2,527,689</u>	<u>12,470,804</u>	<u>950,000</u>	<u>213,163</u>	<u>1,163,163</u>

#### Urban Renewal Tax Increment Financing Revenue Bonds

The City issued urban renewal tax increment financing revenue bonds of \$350,000 in March 2004 and \$650,000 in April 2006 for the purpose of providing an economic development grant and construction of public infrastructure within the urban renewal districts. The bonds are payable solely from the TIF revenues generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF revenues are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the amount of debt payable in the succeeding year is subject to the constitutional debt limitation of the City since the bonds are annual appropriation debt. Total principal and interest remaining on the bonds is \$1,163,163, payable through June 2016. For the current year, total principal and interest paid and total TIF revenues were \$50,000 and \$47,875, respectively.

### Capital Lease Purchase Agreement

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

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 27,915	35,860	63,775
2010	29,305	34,470	63,775
2011	30,765	33,010	63,775
2012	32,297	31,478	63,775
2013	33,905	29,870	63,775
2014-2018	196,599	122,277	318,876
2019-2023	250,676	68,199	318,875
2024-2025	118,618	8,932	127,550
Total	\$ 720,080	364,096	1,084,176

Principal and interest payments under the capital lease purchase agreement totaled \$26,591 and \$37,184, respectively, during the year ended June 30, 2008.

### Water Revenue Bond Defeasance

During the year ended June 30, 2004, the City defeased water revenue bonds by creating an irrevocable trust fund. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's Statement of Net Assets. As of June 30, 2008, the amount of defeased debt outstanding but removed from the Statement of Net Assets is \$735,000.

### 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, 2008 was \$700,000.

The Federal Energy Regulatory Commission (FERC) imposed certain restrictions upon the City's license for the development of the generating plant. If the generating plant does not proceed, any accumulated assets are sold and used to satisfy the Voith Hydro, Inc. loan. Any remaining balance on the loan is forgiven. The future development of the generating plant remains uncertain.

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

Sewer Interim Project Note

On November 2, 2006, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for issuance of an interest free interim project note of \$720,000. The principal on the note is payable at maturity on November 2, 2009. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of planning and designing improvements and extensions to the sanitary sewer system. The City receives drawdowns from the Trustee for costs as they are incurred. At June 30, 2008, the City had drawn \$181,839 of the \$720,000 authorized. Wells Fargo Bank, N.A. has the funds held in trust which the City will request as the project progresses.

**(5) Operating Lease Agreement**

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

The following is a schedule of future minimum rental payments required under the operating lease which has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2009	\$ 26,328
2010	26,328
2011	26,328
2012	6,582
	<u>\$ 85,566</u>

Rental expense for the year ended June 30, 2008 totaled \$26,328.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Group Insurance	\$ 86,597
	Emergency	16,296
	Enterprise:	
	Sewer	14,027
		<u>116,920</u>
Debt Service	General	26,180
	Special Revenue:	
	Urban Renewal Tax Increment Financing	1,118,129
	Local Option Sales Tax	375,693
	Capital Projects	31,553
	Enterprise:	
	Sewer	925
		<u>1,552,480</u>
Total		<u>\$ 1,669,400</u>

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

**(7) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Worker's Compensation	General	\$ 5,377
Special Revenue:		
Employees' Retirement	General	11,310
FICA/IPERS	Special Revenue:	
	Urban Renewal Tax Increment Financing	15,620
	Local Option Sales Tax	24,438
	Road Use Tax	21,149
		<u>51,368</u>
Special Revenue:	Special Revenue:	
Group Insurance	Urban Renewal Tax Increment Financing	31,322
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment Financing	8,796
	Debt Service	135
		<u>8,931</u>
Enterprise:		
Sewer	Capital Projects	19,508
Total		<u>\$ 116,506</u>

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

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$60,420 \$58,783 and \$57,064, respectively, equal to the required contributions for each year.

**(9) Deficit Balances**

At June 30, 2008, the City had deficit unreserved fund balances (deficits) in the following funds:

Fund	Unreserved Fund Balances (Deficits) June 30, 2008
General	\$ (374,873)
Special Revenue:	
Urban Renewal Tax Increment Financing	(14,672)
Road Use Tax	(9,083)
Capital Projects	(289,273)

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

The Special Revenue, Urban Renewal Tax Increment Financing Fund deficit is the result of expenditures exceeding available funds. The deficit will be eliminated upon collection of tax increment financing revenues.

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

The Capital Projects Fund deficit is the result of project costs in excess of available funds. The deficit will be eliminated through the issuance of debt.

**(10) Risk Management**

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

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

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

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

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

**(11) Development and Rebate Agreements**

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

During the year ended June 30, 2008, the City rebated \$468,906 of incremental taxes to the developers, paying \$419,496 of principal and \$49,410 of interest. One of the eighteen development and rebate agreements was paid off during the year ended June 30, 2008. Also, the City entered into one development and rebate agreement for \$280,000. The outstanding principal balance on the rebate agreements at June 30, 2008 is \$31,464,170.

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, as described below.

Sixteen of the seventeen agreements with outstanding principal balances at June 30, 2008 include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining agreement does not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of this agreement is subject to the constitutional debt limitation.

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

**(12) Wastewater Plant Operator**

In November 2006, the City entered into a contract with Quad City Analytical to provide a certified wastewater plant operator to comply with Iowa Department of Natural Resources regulations. The contractor oversees the wastewater treatment facility and manages essential City wastewater personnel and contractor personnel. The fee for these services is \$1,500 per week, which is paid from the Enterprise, Sewer Fund. During the year ended June 30, 2008, payments under the agreement totaled \$40,500. In February 2008, the City ended the contract with Quad City Analytical and entered into an agreement with Thomas and Company for services at \$125 per hour. During the year ended June 30, 2008, payments under the agreement totaled \$9,688.

**(13) Construction Commitments**

The City has entered into construction contracts totaling \$2,836,630 for the downtown street project, planning and design of the waste water treatment plant and the Wisconsin Street project. The downtown street project and Wisconsin street projects will be primarily funded through general obligation bond/note proceeds. The planning and design of the waste water treatment plant will be funded through a sewer interim project note. As of June 30, 2008, costs of \$2,643,967 have been incurred on the projects. The remaining \$192,663 will be paid as work on the projects progresses.

**(14) Subsequent Events**

Line of Credit

In July 2008, the City entered into an agreement with First Central State Bank for a \$500,000 line of credit and, in August 2008, increased the line of credit by \$100,000 to a total of \$600,000. The line of credit matured in October 2008. The purpose of the line of credit is to meet City obligations.

Contracts

In August 2008, the City entered into contracts for the 2008 Street Overlay Improvement Project and 2008 Street Pavement Rehabilitation Improvement Projects for \$155,610 and \$114,450, respectively.

General Obligation Notes

In September 2008, the City issued \$1,500,000 of general obligation annual appropriation notes. The notes were issued to fund various projects, including acquiring a police vehicle and fire safety equipment, constructing street and storm sewer improvements, purchasing and installing an emergency generator for both the fire station and police station, purchasing land and constructing improvements to municipal park and recreational facilities and providing assistance to the City's General Fund. These notes are subject to non-appropriation by the City Council each fiscal year.

General Obligation Refunding Bonds

In October 2008, the City issued \$1,285,000 of general obligation refunding bonds. The notes were issued to refund series 2002 corporate purpose and refunding notes. These notes are subject to non-appropriation by the City Council each fiscal year.



**Required Supplementary Information**

City of LeClaire

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Property tax	\$ 892,042	-	892,042
Tax increment financing	1,659,131	-	1,659,131
Other city tax	642,378	-	642,378
Licenses and permits	8,576	-	8,576
Use of money and property	64,068	802	64,870
Intergovernmental	306,058	-	306,058
Charges for service	233,216	484,075	717,291
Special assessments	21	-	21
Miscellaneous	211,139	239,502	450,641
Total revenues	<u>4,016,629</u>	<u>724,379</u>	<u>4,741,008</u>
Expenditures/Expenses:			
Public safety	917,346	-	917,346
Public works	762,216	-	762,216
Culture and recreation	393,521	-	393,521
Community and economic development	591,119	-	591,119
General government	246,797	-	246,797
Debt service	1,721,182	-	1,721,182
Capital projects	2,395,749	-	2,395,749
Business type activities	-	579,576	579,576
Total expenditures/expenses	<u>7,027,930</u>	<u>579,576</u>	<u>7,607,506</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,011,301)	144,803	(2,866,498)
Other financing sources (uses), net	1,852,582	(14,952)	1,837,630
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(1,158,719)	129,851	(1,028,868)
Balances beginning of year	943,718	4,314,135	5,257,853
Balances end of year	<u>\$ (215,001)</u>	<u>4,443,986</u>	<u>4,228,985</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	892,042	893,813	894,141	(2,099)
-	1,659,131	1,700,826	1,696,188	(37,057)
-	642,378	585,094	635,304	7,074
-	8,576	8,555	8,438	138
-	64,870	47,421	57,054	7,816
-	306,058	299,566	391,134	(85,076)
-	717,291	629,550	676,830	40,461
-	21	100	100	(79)
37,230	413,411	86,536	189,636	223,775
37,230	4,703,778	4,251,461	4,548,825	154,953
-	917,346	747,520	847,994	(69,352)
-	762,216	612,984	668,433	(93,783)
8,040	385,481	296,334	535,785	150,304
-	591,119	95,987	115,622	(475,497)
-	246,797	251,440	249,976	3,179
-	1,721,182	2,149,434	2,198,380	477,198
-	2,395,749	1,965,176	2,262,342	(133,407)
-	579,576	573,518	578,994	(582)
8,040	7,599,466	6,692,393	7,457,526	(141,940)
29,190	(2,895,688)	(2,440,932)	(2,908,701)	13,013
-	1,837,630	867,000	1,837,000	630
29,190	(1,058,058)	(1,573,932)	(1,071,701)	13,643
6,769	5,251,084	5,023,021	5,251,084	-
35,959	4,193,026	3,449,089	4,179,383	13,643

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City of LeClaire

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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

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

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures by \$765,133. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, expenditures in the public safety, public works, community and economic development, capital projects and business type activities functions exceeded the amounts budgeted.

**Other Supplementary Information**

City of LeClaire  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2008

	Road Use Tax	Workers' Compensation	Special Employees' Retirement FICA/IPERS
<b>Assets</b>			
Cash and pooled investments	\$ -	-	-
Receivables:			
Property tax:			
Delinquent	-	-	2,794
Succeeding year	-	15,000	52,000
Due from other governments	19,742	-	-
Due from other funds	-	5,377	72,517
Inventories	9,037	-	-
Prepaid expenditures	46	-	-
<b>Total assets</b>	<b>\$ 28,825</b>	<b>20,377</b>	<b>127,311</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 7,676	2,853	-
Due to other funds	21,149	-	-
Deferred revenue:			
Succeeding year property tax	-	15,000	52,000
Total liabilities	28,825	17,853	52,000
Fund equity:			
Fund balances (deficit):			
Reserved for:			
Inventories	9,037	-	-
Prepaid expenditures	46	-	-
Endowment	-	-	-
Unreserved	(9,083)	2,524	75,311
Total fund equity	-	2,524	75,311
<b>Total liabilities and fund equity</b>	<b>\$ 28,825</b>	<b>20,377</b>	<b>127,311</b>

See accompanying independent auditor's report.

Revenue			
Group Insurance	Emergency	Friends of the Library	Total
-	-	35,959	35,959
-	166	-	2,960
106,000	17,000	-	190,000
-	-	-	19,742
31,322	-	-	109,216
-	-	-	9,037
6,942	-	-	6,988
144,264	17,166	35,959	373,902
198	-	-	10,727
-	-	-	21,149
106,000	17,000	-	190,000
106,198	17,000	-	221,876
-	-	-	9,037
6,942	-	-	6,988
-	-	24,022	24,022
31,124	166	11,937	111,979
38,066	166	35,959	152,026
144,264	17,166	35,959	373,902

City of LeClaire

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

Year ended June 30, 2008

	Road Use Tax	Workers' Compensation	Special Employees' Retirement FICA/IPERS
Revenues:			
Property tax	\$ -	10,726	110,426
Other city tax	-	405	4,026
Use of money and property	-	42	253
Intergovernmental	245,744	-	-
Miscellaneous	-	1,196	-
Total revenues	<u>245,744</u>	<u>12,369</u>	<u>114,705</u>
Expenditures:			
Operating:			
Public safety	-	16,166	60,406
Public works	212,341	8,208	18,751
Culture and recreation	-	2,167	12,330
Community and economic development	-	3	172
General government	-	943	12,987
Total expenditures	<u>212,341</u>	<u>27,487</u>	<u>104,646</u>
Excess (deficiency) of revenues over (under) expenditures	33,403	(15,118)	10,059
Other financing uses:			
Operating transfers out	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	33,403	(15,118)	10,059
Fund balances (deficit) beginning of year	<u>(33,403)</u>	<u>17,642</u>	<u>65,252</u>
Fund balances end of year	<u>\$ -</u>	<u>2,524</u>	<u>75,311</u>

See accompanying independent auditor's report.



Revenue			
Group Insurance	Emergency	Friends of the Library	Total
140,636	15,581	-	277,369
5,430	587	-	10,448
755	91	-	1,141
-	-	-	245,744
4,833	-	37,230	43,259
151,654	16,259	37,230	577,961
39,261	-	-	115,833
17,896	-	-	257,196
8,150	-	8,040	30,687
129	-	-	304
11,623	-	-	25,553
77,059	-	8,040	429,573
74,595	16,259	29,190	148,388
(86,597)	(16,296)	-	(102,893)
(12,002)	(37)	29,190	45,495
50,068	203	6,769	106,531
38,066	166	35,959	152,026

**Schedule 3**

## City of LeClaire

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

For the Last Six Years

	Modified Accrual Basis					
	2008	2007	2006	2005	2004	2003
<b>Revenues:</b>						
Property tax	\$ 892,042	830,379	821,818	792,171	684,998	719,944
Tax increment financing	1,659,131	1,444,328	1,278,321	1,191,949	991,973	773,172
Other city tax	642,378	614,850	560,929	504,206	496,853	477,157
Licenses and permits	8,576	9,215	6,848	4,837	5,522	4,115
Use of money and property	64,068	98,001	75,918	54,819	47,502	43,178
Intergovernmental	306,058	295,214	288,922	522,271	353,943	298,527
Charges for service	233,216	198,621	172,686	180,186	180,064	164,715
Special assessments	21	33	125	238	49	81
Miscellaneous	211,139	211,521	179,933	448,415	311,898	89,083
<b>Total</b>	<b>\$ 4,016,629</b>	<b>3,702,162</b>	<b>3,385,500</b>	<b>3,699,092</b>	<b>3,072,802</b>	<b>2,569,972</b>
<b>Expenditures:</b>						
<b>Operating:</b>						
Public safety	\$ 917,346	1,147,023	1,124,582	728,325	1,392,127	572,454
Public works	762,216	503,174	510,872	533,706	736,645	408,116
Culture and recreation	393,521	228,034	270,867	186,035	266,241	157,341
Community and economic development	591,119	136,951	232,743	180,336	156,997	96,336
General government	246,797	259,764	274,904	204,981	143,664	130,476
Debt service	1,721,182	1,712,708	1,627,005	1,391,486	1,134,384	1,241,646
Capital projects	2,395,749	2,181,564	2,684,731	1,861,899	2,935,147	802,625
<b>Total</b>	<b>\$ 7,027,930</b>	<b>6,169,218</b>	<b>6,725,704</b>	<b>5,086,768</b>	<b>6,765,205</b>	<b>3,408,994</b>

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

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeClaire, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

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

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

## Compliance and Other Matters

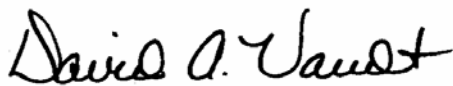
As part of obtaining reasonable assurance about whether the City of LeClaire's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

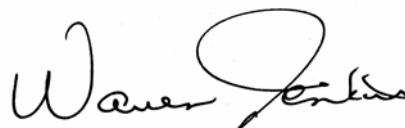
The City of LeClaire's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of LeClaire's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 5, 2008

City of LeClaire  
Schedule of Findings  
Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

Recommendation – The City should develop a disaster recovery plan.

Response – The City is aware of the need for this policy. This activity is still “in process” and ideally will be completed by July 1, 2009.

Conclusion – Response accepted.

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

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

Response – The City will try to accomplish given the limited staffing and time available.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of LeClaire

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Expenditures during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, public works, community and economic development, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”  
Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before expenditures were allowed to exceed the budget.  
Response – The City is aware of this provision and will continue to review, monitor and amend the budget as needed on a more timely basis.  
Conclusion – Response accepted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Financial Condition – At June 30, 2007 and 2008, the City had deficit unreserved fund balances in the following funds:

Fund	Unreserved	
	Fund Balances (Deficit)	
	June 30,	
	2007	2008
General	\$ (414,431)	(374,873)
Special Revenue:		
Urban Renewal Tax Increment Financing	-	(14,672)
Road Use Tax	(52,119)	(9,083)
Debt Service	(20,011)	-
Capital Projects	-	(289,273)



City of LeClaire

Schedule of Findings

Year ended June 30, 2008

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

Response – The City has been and is actively taking steps and implementing measures to correct the General Fund deficit position (as noted by the improved position). The other three fund balances (Road Use Tax, Urban Renewal Tax Increment Financing and Capital Projects) are strictly “one-time” positions occurring at the end of the fiscal year, are due to temporary inequities between revenues and expenditures, and do not routinely recur.

Conclusion – Response accepted.

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

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

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

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

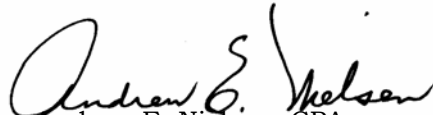
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City of LeClaire

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Michael R. Field, Staff Auditor  
Brett C. Conner, Staff Auditor  
Gabriel M. Stafford, Assistant Auditor  
Jennifer M. Kopp, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State