

CARPENTIER
MITCHELL · GODDARD
& COMPANY · LLC
CERTIFIED PUBLIC
ACCOUNTANTS

4915 - 21st Avenue A. • Moline, Illinois 61265
Ph. (309) 762-3626 • Fax (309) 762-4465

December 2, 2014

To the Honorable Mayor and
Members of the City Council
City of LeClaire, Iowa
LeClaire, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the City of LeClaire, Iowa for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to dated June 21, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the City of LeClaire, Iowa are described in Note 1 to the financial statements. The City implemented accounting policies related to financial reporting by adopting Statements of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*; and No. 66, *Technical Corrections – 2012 – and amendment of GASB Statements NO. 10 and No. 62*, for the year ended June 30, 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the preparation of financial statements prepared by management and are based upon management's knowledge and experience about past and current events and certain assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were depreciation expense and the net other post employment benefit obligation.

The net other postemployment benefit obligation is based on reports from the actuaries and depreciation expense is based on the estimated useful lives and residual values of the assets. We evaluated the key factors and assumptions used to develop the net other postemployment benefit obligation and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of LeClaire, Iowa during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Honorable Mayor and
Members of the City Council
Page 3
December 2, 2014

This information is intended solely for the information and use of the Mayor and Members of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties

Sincerely,

Carpenter, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
December 2, 2014

December 2, 2014

Mr. James E. Taylor
Carpentier, Mitchell, Goddard & Co., LLC
4915 21st Avenue A
Moline, Illinois 61265
Dear Mr. Taylor

This representation letter is provided in connection with your audit(s) of the financial statements of the City of LeClaire, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 2, 2014, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 21, 2012, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the City of LeClaire or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 32) All funds that meet the quantitative criteria in GASBS No. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 42) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the combining and individual nonmajor fund financial statements:

- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 46) Expenditures of federal awards were below the \$500,000 threshold in the year ended June 30, 2014, and we were not required to have an audit in accordance with OMB Circular A-133.

Signature

Signature

Title

Title

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To the Honorable Mayor and Members of the City Council
City of LeClaire, Iowa

In planning and performing our audit of the financial statements of the City of LeClaire as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of LeClaire's internal control over financial reporting (internal control) 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 an opinion on the effectiveness of the City of LeClaire's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LeClaire's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all control deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. We consider the following to be control deficiencies.

Cash Receipt Process

In performing the walkthrough of this transaction cycle for cash received by the library, it was noted that receipts are tracked on a form that does not have sequential numbers on it.

We recommend the library use a sequential receipt log that includes a copy the library can give to the citizen post payment.

We also noted the library remits the funds collected to City Hall on a monthly basis.

We recommend they remit the funds to City Hall on a weekly basis.

This communication is intended solely for the information and use of management, the Mayor, Council Members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Carpentier, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
December 2, 2014

Future Accounting Issues

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements and tentative pronouncements that may have an impact on the City in the future.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*- an amendment of GASB Statement No. 27, will be effective for the City beginning with its year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, *Business Combinations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the City beginning with its year ending June 30, 2015. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

We will advise the City of any progress made by GASB in developing these and other future pronouncements that may have an impact on the financial position and results of operation of the City.

CITY OF LECLAIRE

LeClaire, Iowa

ANNUAL FINANCIAL REPORT

June 30, 2014

CITY OF LECLAIRE, IOWA
June 30, 2014

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CITY OF LECLAIRE, IOWA

June 30, 2014

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CITY OF LECLAIRE, IOWA

June 30, 2014

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Scannell	Mayor	Jan 2016
Ray Allen	Council Member	Jan 2018
Barry Long	Mayor Pro-Tem	Jan 2018
Justin Graff	Council Member	Jan 2018
Terri Applegate	Council Member	Jan 2016
Judy Hartig	Council Member	Jan 2016
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite



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Ph. (309) 762-3626 • Fax (309) 762-4465

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of LeClaire, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, Iowa, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other post employment benefit plan schedule of funding progress on pages 3 through 9, 41 through 42, and 43, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LeClaire, Iowa's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the City of LeClaire, Iowa's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of LeClaire, Iowa's internal control over financial reporting and compliance.

Carpentier, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
December 2, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of LeClaire provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

2014 FINANCIAL HIGHLIGHTS

- * Revenues of the City's governmental activities increased 34.7%, or approximately \$2,412,000, from fiscal 2013 to fiscal 2014. Tax increment financing revenues increased approximately \$127,000.
- * Revenues of the City's business-type activities increased 0.9%, or approximately \$7,600, from fiscal 2013 to fiscal 2014.
- * Program expenses of the City's governmental activities increased 4.3%, or approximately \$268,000, in fiscal 2014 from fiscal 2013.
- * Program expenses of the City's business-type activities increased 92.7%, or approximately \$576,000, in fiscal 2014 from fiscal 2013.
- * The City's net position increased 12.4%, or approximately \$2,495,000, from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities decreased approximately \$1,013,000 and the net position of the business-type activities increased approximately \$3,508,000.

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 Position 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 FINANCIAL STATEMENTS

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the 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 Position 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, capital projects and capital outlay. Property tax and state and federal grants finance most of these activities.
- * Business-type activities include the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental funds

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.

Proprietary funds

The proprietary fund accounts 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 Position 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 position, a statement of revenues, expenses and changes in fund net position 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 position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net position for governmental and business-type activities.

NET POSITION AT YEAR-END

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	\$ 6,437,792	\$ 1,301,412	\$ 7,739,204
Capital assets	28,088,435	16,721,324	44,809,759
Total assets	<u>\$ 34,526,227</u>	<u>\$ 18,022,736</u>	<u>\$ 52,548,963</u>
LIABILITIES			
Long-term liabilities	\$ 23,460,128	\$ 16,401	\$ 23,476,529
Other liabilities	691,608	965,667	1,657,275
Total liabilities	<u>\$ 24,151,736</u>	<u>\$ 982,068</u>	<u>\$ 25,133,804</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 4,729,940</u>	<u>\$ - - -</u>	<u>\$ 4,729,940</u>
NET POSITION			
Net investment in capital assets	\$ 4,720,636	\$ 16,721,324	\$ 21,441,960
Restricted	489,692	- - -	489,692
Unrestricted	434,223	319,344	753,567
Total net position	<u>\$ 5,644,551</u>	<u>\$ 17,040,668</u>	<u>\$ 22,685,219</u>

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	\$ 6,047,030	\$ 210,216	\$ 6,257,246
Capital assets	25,858,770	13,614,913	39,473,683
Total assets	<u>\$ 31,905,800</u>	<u>\$ 13,825,129</u>	<u>\$ 45,730,929</u>
LIABILITIES			
Long-term liabilities	\$ 20,201,998	\$ 15,219	\$ 20,217,217
Other liabilities	540,837	276,853	817,690
Total liabilities	<u>\$ 20,742,835</u>	<u>\$ 292,072</u>	<u>\$ 21,034,907</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 4,505,846</u>	<u>\$ - - -</u>	<u>\$ 4,505,846</u>
NET POSITION			
Net investment in capital assets	\$ 5,739,126	\$ 13,614,913	\$ 19,354,039
Restricted	387,250	- - -	387,250
Unrestricted	530,743	(81,856)	448,887
Total net position	<u>\$ 6,657,119</u>	<u>\$ 13,533,057</u>	<u>\$ 20,190,176</u>

Net position of governmental activities decreased approximately \$1,013,000, or 15.2%, from FY13. Net position of business-type activities increased approximately \$3,508,000, from FY13. The largest portion of the City's net position 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 position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position 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 \$434,223 at the end of this year.

CHANGES IN NET POSITION

Year Ended June 30, 2014

<u>REVENUES</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 510,067	\$ 720,004	\$ 1,230,071
Operating grants, contributions and restricted interest	461,089	- - -	461,089
Capital grants, contributions and restricted interest	2,587,130	132,000	2,719,130
General revenues:			
Property tax levies for:			
General purposes	1,239,896	- - -	1,239,896
Debt service	47,014	- - -	47,014
Tax increment financing	3,670,713	- - -	3,670,713
Hotel/motel tax	238,910	- - -	238,910
Local option sales tax	536,467	- - -	536,467
Unrestricted investment earnings	33,782	13,738	47,520
Gain on sale of capital assets	35,937	- - -	35,937
 Total revenues	 <u>\$ 9,361,005</u>	 <u>\$ 865,742</u>	 <u>\$ 10,226,747</u>
 <u>EXPENSES</u>			
Program expenses:			
Public safety	\$ 1,068,966	\$ - - -	\$ 1,068,966
Public works	1,882,623	- - -	1,882,623
Culture and recreation	362,123	- - -	362,123
Community and economic development	2,030,861	- - -	2,030,861
General government	330,582	- - -	330,582
Debt service	859,502	- - -	859,502
Sewer	- - -	1,197,047	1,197,047
 Total expenses	 <u>\$ 6,534,657</u>	 <u>\$ 1,197,047</u>	 <u>\$ 7,731,704</u>
Increase (decrease) in net position before transfers	\$ 2,826,348	\$ (331,305)	\$ 2,495,043
Transfers	(3,838,916)	3,838,916	- - -
 Increase (decrease) in net position	 \$(1,012,568)	 \$ 3,507,611	 \$ 2,495,043
Net position, beginning of year	6,657,119	13,533,057	20,190,176
Net position, end of year	<u>\$ 5,644,551</u>	<u>\$ 17,040,668</u>	<u>\$ 22,685,219</u>

CHANGES IN NET POSITION (Continued)

Year Ended June 30, 2013

<u>REVENUES</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 425,450	\$ 697,332	\$ 1,122,782
Operating grants, contributions and restricted interest	504,125	-	504,125
Capital grants, contributions and restricted interest	301,102	-	301,102
General revenues:			
Property tax levies for:			
General purposes	1,147,499	-	1,147,499
Debt service	206,180	-	206,180
Tax increment financing	3,543,299	-	3,543,299
Hotel/motel tax	235,713	-	235,713
Local option sales tax	515,133	-	515,133
Unrestricted investment earnings	52,128	17,046	69,174
Gain (loss) on sale of capital assets	18,715	4,708	23,423
Capital contribution	-	139,100	139,100
 Total revenues	 <u>\$ 6,949,344</u>	 <u>\$ 858,186</u>	 <u>\$ 7,807,530</u>
 <u>EXPENSES</u>			
Program expenses:			
Public safety	\$ 1,101,452	\$ -	\$ 1,101,452
Public works	1,320,691	-	1,320,691
Culture and recreation	350,857	-	350,857
Community and economic development	2,231,447	-	2,231,447
General government	318,985	-	318,985
Debt service	942,892	-	942,892
Sewer	-	621,266	621,266
 Total expenses	 <u>\$ 6,266,324</u>	 <u>\$ 621,266</u>	 <u>\$ 6,887,590</u>
 Increase in net position before transfers	 <u>\$ 683,020</u>	 <u>\$ 236,920</u>	 <u>\$ 919,940</u>
Transfers	18,909	(18,909)	-
 Increase in net position	 <u>\$ 701,929</u>	 <u>\$ 218,011</u>	 <u>\$ 919,940</u>
Net position, beginning of year	5,955,190	13,315,046	19,270,236
Net position, end of year	<u>\$ 6,657,119</u>	<u>\$13,533,057</u>	<u>\$ 20,190,176</u>

Revenues increased overall approximately \$2,419,000 or 30.9%, from FY13 to FY14. Charges for services increased approximately \$107,000. Tax increment financing increased approximately \$127,000 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 \$844,000, or 12.3%. Public works expenses increased approximately \$560,000 due to more street work.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of LeClaire completed fiscal 2014, its governmental funds reported a combined fund balance of \$1,088,463, which is more than the \$1,065,066 total fund balance at June 30, 2013. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The Special Revenue, Urban Renewal Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2014 with a balance of \$150,025 compared to the prior year ending balance of \$371,560. The decrease in fund balance is a result of operating transfers for debt service.

The Debt Service Fund ended fiscal 2014 with a \$32,721 balance compared to the prior year ending balance of \$24,968.

The Capital Projects Fund ended fiscal 2014 with a \$(63,943) balance compared to the prior year ending balance of \$(388,087). The increase in fund balance is the result of transfers from other funds.

Proprietary Fund Highlights

The Enterprise Sewer Fund ended fiscal 2014 with a \$17,040,668 net position balance compared to the prior year ending net position balance of \$13,533,057. The increase is primarily due to contributed capital.

BUDGETARY HIGHLIGHTS

The City of LeClaire amended its original budget on May 19, 2014.

The City's revenues and other financing sources were \$2,154,684 less than budgeted, due primarily to miscellaneous revenue being less than expected.

Total expenditures were \$2,489,274 less than budgeted, due primarily to expenses being less than expected for public works and debt service, and more than expected for capital projects and outlay.

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 \$28,088,435 (net of accumulated depreciation) at June 30, 2014. Capital assets for business-type activities totaled \$16,721,324 (net of accumulated depreciation) at June 30, 2014. 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 commercial mower and street improvements.

For business-type activities, construction in progress at June 30, 2014 consisted of construction costs related to the WWTP project and expansion.

LONG-TERM DEBT

At June 30, 2014, the City had \$23,460,128 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$16,401 at June 30, 2014.

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 \$10,124,577 is below its constitutional debt limit of \$16,809,944. 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 2015 budget. 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 tax levy rates per \$1,000 of taxable valuation for fiscal 2015 are provided below:

General	\$ 8.10000
Levy Improvement	0.06750
Insurance	0.62565
Emergency	0.27000
Employee Benefits	4.68785
Debt Service	<u>0.72164</u>
 Total Regular Tax Levy Rate	 <u>\$14.47264</u>
 Agricultural Tax Levy Rate	 <u>\$ 3.00375</u>

The City’s property tax rate for fiscal 2015 is \$14.47264/\$1,000 of valuation, which is the same as fiscal 2014.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

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

CITY OF LECLAIRE, IOWA
STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and pooled assets	\$ 1,334,765	\$ 1,024,905	\$ 2,359,670
Receivables:			
Property tax:			
Delinquent	10,003	-	10,003
Succeeding year	1,229,458	-	1,229,458
Tax increment financing:			
Delinquent	12,989	-	12,989
Succeeding year	3,500,482	-	3,500,482
Customer accounts and unbilled usage	18,014	78,809	96,823
Accounts	59,977	3,915	63,892
Special assessments	2,040	22,873	24,913
Due from other governments	205,256	-	205,256
Inventories	63,170	13,894	77,064
Prepaid expenses	1,638	4,420	6,058
Restricted assets:			
Cash and pooled investments:			
Customer deposits	-	152,596	152,596
Capital assets not being depreciated	1,519,933	1,881,382	3,401,315
Capital assets (net of accumulated depreciation)	26,568,502	14,839,942	41,408,444
 Total assets	 <u>\$ 34,526,227</u>	 <u>\$ 18,022,736</u>	 <u>\$ 52,548,963</u>
LIABILITIES			
Accounts payable	\$ 543,646	\$ 813,071	\$ 1,356,717
Salaries and benefits payable	10,662	-	10,662
Accrued interest payable	72,219	-	72,219
Unearned revenue	23,185	-	23,185
Liabilities payable from restricted assets:			
Customer deposits	41,896	152,596	194,492
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,780,000	-	1,780,000
Urban renewal tax increment revenue bonds	81,250	-	81,250
Capital lease purchase agreement	37,366	-	37,366
Compensated absences	76,208	16,401	92,609
Portion due or payable after one year:			
General obligation bonds/notes	20,895,000	-	20,895,000
Urban renewal tax increment revenue bonds	81,250	-	81,250
Capital lease purchase agreement	492,933	-	492,933
Net OPEB liability	16,121	-	16,121
 Total liabilities	 <u>\$ 24,151,736</u>	 <u>\$ 982,068</u>	 <u>\$ 25,133,804</u>

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Unearned property taxes	\$ 1,229,458	\$ -	\$ 1,229,458
Unearned tax increment financing	3,500,482	-	3,500,482
Total deferred inflows of resources	<u>\$ 4,729,940</u>	<u>\$ -</u>	<u>\$ 4,729,940</u>
Total liabilities and deferred inflows of resources	<u>\$ 28,881,676</u>	<u>\$ 982,068</u>	<u>\$ 29,863,744</u>
NET POSITION			
Net investment in capital assets	\$ 4,720,636	\$ 16,721,324	\$ 21,441,960
Restricted for:			
Development	150,025	-	150,025
Debt service	32,721	-	32,721
Street maintenance	160,352	-	160,352
Other purposes	146,594	-	146,594
Unrestricted	434,223	319,344	753,567
Total net position	<u>\$ 5,644,551</u>	<u>\$ 17,040,668</u>	<u>\$ 22,685,219</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTION/PROGRAMS	Program		
	Expenses	Charges for Services	Operating Grants, Contributions, & Restricted Interest
Governmental activities:			
Public safety	\$ 1,068,966	\$ 117,388	\$ 50,087
Public works	1,882,623	281,144	374,165
Culture and recreation	362,123	37,333	21,837
Community and economic development	2,030,861	18,092	15,000
General government	330,582	56,110	-
Interest on long-term debt	859,502	-	-
	\$ 6,534,657	\$ 510,067	\$ 461,089
Business-Type activities:			
Sewer	1,197,047	720,004	-
	\$ 7,731,704	\$ 1,230,071	\$ 461,089

General revenues:
Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Hotel/motel tax
Sales taxes
Unrestricted investment earnings
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

NET POSITION, Beginning

NET POSITION, Ending

<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Capital Grants, Contributions, & Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (901,491)	\$ -	\$ (901,491)
2,587,130	1,359,816	-	1,359,816
-	(302,953)	-	(302,953)
-	(1,997,769)	-	(1,997,769)
-	(274,472)	-	(274,472)
-	(859,502)	-	(859,502)
\$ 2,587,130	\$ (2,976,371)	\$ -	\$ (2,976,371)
132,000	-	(345,043)	(345,043)
<u>\$ 2,719,130</u>	<u>\$ (2,976,371)</u>	<u>\$ (345,043)</u>	<u>\$ (3,321,414)</u>
	\$ 1,239,896	\$ -	\$ 1,239,896
	47,014	-	47,014
	3,670,713	-	3,670,713
	238,910	-	238,910
	536,467	-	536,467
	33,782	13,738	47,520
	35,937	-	35,937
	<u>(3,838,916)</u>	<u>3,838,916</u>	<u>-</u>
	<u>\$ 1,963,803</u>	<u>\$ 3,852,654</u>	<u>\$ 5,816,457</u>
	\$ (1,012,568)	\$ 3,507,611	\$ 2,495,043
	<u>6,657,119</u>	<u>13,533,057</u>	<u>20,190,176</u>
	<u>\$ 5,644,551</u>	<u>\$ 17,040,668</u>	<u>\$ 22,685,219</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	
		<u>Urban Renewal Tax Increment Financing</u>	<u>Debt Service</u>
ASSETS			
Cash and pooled investments	\$ 674,450	\$ 138,562	\$ 32,464
Receivables:			
Property tax:			
Delinquent	6,201	-	257
Succeeding year	701,465	-	133,723
Tax increment financing:			
Delinquent	-	12,989	-
Succeeding year	-	3,500,482	-
Customer accounts	18,014	-	-
Accounts	58,357	-	-
Special assessments	2,040	-	-
Due from other governments	91,089	-	-
Due from other funds	-	-	-
Inventories	1,937	-	-
Prepaid expenditures	270	-	-
	<u>\$ 1,553,823</u>	<u>\$ 3,652,033</u>	<u>\$ 166,444</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 113,901	\$ 1,526	\$ -
Salaries and benefits payable	10,662	-	-
Due to other funds	-	-	-
Unearned revenue	23,185	-	-
Payable from restricted assets:			
Customer deposits	41,896	-	-
	<u>\$ 189,644</u>	<u>\$ 1,526</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	\$ 701,465	\$ -	\$ 133,723
Unavailable revenue - tax increment financing	-	3,500,482	-
	<u>\$ 701,465</u>	<u>\$ 3,500,482</u>	<u>\$ 133,723</u>
Total liabilities and deferred inflows of resources	<u>\$ 891,109</u>	<u>\$ 3,502,008</u>	<u>\$ 133,723</u>

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 350,794	\$ 138,495	\$ 1,334,765
-	3,545	10,003
-	394,270	1,229,458
-	-	12,989
-	-	3,500,482
-	-	18,014
955	665	59,977
-	-	2,040
-	114,167	205,256
-	58,045	58,045
-	61,233	63,170
-	1,368	1,638
<u>\$ 351,749</u>	<u>\$ 771,788</u>	<u>\$ 6,495,837</u>
\$ 415,692	\$ 12,527	\$ 543,646
-	-	10,662
-	58,045	58,045
-	-	23,185
-	-	41,896
<u>\$ 415,692</u>	<u>\$ 70,572</u>	<u>\$ 677,434</u>
\$ -	\$ 394,270	\$ 1,229,458
-	-	3,500,482
<u>\$ -</u>	<u>\$ 394,270</u>	<u>\$ 4,729,940</u>
<u>\$ 415,692</u>	<u>\$ 464,842</u>	<u>\$ 5,407,374</u>

(Continued)

CITY OF LECLAIRE, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Urban Renewal Tax Increment Financing</u>	<u>Debt Service</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (Continued)			
FUND BALANCES			
Nonspendable:			
Inventories	\$ 1,937	\$ -	\$ -
Prepaid expenditures	270	-	-
Endowment	-	-	-
Restricted			
Debt service	-	-	32,721
Special Revenue	-	150,025	-
Committed			
Insurance reserve and sale proceeds	178,734	-	-
Assigned			
Special Levies	87,994	-	-
Park, levee and recreation	84,650	-	-
Tourism	113,149	-	-
Garbage	26,349	-	-
Library	43,404	-	-
Unassigned			
General Fund	126,227	-	-
Capital Project	-	-	-
	<u>\$ 662,714</u>	<u>\$ 150,025</u>	<u>\$ 32,721</u>
Total fund balances	<u>\$ 662,714</u>	<u>\$ 150,025</u>	<u>\$ 32,721</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,553,823</u>	<u>\$ 3,652,033</u>	<u>\$ 166,444</u>

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 61,233	\$ 63,170
-	1,368	1,638
-	39,622	39,622
-	-	32,721
-	204,723	354,748
-	-	178,734
-	-	87,994
-	-	84,650
-	-	113,149
-	-	26,349
-	-	43,404
-	-	126,227
(63,943)	-	(63,943)
<u>\$ (63,943)</u>	<u>\$ 306,946</u>	<u>\$ 1,088,463</u>
<u>\$ 351,749</u>	<u>\$ 771,788</u>	<u>\$ 6,495,837</u>

CITY OF LECLAIRE, IOWA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balance - governmental funds	\$ 1,088,463
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Amounts reported for governmental activities in the statements of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,088,435
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Long-term liabilities, including general obligation bonds/notes, urban renewal tax increment revenue bonds, capital lease purchase agreement, compensated absences, other postemployment benefits payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(23,532,347)</u>
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Net position of governmental activities	<u><u>\$ 5,644,551</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	
		<u>Urban Renewal Tax Increment Financing</u>	<u>Debt Service</u>
REVENUES			
Taxes:			
Property	\$ 741,100	\$ -	\$ 46,477
Tax increment financing	-	3,670,713	-
Other city tax	292,612	-	537
Licenses and permits	13,656	-	-
Use of money and property	55,788	14,450	840
Intergovernmental	60,012	-	-
Charges for service	354,284	-	-
Special assessments	24	-	-
Contributions	-	-	-
Miscellaneous	92,671	-	-
Total revenues	<u>\$ 1,610,147</u>	<u>\$ 3,685,163</u>	<u>\$ 47,854</u>
EXPENDITURES			
Operating:			
Public safety	\$ 719,306	\$ -	\$ -
Public works	340,446	-	-
Culture and recreation	247,598	-	-
Community and economic development	140,077	1,890,501	-
General government	230,994	-	-
Debt service	74,614	148,625	2,432,010
Capital projects	-	-	-
Capital outlay	4,005,552	-	-
Total expenditures	<u>\$ 5,758,587</u>	<u>\$ 2,039,126</u>	<u>\$ 2,432,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,148,440)</u>	<u>\$ 1,646,037</u>	<u>\$ (2,384,156)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 501,308	\$ 373,741	\$ 2,246,617
Operating transfers out	(447,595)	(2,241,313)	-
General obligation bonds/notes issued	4,047,318	-	2,117,695
Payment on Refunded Bonds	-	-	(1,972,403)
Sale of capital assets	64,755	-	-
Total other financing sources (uses)	<u>\$ 4,165,786</u>	<u>\$ (1,867,572)</u>	<u>\$ 2,391,909</u>
Net change in fund balances	\$ 17,346	\$ (221,535)	\$ 7,753
FUND BALANCES – Beginning	645,368	371,560	24,968
FUND BALANCES – Ending	<u>\$ 662,714</u>	<u>\$ 150,025</u>	<u>\$ 32,721</u>

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 433,338	\$ 1,220,915
-	-	3,670,713
-	548,197	841,346
-	-	13,656
3,033	9,462	83,573
-	374,165	434,177
-	-	354,284
-	-	24
-	-	-
955	24,218	117,844
<u>\$ 3,988</u>	<u>\$ 1,389,380</u>	<u>\$ 6,736,532</u>
\$ -	\$ 185,703	\$ 905,009
-	466,411	806,857
-	61,184	308,782
-	283	2,030,861
-	40,940	271,934
13,718	-	2,668,967
733,590	-	733,590
-	-	4,005,552
<u>\$ 747,308</u>	<u>\$ 754,521</u>	<u>\$ 11,731,552</u>
<u>\$ (743,320)</u>	<u>\$ 634,859</u>	<u>\$ (4,995,020)</u>
\$ 322,477	\$ -	\$ 3,444,143
-	(739,170)	(3,428,078)
744,987	-	6,910,000
-	-	(1,972,403)
-	-	64,755
<u>\$ 1,067,464</u>	<u>\$ (739,170)</u>	<u>\$ 5,018,417</u>
\$ 324,144	\$ (104,311)	\$ 23,397
(388,087)	411,257	1,065,066
<u>\$ (63,943)</u>	<u>\$ 306,946</u>	<u>\$ 1,088,463</u>

(Continued)

CITY OF LECLAIRE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year ended June 30, 2014

Net change in fund balances - governmental funds \$ 23,397

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	\$ 3,440,378	
Depreciation expense	<u>(1,210,713)</u>	2,229,665

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(6,910,000)	
Repaid	<u>3,661,845</u>	(3,248,155)

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	(6,781)	
Accrued interest on long-term debt	(7,500)	
Other postemployment benefits	<u>(3,194)</u>	<u>(17,475)</u>

Change in net position of governmental activities \$ (1,012,568)

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Enterprise Sewer
ASSETS	
Cash and pooled investments	\$ 1,024,905
Receivables:	
Customer accounts and unbilled usage	78,809
Special assessments	22,873
Miscellaneous receivable	3,915
Inventories	13,894
Prepaid expenses	4,420
Restricted assets:	
Cash and pooled investments:	
Customer deposits	152,596
Capital assets not being depreciated	1,881,382
Capital assets (net of accumulated depreciation)	14,839,942
Total assets	\$ 18,022,736
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 813,071
Compensated absences	16,401
Payable from restricted assets:	
Customer deposits	152,596
Total liabilities	\$ 982,068
NET POSITION	
Net investment in capital assets	\$ 16,721,324
Unrestricted	319,344
Total net position	\$ 17,040,668

The accompanying notes are an integral part of these financial statements

CITY OF LECLAIRE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2014

	Enterprise Sewer
OPERATING REVENUES	
Charges for services	\$ 717,795
Miscellaneous	2,209
	\$ 720,004
OPERATING EXPENSES	
Business type activities:	
Cost of sales and services	\$ 558,818
Depreciation	383,721
	\$ 942,539
OPERATING INCOME (LOSS)	\$ (222,535)
NONOPERATING REVENUES (EXPENSES)	
Investment income	13,738
Loss on sale of assets	(254,508)
	\$ (463,305)
Contributions and transfers:	
Capital Contributions	\$ 3,986,981
Transfers out	(16,065)
	\$ 3,970,916
Change in net position	\$ 3,507,611
Net position, beginning of year	13,533,057
Net position, end of year	\$ 17,040,668

The accompanying notes are an integral part of these financial statements

CITY OF LECLAIRE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Enterprise Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 731,399
Cash received from other revenues	2,209
Cash paid for personal services	(262,293)
Cash paid to suppliers	367,020
	\$ 838,335
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	\$ 720,557
Advances to other funds	(755,122)
Transfers from other funds	-
Transfers to other funds	(16,065)
	\$ (50,630)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	\$ (3,612,640)
Capital contribution	3,854,981
	\$ 242,341
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 13,738
Net increase in cash and cash equivalents	\$ 1,043,784
Cash and cash equivalents, beginning of year	133,717
Cash and cash equivalents, end of year	\$ 1,177,501

(Continued)

CITY OF LECLAIRE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Enterprise Sewer
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (222,535)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	383,721
Increase in customer accounts, unbilled usage and other receivables	(5,275)
Increase in prepaid expenses	(4,420)
Increase in inventories	(3,152)
Increase in accounts payable	669,935
Increase in compensated absences	1,182
Increase in customer deposits	18,879
	838,335
Net cash provided by operating activities	\$ 838,335
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Contribution of capital asset	\$ 132,000

The accompanying notes are an integral part of these financial statements

CITY OF LECLAIRE, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 1 - NATURE OF OPERATIONS, REPORTING ENTITY AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS –

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.

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

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 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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by 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 position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets 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 position result when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, 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.

Separate financial statements are provided for governmental funds 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.

Fund Balance

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

authority. Formal actions include resolutions and ordinances by the City's intent to use them for a specific purpose. Assigned fund balances are amounts intended to be used for specific purposes, as authorized by the City Council. Any residual fund balance of the General Fund and any deficits in other funds, if any, are reported as unassigned.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION –

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 position 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

principal operating revenues of the City's Proprietary Fund is charges to customers for sales and services. Operating expenses for the Proprietary 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.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The City reports the following major proprietary fund:

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

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 represents taxes collected by the County but not remitted to the City at June 30, 2014 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 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2013.

CUSTOMER ACCOUNTS AND UNBILLED USAGE –

Accounts receivable are recorded in the Proprietary 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, 2014, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

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 Position and in the Proprietary Fund Statement of Net Position. 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
Equipment and vehicles	\$ 5,000
Land, buildings and improvements	10,000
Infrastructure	10,000

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

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

Asset Class	Life in Years
Buildings and improvements	15-50
Equipment	5-20
Vehicles	4-30
Infrastructure	10-100

UNEARNED REVENUES –

Unearned revenues represent amounts received for which services have not yet been rendered.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES –

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have items that qualify for reporting in this category.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: Property taxes and tax increment financing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available or during the year for which the resources were budgeted.

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, 2014. The compensated 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 Position and the proprietary fund Statement of Net Position

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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

BUDGETS AND BUDGETARY ACCOUNTING –

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 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 in 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 683,439	\$ - - -	\$ - - -	\$ 683,439
Land, right of way	106,403	- - -	- - -	106,403
Construction in progress, infrastructure	1,621,340	730,091	1,621,340	730,091
Total capital assets, not being depreciated	\$ 2,411,182	\$ 730,091	\$ 1,621,340	\$ 1,519,933
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,544,531	\$ - - -	\$ - - -	\$ 4,544,531
Equipment and vehicles	3,446,129	150,571	168,559	3,428,141
Infrastructure, road network	23,304,867	4,208,470	- - -	27,513,337
Infrastructure, other	252,041	- - -	- - -	252,041
Total capital assets, being depreciated	\$31,547,568	\$4,359,041	\$ 168,559	\$35,738,050
Less accumulated depreciation for:				
Buildings and improvements	\$ 830,645	\$ 93,231	\$ - - -	\$ 923,876
Equipment and vehicles	1,951,380	225,416	141,145	2,035,651
Infrastructure, road network	5,254,947	883,665	- - -	6,138,612
Infrastructure, other	63,008	8,401	- - -	71,409
Total accumulated depreciation	\$ 8,099,980	\$1,210,713	\$ 141,145	\$ 9,169,548
Total capital assets, being depreciated, net	\$23,447,588	\$3,148,328	\$ 27,414	\$26,568,502
Governmental activities capital assets, net	\$25,858,770	\$3,878,419	\$1,648,754	\$28,088,435

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 85,590	\$ - - -	\$ - - -	\$ 85,590
Construction in progress - infrastructure, sewer network	<u>437,143</u>	<u>1,596,872</u>	<u>238,223</u>	<u>1,795,792</u>
Total capital assets, not being depreciated	<u>\$ 522,733</u>	<u>\$1,596,872</u>	<u>\$ 238,223</u>	<u>\$ 1,881,382</u>
Capital assets, being depreciated:				
Buildings	\$ 2,048,754	\$ 13,267	\$ 1,583,397	\$ 478,624
Equipment and vehicles	1,568,835	62,396	725,690	905,541
Infrastructure, sewer network	<u>13,022,314</u>	<u>2,310,591</u>	<u>- - -</u>	<u>15,332,905</u>
Total capital assets, being depreciated	<u>\$16,639,903</u>	<u>\$2,386,254</u>	<u>\$ 2,309,087</u>	<u>\$16,717,070</u>
Less accumulated depreciation for:				
Buildings	\$ 1,473,456	\$ 47,014	\$ 1,347,558	\$ 172,912
Equipment and vehicles	980,281	65,441	707,021	338,701
Infrastructure, sewer network	<u>1,094,249</u>	<u>271,266</u>	<u>- - -</u>	<u>1,365,515</u>
Total accumulated depreciation	<u>\$ 3,547,986</u>	<u>\$ 383,721</u>	<u>\$ 2,054,579</u>	<u>\$ 1,877,128</u>
Total capital assets, being depreciated, net	<u>\$13,091,917</u>	<u>\$2,002,533</u>	<u>\$ 254,508</u>	<u>\$14,839,942</u>
Business-type activities capital assets, net	<u>\$13,614,650</u>	<u>\$3,599,405</u>	<u>\$ 492,731</u>	<u>\$16,721,324</u>

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

Governmental activities:	
Public safety	\$ 165,272
Public works	944,388
Culture and recreation	48,543
General government	52,510
Total depreciation expense - governmental activities	<u>\$1,210,713</u>
Business-type activities:	
Sewer	<u>\$ 383,721</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	\$19,260,001	\$ 6,910,000	\$ 3,495,001	\$22,675,000	\$ 1,780,000
Urban renewal tax increment revenue bonds	293,750	- - -	131,250	162,500	81,250
Capital lease purchase agreement	565,893	- - -	35,594	530,299	37,366
Net OPEB liability	12,927	3,194	- - -	16,121	- - -
Compensated absences	<u>69,427</u>	<u>76,208</u>	<u>69,427</u>	<u>76,208</u>	<u>76,208</u>
Governmental activity long-term liabilities	<u>\$20,201,998</u>	<u>\$ 6,989,402</u>	<u>\$ 3,731,272</u>	<u>\$23,460,128</u>	<u>\$ 1,974,824</u>
Business-type activities:					
Compensated absences	<u>\$ 15,219</u>	<u>\$ 16,401</u>	<u>\$ 15,219</u>	<u>\$ 16,401</u>	<u>\$ 16,401</u>
Business-type activity long-term liabilities	<u>\$ 15,219</u>	<u>\$ 16,401</u>	<u>\$ 15,219</u>	<u>\$ 16,401</u>	<u>\$ 16,401</u>

GENERAL OBLIGATION BONDS/NOTES -

Eight issues of general obligation bonds/notes totaling \$22,675,000 are outstanding at June 30, 2014. General obligation bonds/notes bear interest at rates ranging from 1.00% to 5.00% per annum and mature in varying annual amounts, ranging from \$65,000 to \$735,000, with the final maturities due in the year ending June 30, 2030.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - (Continued)

REVENUE BONDS –

One issue of urban renewal tax increment revenue bonds totaling \$162,500 is outstanding at June 30, 2014. Urban renewal tax increment revenue bonds bear interest at rates ranging from 4.85% to 6.40% per annum and mature in amount of \$81,250, with the final maturity due in the year ending June 30, 2016.

Details of general obligation and revenue bonds/notes payable at June 30, 2014 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2014
Governmental Activities: General obligation bonds/notes:						
Corporate purpose annual appropriation	June 15, 2009	4.00-5.00	June 1, 2020	95,000-105,000	995,000	\$ 600,000
Corporate purpose annual appropriation	May 1, 2010	4.00-4.90	May 1, 2030	100,000-430,000	4,600,000	4,600,000
Refunding bonds	April 1, 2011	2.00-3.50	June 1, 2019	170,000-265,000	1,655,000	860,000
Corporate purpose annual appropriation	May 1, 2011	4.20-5.00	June 1, 2027	140,000-725,000	5,300,000	5,300,000
Corporate purpose annual appropriation	Dec. 1, 2011	2.00-2.90	June 1, 2022	215,000-265,000	2,385,000	1,950,000
Refunding bonds	June 1, 2012	1.25-3.75	June 1, 2020	100,000-490,000	2,395,000	1,905,000
Corporate purpose annual appropriation	June 1, 2012	1.25-3.75	June 1, 2023	95,000-115,000	1,030,000	935,000
Corporate purpose annual appropriation and refunding bonds	October 15, 2013	1.00-5.00	June 1, 2028	300,000-735,000	6,910,000	<u>6,525,000</u>
Total						<u>\$22,675,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - (Continued)

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2014</u>
Governmental activities: Revenue bonds:						
Urban renewal tax increment annual appropriation	Apr. 17, 2006	4.85-6.40	June 1, 2016	81,250	650,000	<u>\$ 162,500</u>
Total revenue bonds						<u>\$ 162,500</u>
Total governmental activities						<u>\$22,837,500</u>

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

For the Year Ending June 30	<u>General Obligation Bond/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,780,000	\$ 830,148	\$ 2,610,148
2016	1,835,000	798,336	2,633,336
2017	1,905,000	756,361	2,661,361
2018	2,170,000	707,316	2,877,316
2019	1,625,000	642,341	2,267,341
2020-2024	7,685,000	2,304,575	9,989,575
2025-2029	5,245,000	751,241	5,996,241
Thereafter	430,000	19,314	449,314
Total	<u>\$22,675,000</u>	<u>\$ 6,809,632</u>	<u>\$29,484,632</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - (Continued)

For the Year Ending June 30	Urban Renewal Tax Increment Revenue Bonds		
	Principal	Interest	Total
2015	\$ 81,250	\$ 10,075	\$ 91,325
2016	81,250	5,200	86,450
Total	<u>\$ 162,500</u>	<u>\$ 15,275</u>	<u>\$ 177,775</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 \$177,775, payable through June 2016. For the current year, total principal and interest paid from total TIF revenues were \$131,250 and \$17,375, respectively.

CAPITAL LEASE PURCHASE AGREEMENT –

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

For the Year Ending June 30	Principal	Interest	Total
2015	\$ 37,366	\$ 26,409	\$ 63,775
2016	39,227	24,548	63,775
2017	41,181	22,594	63,775
2018	43,231	20,544	63,775
2019	45,384	18,391	63,775
2020-2025	323,910	58,741	382,651
Total	<u>\$ 530,299</u>	<u>\$ 171,227</u>	<u>\$ 701,526</u>

Principal and interest payments under the capital lease purchase agreement totaled \$35,594 and \$28,181, respectively, during the year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - (Continued)

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, 2014 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.

NOTE 5 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2014 is as follows:

	Receivable Fund
	Nonmajor Governmental Funds
Payable Fund:	
Nonmajor Governmental Funds	\$ 58,045
Total	\$58,045

This balance results from the elimination of cash deficits. Repayments will be made from future revenues.

NOTE 6 - 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 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - (Continued)

Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$96,117, \$86,170, and \$86,501, respectively, equal to the required contributions for each year.

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfer In:			
	General Fund	Debt Service	Capital Projects	Total
Transfer Out:				
General Fund	\$ - - -	\$ 9,423	\$ 49,698	\$ 59,121
Urban Renewal Tax Increment Financing	- - -	1,725,667	141,905	1,867,572
Nonmajor Governmental Funds	96,769	511,527	130,874	739,170
Sewer	16,065	- - -	- - -	16,065
Total	\$ 112,834	\$2,246,617	\$ 322,477	\$ 2,681,928

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City operates a single-employer retiree benefit plan which provides medical, hospitalization, prescription drug, and dental benefits for retirees and their spouses. The retirees are responsible for paying 100% of the associated premiums for these benefits. Actuarially there are 21 active and three retired members in the plan. Participants must have worked full-time for the City for a minimum of ten (10) years at the time of retirement.

The medical, hospitalization, prescription drug, and dental benefits are provided through a fully-insured plan with United HealthCare. Retirees under age 65 (Medicare eligibility age) pay the same premium for the medical, hospitalization, prescription drug, and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 12,462
Interest on net OPEB obligation	646
Adjustment to annual required contribution	<u>(518)</u>
Annual OPEB cost	12,590
Contributions made	<u>9,396</u>
Increase in net OPEB obligation	3,194
Net OPEB obligation beginning of year	<u>12,927</u>
Net OPEB obligation end of year	<u>\$ 16,121</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 2,892	0.0%	\$ 8,415
June 30, 2013	12,546	0.0	12,927
June 30, 2014	12,590	0.0	16,121

Funded Status and Funding Progress

In the June 30, 2013 actuarial valuation, the actuarial accrued liability was \$197,553, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$197,553. The covered payroll (annual payroll of active employees covered by the plan) was \$890,321 and the ratio of the UAAL to covered payroll was 22.20%. As of June 30, 2014, there were no trust fund assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2013 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 10.0% reduced by 0.5% each year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include a 3.0% inflation assumption. The actuarial value of assets was \$0. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

NOTE 9 - DEFICIT BALANCES

At June 30, 2014, the City had a \$63,943 deficit fund balance in the Capital Projects fund.

NOTE 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 liabilities 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

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – (Continued)

reimburse an eligible employee for a portion of the deductible. The amount of the deductibles for the employees and the City are as follows:

	Single	Family
Employee	\$ 700	\$ 1,100
City	3,000	6,000

The City self funds dental coverage of 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.

NOTE 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 schedule 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, 2014, the City rebated \$1,890,501 of incremental taxes to the developers, paying \$1,883,165 of principal and \$7,336 of interest. The outstanding principal balance on the rebate agreements at June 30, 2014 is \$30,788,265.

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.

Seventeen of the eighteen agreements with outstanding principal balances at June 30, 2014 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - WASTEWATER PLANT OPERATOR

In February 2008, the City entered into a contract with Thomas and Company to provide a certified wastewater plant operator to comply with Iowa Department of Natural Resources regulations. The contractor oversees the wastewater treatment facility and manages essential City wastewater personnel and contractor personnel. The fee for these services is \$125 per hour, which is paid from the Proprietary Sewer Fund. During the year ended June 30, 2014, payments under the agreement totaled \$23,143.

NOTE 13 – SUBSEQUENT EVENT

Subsequent to June 30, 2014, the City issued \$1,015,000 in General Obligation Bonds. The purpose of the bonds is for street improvements, vehicle purchase, lobby, and equipment.

CITY OF LECLAIRE, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	Governmental Actual Funds	Proprietary Fund Actual	Total Actual
REVENUES			
Property tax	\$ 1,220,915	\$ -	\$ 1,220,915
Tax increment financing	3,670,713	-	3,670,713
Other city tax	841,346	-	841,346
Licenses and permits	13,656	-	13,656
Use of money and property	83,573	13,738	97,311
Intergovernmental	434,177	-	434,177
Charges for service	354,284	717,795	1,072,079
Special assessments	24	-	24
Miscellaneous	117,844	2,209	120,053
	<u>\$ 6,736,532</u>	<u>\$ 733,742</u>	<u>\$ 7,470,274</u>
EXPENDITURES			
Public safety	\$ 905,009	\$ -	\$ 905,009
Public works	806,857	-	806,857
Culture and recreation	308,782	-	308,782
Community and economic development	2,030,861	-	2,030,861
General government	271,934	-	271,934
Debt service	2,668,967	-	2,668,967
Capital projects & Outlay	4,739,142	-	4,739,142
Business type activities	-	942,539	942,539
	<u>\$ 11,731,552</u>	<u>\$ 942,539</u>	<u>\$ 12,674,091</u>
Excess of revenues over expenditures	\$ (4,995,020)	\$ (208,797)	\$ (5,203,817)
OTHER FINANCING SOURCES (USES), net	<u>5,018,417</u>	<u>3,716,408</u>	<u>8,734,825</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	\$ 23,397	\$ 3,507,611	\$ 3,531,008
BALANCES – Beginning of year	<u>1,065,066</u>	<u>13,533,057</u>	<u>14,598,123</u>
BALANCES – Ending of year	<u>\$ 1,088,463</u>	<u>\$ 17,040,668</u>	<u>\$ 18,129,131</u>

Less Funds Not Required to be Budgeted	Budgeted Amounts				Final to Net Variance
	Net	Original 2014	Final 2014		
\$ -	\$ 1,220,915	\$ 1,220,320	\$ 1,222,445	\$ (1,530)	
-	3,670,713	3,753,607	3,753,672	(82,959)	
-	841,346	814,954	828,131	13,215	
-	13,656	9,900	11,900	1,756	
6,762	90,549	82,495	87,138	3,411	
-	434,177	451,305	424,405	9,772	
-	1,072,079	986,055	1,018,383	53,696	
-	24	300	300	(276)	
7,895	112,158	2,171,660	4,045,389	(3,933,231)	
<u>\$ 14,657</u>	<u>\$ 7,455,617</u>	<u>\$ 9,490,596</u>	<u>\$ 11,391,763</u>	<u>\$ (3,936,146)</u>	
\$ -	\$ 905,009	\$ 978,732	\$ 993,466	\$ 88,457	
-	806,857	2,969,391	4,845,554	4,038,697	
14,519	294,263	409,543	432,235	137,972	
-	2,030,861	1,626,163	2,082,838	51,977	
-	271,934	294,987	299,373	27,439	
-	2,668,967	2,451,486	4,548,831	1,879,864	
-	4,739,142	275,121	1,192,197	(3,546,945)	
-	942,539	660,352	754,352	(188,187)	
<u>\$ 14,519</u>	<u>\$ 12,659,572</u>	<u>\$ 9,665,775</u>	<u>\$ 15,148,846</u>	<u>\$ 2,489,274</u>	
\$ 138	\$ (5,203,955)	\$ (175,179)	\$ (3,757,083)	\$ (1,446,872)	
-	8,734,825	3,014,849	6,953,363	1,781,462	
\$ 138	\$ 3,530,870	\$ 2,839,670	\$ 3,196,280	\$ 334,590	
51,006	14,547,117	13,815,995	14,546,852	265	
<u>\$ 51,144</u>	<u>\$ 18,077,987</u>	<u>\$ 16,655,665</u>	<u>\$ 17,743,132</u>	<u>\$ 334,855</u>	

CITY OF LECLAIRE, IOWA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGET COMPARISONS
June 30, 2014

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.

I. BUDGETARY BASIS

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 the 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.

II. BUDGETARY INFORMATION

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.

III. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures exceeded budget in the following functions: capital projects and outlay \$3,546,945 and business type activities \$188,187.

**CITY OF LECLAIRE, IOWA
REQUIRED SUPPLEMENTARY INFORMATION ON
OTHER POSTEMPLOYMENT BENEFIT
PLAN FUNDING PROGRESS**

June 30, 2014

Other Postemployment Benefit Plan-

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) Percentage of Covered Payroll ((b-a)/c)
6/30/14	6/30/13	\$ - - -	\$197,553	\$197,553	0.00%	\$890,321	22.20%
6/30/13	6/30/13	- - -	197,553	197,553	0.00	890,321	22.20
6/30/12	6/30/10	- - -	24,985	24,985	0.00	900,620	2.78
6/30/11	6/30/10	- - -	24,985	24,985	0.00	900,620	2.78

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2010.
Information for prior years is not available.

N/A- Information is not available.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LECLAIRE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	<u>Special</u>		
	<u>Road Use Tax</u>	<u>Workers' Compensation</u>	<u>Employees' Retirement FICA/IPERS</u>
ASSETS			
Cash and pooled investments	\$ 20,079	\$ 21,936	\$ 20,297
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	25,905	127,134
Accounts Receivable	-	-	-
Due from other governments	29,048	-	-
Due from other funds	58,045	-	-
Inventories	61,233	-	-
Prepaid expenditures	1,368	-	-
	<u>1,368</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 169,773</u>	<u>\$ 47,841</u>	<u>\$ 147,431</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,421	\$ 1,803	\$ 874
Due to other funds	-	-	-
	<u>9,421</u>	<u>1,803</u>	<u>874</u>
Total liabilities	<u>\$ 9,421</u>	<u>\$ 1,803</u>	<u>\$ 874</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	\$ -	\$ 25,905	\$ 127,134
	<u>-</u>	<u>25,905</u>	<u>127,134</u>
Total liabilities and deferred inflows of resources	<u>\$ 9,421</u>	<u>\$ 27,708</u>	<u>\$ 128,008</u>
FUND BALANCES			
Nonspendable			
Inventories	\$ 61,233	\$ -	\$ -
Prepaid expenditures	1,368	-	-
Endowment	-	-	-
Restricted	97,751	20,133	19,423
	<u>97,751</u>	<u>20,133</u>	<u>19,423</u>
Total fund balances	<u>\$ 160,352</u>	<u>\$ 20,133</u>	<u>\$ 19,423</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 169,773</u>	<u>\$ 47,841</u>	<u>\$ 147,431</u>

Revenues				
Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Totals
\$ 25,039	\$ -	\$ -	\$ 51,144	\$ 138,495
3,363	182	-	-	3,545
219,760	21,471	-	-	394,270
665	-	-	-	665
-	-	85,119	-	114,167
-	-	-	-	58,045
-	-	-	-	61,233
-	-	-	-	1,368
<u>\$ 248,827</u>	<u>\$ 21,653</u>	<u>\$ 85,119</u>	<u>\$ 51,144</u>	<u>\$ 771,788</u>
\$ 429	\$ -	\$ -	\$ -	\$ 12,527
-	-	58,045	-	58,045
<u>\$ 429</u>	<u>\$ -</u>	<u>\$ 58,045</u>	<u>\$ -</u>	<u>\$ 70,572</u>
<u>\$ 219,760</u>	<u>\$ 21,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,270</u>
<u>\$ 220,189</u>	<u>\$ 21,471</u>	<u>\$ 58,045</u>	<u>\$ -</u>	<u>\$ 464,842</u>
\$ -	\$ -	\$ -	\$ -	\$ 61,233
-	-	-	-	1,368
-	-	-	39,622	39,622
28,638	182	27,074	11,522	204,723
<u>\$ 28,638</u>	<u>\$ 182</u>	<u>\$ 27,074</u>	<u>\$ 51,144</u>	<u>\$ 306,946</u>
<u>\$ 248,827</u>	<u>\$ 21,653</u>	<u>\$ 85,119</u>	<u>\$ 51,144</u>	<u>\$ 771,788</u>

CITY OF LECLAIRE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>Special</u>		
	<u>Road Use Tax</u>	<u>Workers' Compensation</u>	<u>Employees' Retirement FICA/IPERS</u>
REVENUES			
Property tax	\$ -	\$ 32,450	\$ 147,697
Other city tax	-	887	4,038
Use of money and property	-	141	130
Intergovernmental	374,165	-	-
Miscellaneous	-	4,564	-
	<hr/>	<hr/>	<hr/>
Total revenues	\$ 374,165	\$ 38,042	\$ 151,865
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Operating:			
Public safety	\$ -	\$ 19,911	\$ 77,388
Public works	401,851	9,228	25,938
Culture and recreation	-	1,862	22,089
Community and economic development	-	-	283
General government	-	628	19,073
Capital Projects	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 401,851	\$ 31,629	\$ 144,771
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	\$ (27,686)	\$ 6,413	\$ 7,094
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (27,686)	\$ 6,413	\$ 7,094
	<hr/>	<hr/>	<hr/>
FUND BALANCES – Beginning of year	188,038	13,720	12,329
	<hr/>	<hr/>	<hr/>
FUND BALANCES – End of year	\$ 160,352	\$ 20,133	\$ 19,423
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Revenues

<u>Group Insurance</u>	<u>Emergency</u>	<u>Local Option Sales Tax</u>	<u>Friends of the Library</u>	<u>Totals</u>
\$ 230,959	\$ 22,232	\$ -	\$ -	\$ 433,338
6,204	601	536,467	-	548,197
191	104	2,134	6,762	9,462
-	-	-	-	374,165
11,759	-	-	7,895	24,218
<u>\$ 249,113</u>	<u>\$ 22,937</u>	<u>\$ 538,601</u>	<u>\$ 14,657</u>	<u>\$ 1,389,380</u>
\$ 88,404	\$ -	\$ -	\$ -	\$ 185,703
29,394	-	-	-	466,411
22,714	-	-	14,519	61,184
-	-	-	-	283
21,239	-	-	-	40,940
-	-	-	-	-
<u>\$ 161,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,519</u>	<u>\$ 754,521</u>
\$ 87,362	\$ 22,937	\$ 538,601	\$ 138	\$ 634,859
\$ -	\$ -	\$ -	\$ -	\$ -
<u>(73,758)</u>	<u>(23,011)</u>	<u>(642,401)</u>	<u>-</u>	<u>(739,170)</u>
\$ 13,604	\$ (74)	\$ (103,800)	\$ 138	\$ (104,311)
15,034	256	130,874	51,006	411,257
<u>\$ 28,638</u>	<u>\$ 182</u>	<u>\$ 27,074</u>	<u>\$ 51,144</u>	<u>\$ 306,946</u>

CITY OF LECLAIRE, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Eight Years

	Modified		
	2014	2013	2012
REVENUES:			
Property tax	\$ 1,220,915	\$ 1,285,394	\$ 1,266,318
Tax increment financing	3,670,713	3,543,299	3,320,326
Other city tax	841,346	819,131	805,828
Licenses and permits	13,656	12,156	11,189
Use of money and property	83,573	97,008	100,418
Intergovernmental	434,177	640,275	431,157
Charges for service	354,284	294,448	296,559
Special assessments	24	37	11
Contributions	-	126,181	-
Miscellaneous	117,844	112,700	131,152
	<u>\$ 6,736,532</u>	<u>\$ 6,930,629</u>	<u>\$ 6,362,958</u>
EXPENDITURES:			
Operating:			
Public safety	\$ 905,009	\$ 939,497	\$ 860,406
Public works	806,857	655,540	657,738
Culture and recreation	308,782	303,037	263,342
Community and economic development	2,030,861	2,231,447	1,381,072
General government	271,934	263,216	358,230
Debt service	2,668,967	5,152,273	2,667,325
Capital projects	733,590	1,351,015	2,017,344
Capital outlay	4,005,552	288,827	101,323
	<u>\$ 11,731,552</u>	<u>\$ 11,184,852</u>	<u>\$ 8,306,780</u>

Accrual Basis				
2011	2010	2009	2008	2007
\$ 1,388,831	\$ 1,328,025	\$ 1,103,417	\$ 892,042	\$ 830,379
3,022,919	2,466,913	2,020,568	1,659,131	1,444,328
670,351	598,856	621,701	642,378	614,850
9,504	8,506	8,566	8,576	9,215
105,360	60,986	51,114	64,068	98,001
533,245	394,443	387,734	306,058	295,214
290,860	275,240	274,123	233,216	198,621
29	2,387	4	21	33
-	-	-	-	-
223,034	142,462	189,574	211,139	211,521
<u>\$ 6,244,133</u>	<u>\$ 5,277,818</u>	<u>\$ 4,656,801</u>	<u>\$ 4,016,629</u>	<u>\$ 3,702,162</u>
\$ 869,644	\$ 836,692	\$ 1,053,809	\$ 917,346	\$ 1,147,023
5,178,372	4,564,676	644,949	762,216	503,174
263,348	292,172	437,462	393,521	228,034
1,244,174	1,179,838	768,643	591,119	136,951
247,710	239,457	266,608	246,797	259,764
2,475,951	2,138,728	4,138,712	1,721,182	1,712,708
627,064	938,780	648,450	2,395,749	2,181,564
187,493	-	-	-	-
<u>\$ 11,093,756</u>	<u>\$ 10,190,343</u>	<u>\$ 7,958,633</u>	<u>\$ 7,027,930</u>	<u>\$ 6,169,218</u>



4915 - 21st Avenue A. • Moline, Illinois 61265
Ph. (309) 762-3626 • Fax (309) 762-4465

**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
City of LeClaire, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of LeClaire, Iowa's basic financial statements, and have issued our report thereon dated December 2, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LeClaire, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in the accompanying schedule of findings.

City of LeClaire, Iowa's Response to Findings

The City of LeClaire, Iowa's response to findings identified in our audit is described in the accompanying schedule of findings. The City of LeClaire, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carpenter, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
December 2, 2014

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

I. Summary of Independent Auditor's Results

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, 2015.

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 Noncompliance:

No matters were noted.

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Expenditures during the year ended June 30, 2014 exceeded the amounts budgeted in the business-type activities 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 Expenses – 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 noncompliance 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, 2014 and 2013, the City had deficit unassigned/unreserved fund balances in the following funds:

Fund	2014	2013
Special Revenue:		
Capital Project	\$ 63,943	\$388,087

(Continued)

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

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 deficit positions (as noted by the improved position).

Conclusion – Response accepted.

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

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

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

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

**CITY OF LECLAIRE, IOWA
STAFF**

This audit was performed by:

James Taylor, CPA, Partner
Dave Gosse, CPA, Senior Manager
Kelly Rea, CPA, Senior Staff Auditor
Cassi Ballweg, Staff Auditor



THE
PERFORMETER®

A Financial Statement Analysis of
The City of LeClaire, Iowa
As of and for the year ended June 30, 2014



Crawford & Associates, P.C.

What is a Performer[®]?

An analysis that takes governmental financial statements and converts them into useful and understandable measures of financial health and performance

Financial ratios and a copyrighted analysis methodology are used to arrive at an overall rating of 1-10

The overall reading is a barometer of the City's financial health and performance

How to Use the Performer[®]

Use the individual ratios to identify financial warning signs – the ratios are combined into three categories

Financial position ratios – that measure financial health at year end

Financial performance ratios - that measure changes in financial position from the prior year

Financial capability ratios - that measure the ability to raise revenue or issue debt in future, if needed

Use the overall rating as a collective benchmark of financial health and success of the City as a whole

Use the comparisons to prior years to monitor trends in financial indicators

Limitations of the Performer[®]

The Performer[®] should not be used as the only source of financial information to evaluate financial health and performance

The analysis is an overall rating of the City as a whole and not of specific activities, funds or units

The Performer[®] is based on Crawford & Associates' professional judgment and is limited as to its intended use

Performer® Reading

For the 2014 fiscal year, the readings by ratio category were as follows:

Financial Position	4.16
Financial Performance	7.03
Financial Capability	3.83

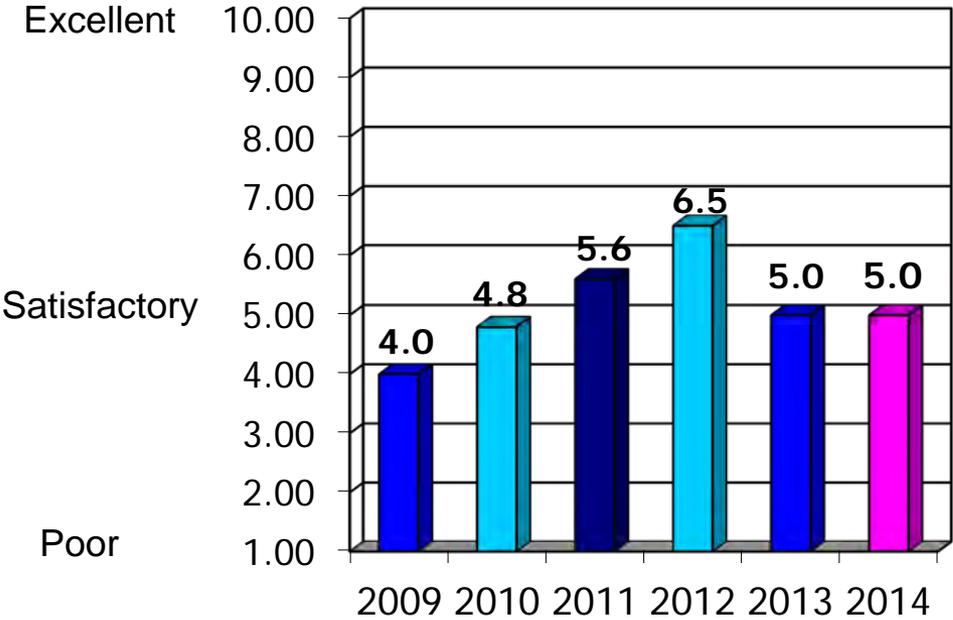
The stronger component of the combined overall reading for FY 2014 is the City's financial performance, while financial position and financial capability are the weaker components.

The FY 2014 overall reading of **5.0**, which is identical to the overall reading of FY 2013, does reflect an improved financial **position** component for FY 2014, when compared to FY 2013, with individual ratios related to General Fund unassigned fund balance (and negative unassigned capital project fund balances) improving, along with improvements in both the current and quick ratios as being the basis for the financial position improvement when compared to the prior year.

The second component of the overall reading, financial performance, remains above satisfactory, although the score for this component declined when compared to the prior year. This decline was due to a 92% increase in sewer expenses without a corresponding increase in sewer operating revenues, causing a decline in the BTA self-sufficiency ratio. .

The City's financial capability component of the score appears stretched with a relatively high debt service load per capita, a relatively high bonded debt per capita, and a sales tax rate that is at already at its legal limit. In addition, a large component of the City's revenue of the current year was from grants, which is a revenue stream that the City does not have direct control over.

Overall Reading



Performer[®] Ratios

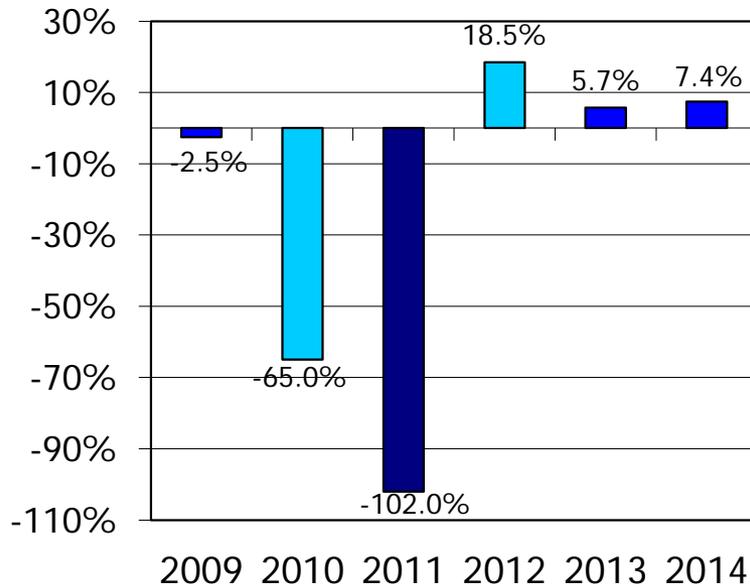
Financial Position Ratios

Unrestricted Net Position	How do our total rainy day funds look?
Budgetary Unassigned Fund Balance	How does our budgetary carryover position look?
Capital Asset Condition	How much life do we still have left in our capital assets?
Assets to Debt	Who really owns the City?
Current Ratio	Will our employees and vendors be pleased with our ability to pay them on time?
Quick Ratio	How is our short-term cash position?

Level of Unrestricted Net Position (Deficit)

How do our total rainy day funds look?

Unrestricted Net Position (Deficit) as a Percentage of Annual Revenues



The level of total unrestricted net position (deficit) is an indication of the amount of unexpended and available resources the City has, in all funds combined, at a point in time to fund emergencies, shortfalls or other unexpected needs. In our model, 50% is considered excellent, while 30% is considered a desired minimum.

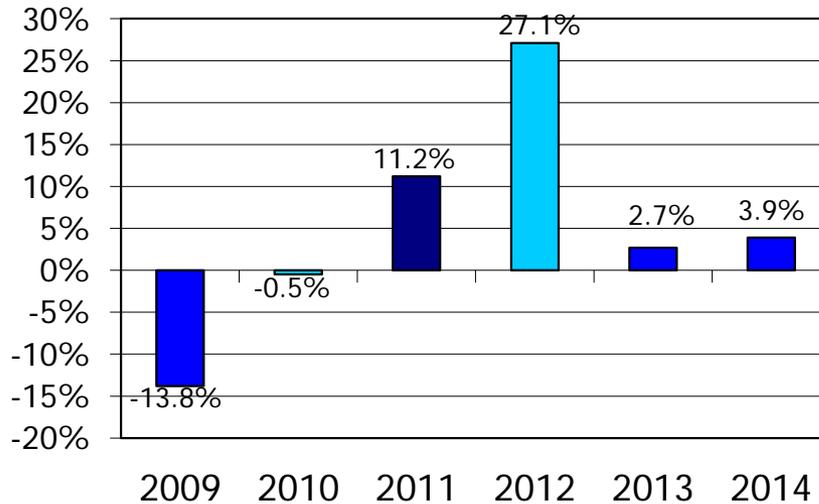
For the year ended June 30, 2014, the City's total unrestricted net position approximated \$754,000, or 7.4% of annual total revenues. The City's governmental unrestricted net position equaled 4.6% of annual total revenues, while business-type activities (sewer) equaled 36.9% level. Overall, this is a slight increase from the prior year, but still remains a less than satisfactory ratio.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(2.5%)	(65.0%)	(102.0%)	18.5%	5.7%	7.4%				

Level of Budgetary Unassigned Fund Balance (Deficit)

How does our budgetary carryover position look?

General Fund Budgetary Unassigned Fund Balance (Deficit) as a Percentage of Annual Revenues



The level of budgetary unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources the City's General Fund has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs. In this analysis, the General Fund's unassigned fund balance is considered, along with any unassigned fund balance deficits of the City's other governmental funds. In our model, 10% is considered a minimum responsible level, while 30% is considered desirable.

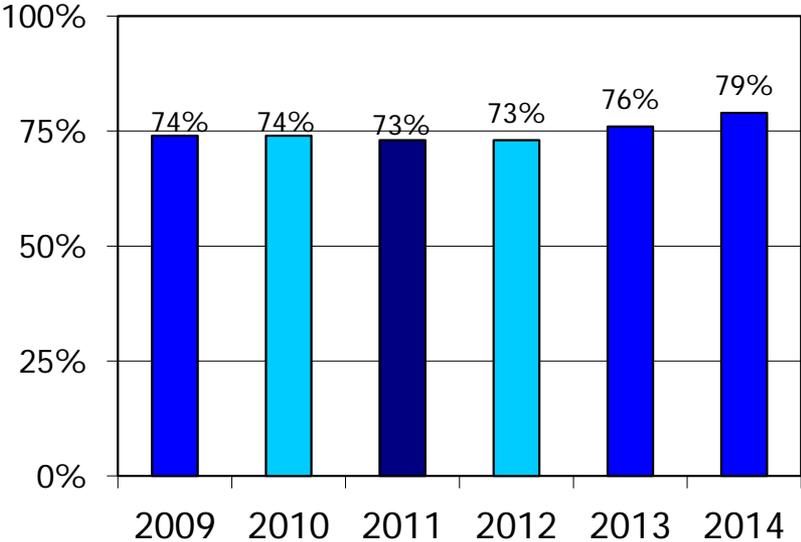
For the year ended June 30, 2014, the City's unassigned fund balance of the General Fund, along with any unassigned fund balance deficits of the City's other governmental funds, was approximately \$62,000 or 3.9% of annual General Fund revenues. This is a slight increase from the prior year, but still remains an unfavorable ratio.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(13.8%)	(.5%)	11.2%	27.1%	2.7%	3.9%				

Capital Asset Condition

How much useful life do we have left in our capital assets?

Percentage of Capital Assets' Useful Life Remaining



The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

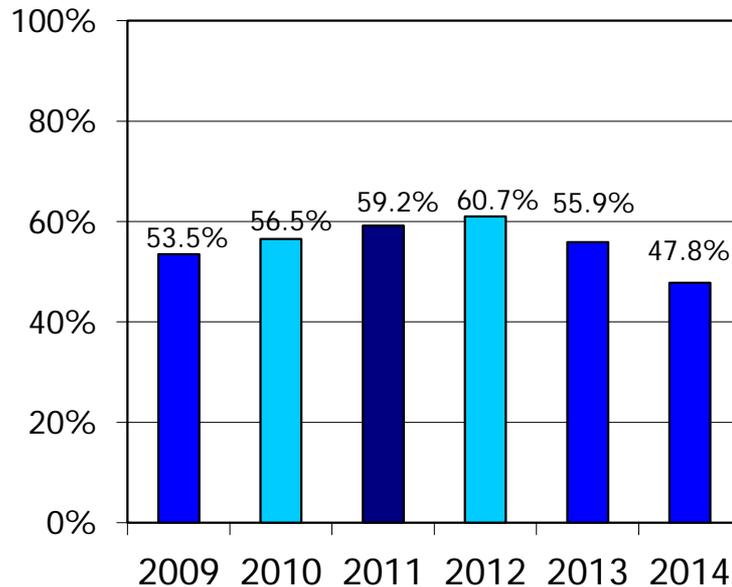
At June 30, 2014, the City's depreciable capital assets amounted to \$52.5 million while accumulated depreciation totaled \$11.1 million. This indicates that, on the average, the City's capital assets have 79% of their useful lives remaining. In our model, this is considered an excellent financial indicator, with the ratio continuing to improve.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
74%	74%	73%	73%	76%	79%				

Debt to Assets

Who really owns the City?

Percentage of Assets Funded with Debt



The debt to assets ratio measures the extent to which the City had funded its assets with debt. The lower the debt percentage, the more equity the City has in its assets.

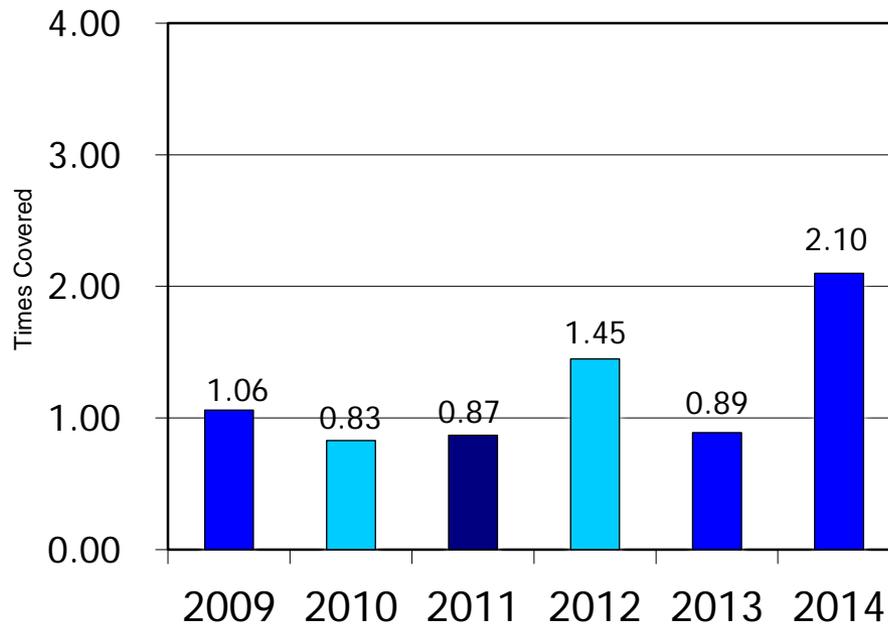
At June 30, 2014, 47.8% of the City's \$52.6 million of total assets were funded with debt or other obligations. This is considered an unfavorable financial indicator and indicates that for each dollar of assets the City owns, it owes 47.8 cents of that dollar to others. However this ratio is a significant improvement from the ratio of the prior period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
53.5%	56.5%	59.2%	60.7%	55.9%	47.8%				

Current Ratio

Will our employees and vendors be pleased with our ability to pay them on time?

Current Assets Compared to Current Liabilities



The current ratio is one measure of the City's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1.00 indicates good current liquidity and an ability to meet the short-term obligations.

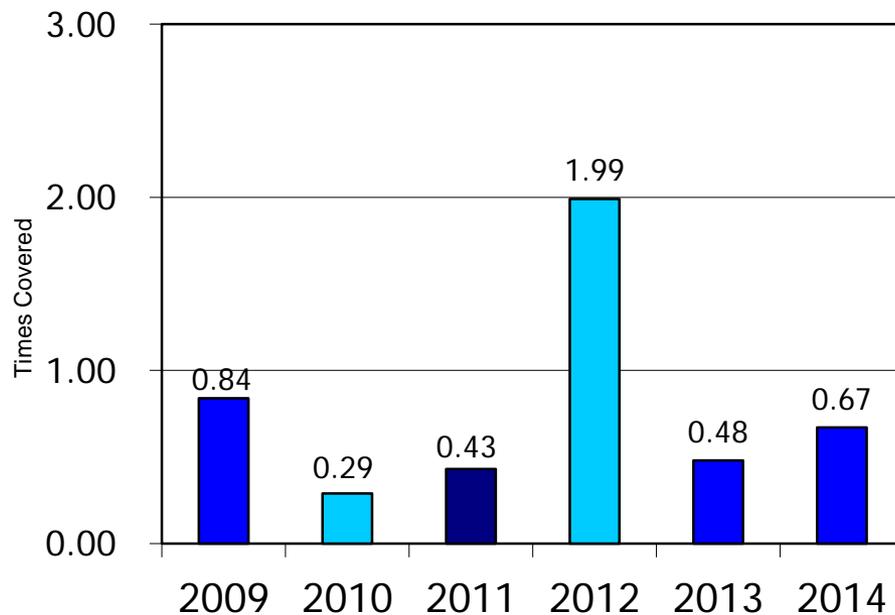
At June 30, 2014 the City had a ratio of current assets to current liabilities of 2.1 to 1. This indicates that the City had 2.1 dollars of current assets necessary to pay current liabilities. This is a significant improvement when compared to the ratio of the prior year, and is now considered a satisfactory ratio.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.06	.83	.87	1.45	.89	2.10				

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Operating Liabilities



The quick ratio is another, more conservative, measure of the City's ability to pay its short-term obligations. The quick ratio compares total cash and pooled assets to current liabilities (without considering deferred revenue). A quick ratio of 1.00 to 1.00 indicates adequate current liquidity and an ability to meet the short-term obligations with cash.

At June 30, 2014, the City had a ratio of cash and pooled assets to current liabilities of .67 to 1. This indicates that the City had approximately 2/3rds of the amount of cash and pooled assets needed to pay current liabilities in order to achieve a satisfactory ratio.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
.84	.29	.43	1.99	.48	.67				

Financial Position Ratios

Summary and Comparison to Prior Years

Ratio	FY 2011	FY 2012	FY 2013	FY 2014
Unrestricted Net Position (Deficit)	-102.0%	18.5%	5.7%	7.4%
Budgetary Unassigned Fund Balance (Deficit)	11.2%	27.1%	2.7%	3.9%
Capital Asset Condition	73%	73%	76%	79%
Debt to Assets	59.2%	60.7%	55.9%	47.8%
Current Ratio	.87	1.45	.89	2.16
Quick Ratio	.43	1.99	.48	.67
Financial Position Component Performer Score	3.0	5.7	2.5	4.2

Performer[®] Ratios

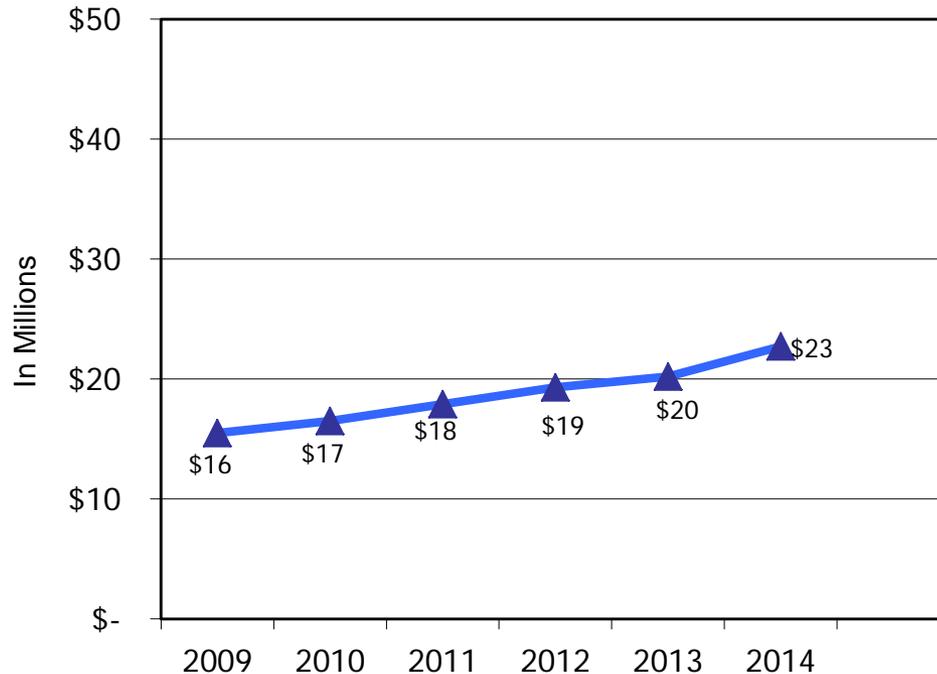
Financial Performance Ratios

Change in Net Position	Did our overall financial condition improve, decline, or remain steady from the past year?
Interperiod Equity	Who paid for the costs of current year services – current, past, or future tax and rate payers?
BTA Self-Sufficiency	Did current year business-type activities, such as utilities, pay for themselves?
Sales Tax Growth	What is the state of our local economy?

Change in Net Position

Did our overall financial condition improve, decline or remain steady from the past year?

Net Position at Year End



Net position include all assets of the City, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets and deferred outflows, and total liabilities and deferred inflows. Net position increases as a result of earning more revenue than expenses incurred in the fiscal year.

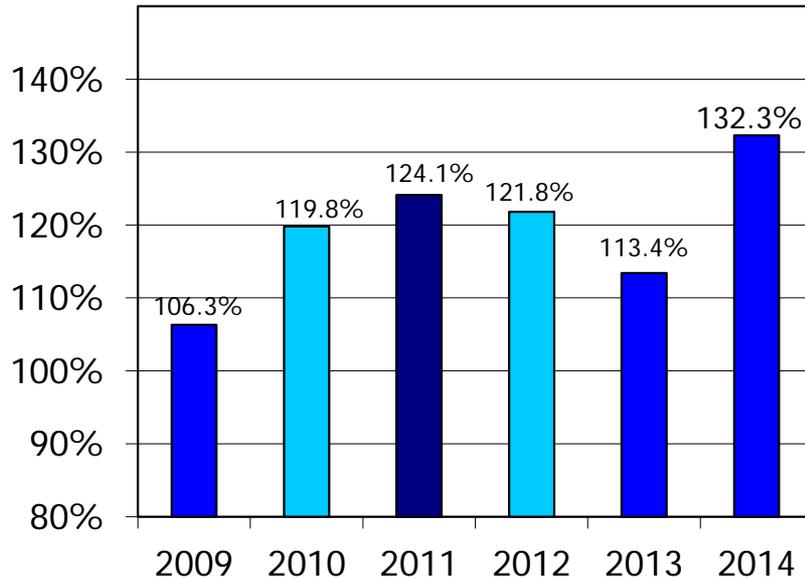
For the year ended June 30, 2014, total net position increased by \$2,495,043 or 12.4% from the prior year. Governmental activities net position decreased by 15.2%, while business-type activities net position increased by 25.9%. This is considered an above satisfactory ratio and is an increase when compared to the prior period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2.0%	6.2%	8.1%	8.2%	4.8%	12.4%				

Interperiod Equity

Who paid for the costs of current year services current, past or future tax and rate payers?

Current Year Revenues as a Percentage of Current Year Costs



Interperiod equity is achieved when the cost of current services are paid by current year tax and rate payers. When current year costs are subsidized by prior year resources carried over or from debt proceeds, it can be said that interperiod equity was not achieved, and either past or future tax and rate payers helped fund the costs of current year services.

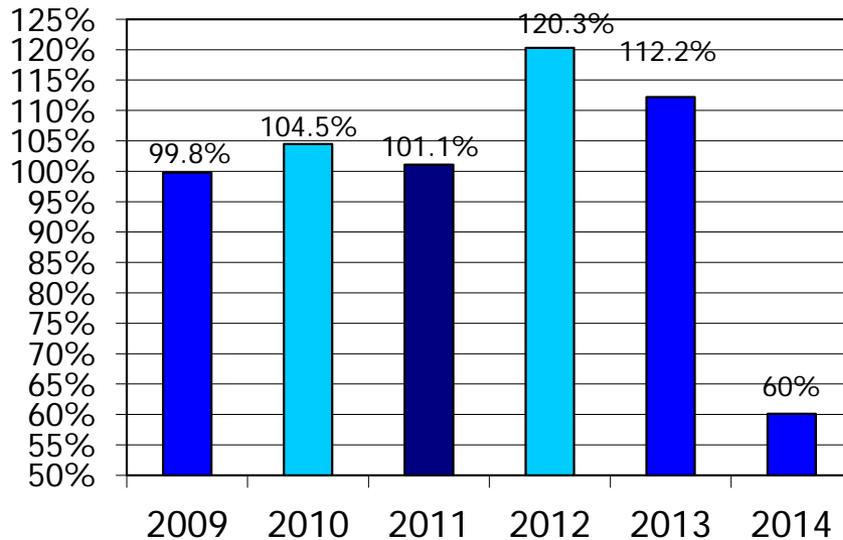
For the year ended June 30, 2014, the City's total costs were fully funded by current year tax and rate payers, with current year revenues, excluding fund balance carryovers, generated at a level of 132.3% of current year costs. This is an excellent ratio and continues a trend of excellent ratios in the prior periods.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
106.3%	119.8%	124.1%	121.8%	113.4%	132.3%				

BTA Self-Sufficiency

Did current year business-type activities, such as the sewer utility, pay for themselves?

Percentage of BTA Expenses Covered By BTA Revenues



The self-sufficiency ratio indicates the level at which business-type activities (sewer) covered their current costs with current year revenues, without having to rely on subsidies, the use of prior year reserves, or grants and contributions. This model considers a ratio of 95% satisfactory and a ratio of 105% excellent.

For the year ended June 30, 2014, the City's business-type activities (sewer) were 60.1% self-sufficient in total, meaning that they were only 60% self-sufficient for the year. This was due to a 92% increase in sewer expenses, without a corresponding increase in sewer operating revenues.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
99.8%	104.5%	101.1%	120.3%	112.2%	60.1%				

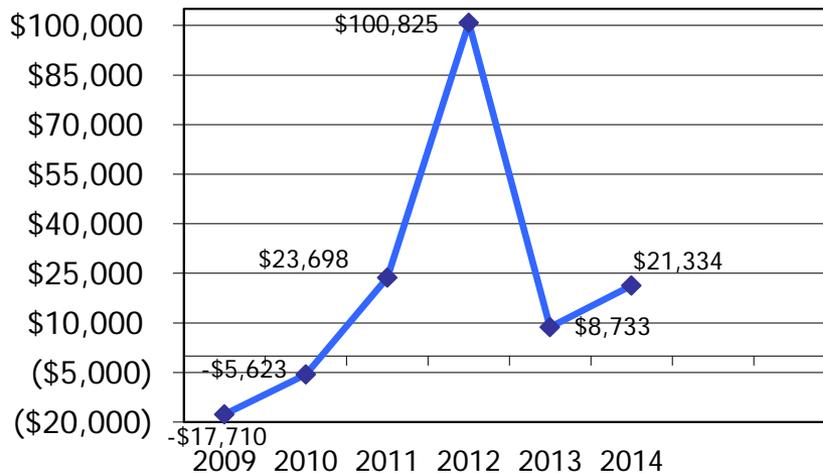
BTA Self-Sufficiency
FY 2014

Activity	Service Charge Revenues	Expenses	% Self-Sufficient
Sewer	\$720,004	\$1,197,047	60.1%

Sales Tax Growth

What is the state of our local economy?

Sales Tax Growth (Decline)
per One-Cent Tax



The City has the ability to levy up to a 1% sales tax on goods to fund revenue for its general governmental activities.

Sales tax growth is a measure of the state of the local economy by comparing revenue collected to the prior year in terms of the change in sales tax revenue.

For the year ended June 30, 2014, the City experienced an increase in its sales tax collections in the amount of \$21,334 or 4.1% from the prior year.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(4.4%)	(1.5%)	6.2%	24.9%	1.7%	4.1%				

Financial Performance Ratios

Summary and Comparison to Prior Years

Ratio	FY 2011	FY 2012	FY 2013	FY 2014
Change in Net Position	8.1%	8.2%	4.8%	12.4%
Inter-period Equity	124.1%	121.8%	113.4%	132.3%
BTA Self Sufficiency	101.1%	120.3%	112.2%	60.1%
Sales Tax Revenue	6.2%	24.9%	1.7%	4.1%
Financial Performance Component Performer Score	9.3	9.8	8.5	7.0

Performer[®] Ratios

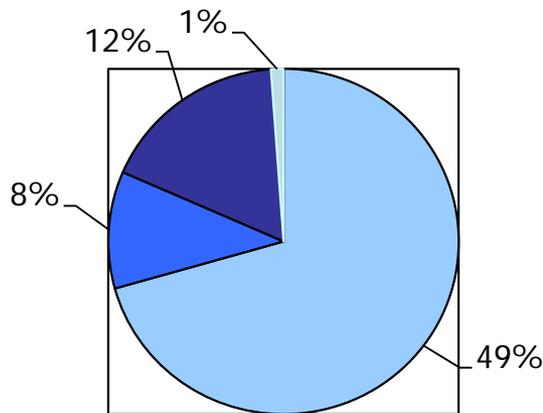
Financial Capability Ratios

Revenue Dispersion	How much of our revenue is beyond our direct control?
Debt Service Load	How heavily is our budget loaded with payments to retire long-term debt?
Bonded Debt Per Capita	What is the debt burden on our property tax payers?
Legal Debt Limit Remaining	Will we be legally able to issue more general long-term debt if needed?
Property Taxes Per Capita	Will our citizens be willing to approve property tax increases if needed?

Revenue Dispersion

How heavily are we relying on revenue sources beyond our direct control?

2014 Revenue Percentages by Source



■ Prop. Tax
 ■ Other tax
 ■ Service Charges
 ■ Other

The percentage dispersion of revenue by source indicates how dependent the City is on certain types of revenue. The more dependent the City is on revenue sources beyond its direct control, such as taxes with limits, taxes requiring voter approval or revenues from other governments such as grants, the less favorable the dispersion.

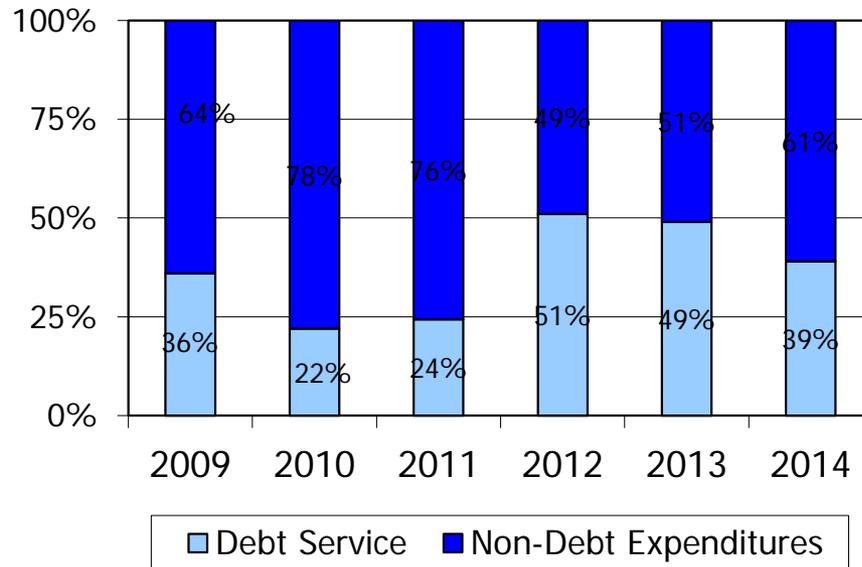
For the year ended June 30, 2014, the City had direct control over 60.5% (property taxes and service charges) of its revenues. This ratio indicates the City has only slight exposure to financial difficulties due to reliance (39.5%) on taxes with limits, taxes that require voter approval and on grants, contributions and other revenue. The decline in this ratio is due to the increased grant revenue for the current year.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
80.8%	80.9%	79.4%	77.2%	77.1%	60.5%				

Debt Service Load

How much of our annual budget is loaded with disbursements to pay off long-term debt?

Percentage of Debt Service and Non-Debt Expenditures



The debt service load ratio measures the extent to which the City's non-capital expenditures were comprised of debt service payments on long-term debt.

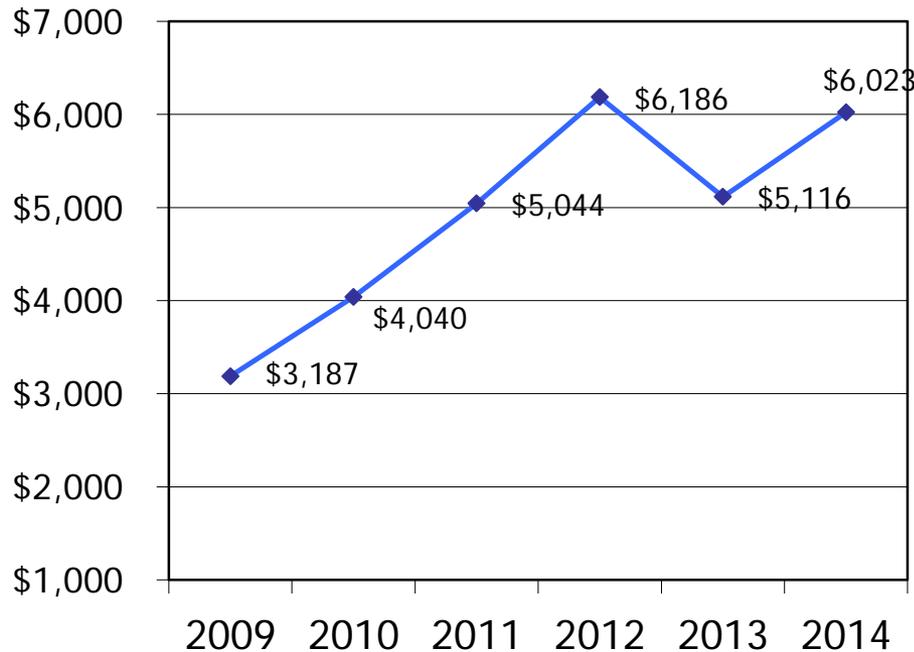
For the year ended June 30, 2014, the City's total non-capital, non-debt refunding expenditures amounted to \$6.9 million of which \$2.7 million (or 39%) were payments for principal and interest on long-term debt. This is an improvement from the ratio of the prior period, but is still considered a less than satisfactory indicator of solvency. For every dollar the City spent on non-capital items, 39 cents of that dollar was used for debt service.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
35.6%	22.2%	24.3%	51.0%	48.7%	38.7%				

Bonded Debt Per Capita

What is the debt burden on our property tax payers?

General Bonded Debt Per Capita



The financial ratio of general bonded debt per capita is an indication of the City's debt burden on its citizens and other taxpayers related to general obligation debt payable from property taxes. The ratio does not consider debt payable from enterprise activities or alternate revenues.

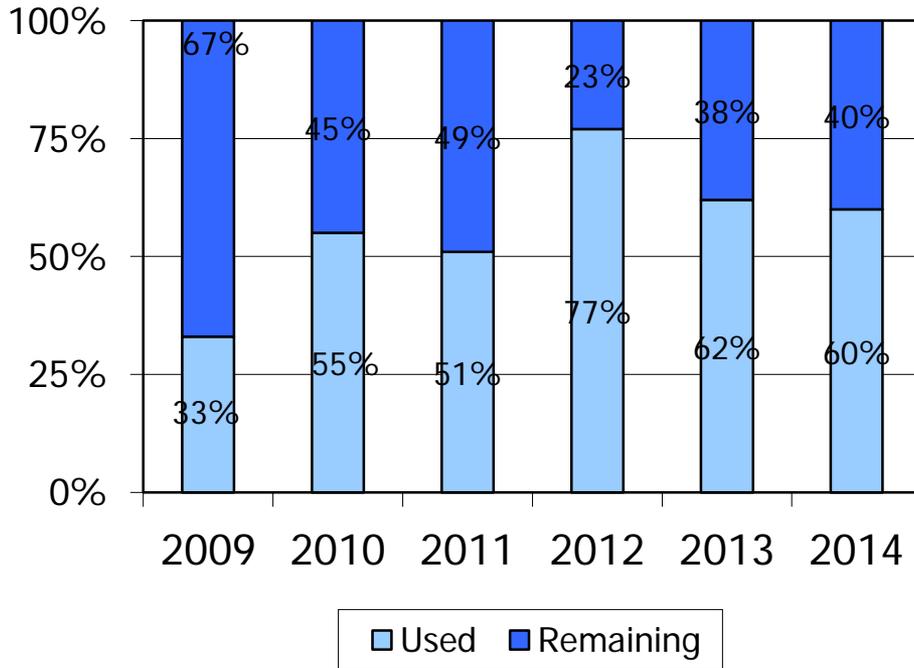
For the year ended June 30, 2014, the City had approximately \$22.7 million of bonded debt outstanding, resulting in a bonded debt per capita of \$6,023. This is considered a relatively unsatisfactory indicator of financial capability and represents an increase from the prior period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$3,187	\$4,040	\$5,044	\$6,186	\$5,116	\$6,023				

Legal Debt Limit Remaining

Will we be legally able to issue more general long-term debt, if needed?

Percentage of Legal Debt Limit Used Versus Remaining



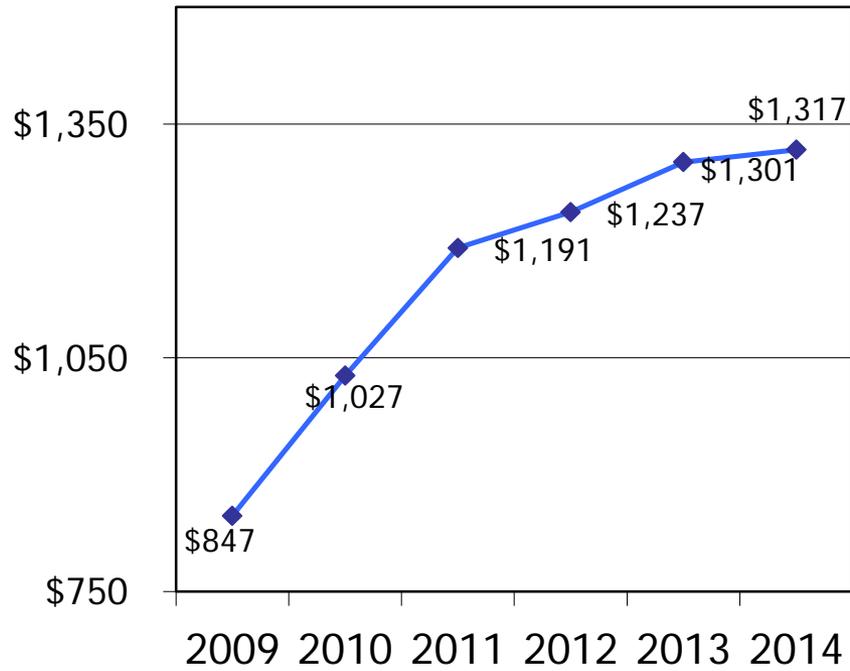
Iowa law limits certain types of general obligation debt to no more than 5% of the City's net assessed valuation of taxable property, which approximated \$16.8 million at June 30, 2014. For the year ended June 30, 2014, the City had \$10.1 million of general obligation bonds which met the criteria stated above, leaving approximately \$6.7 million or 40% of the legal debt limit remaining. This is considered a unsatisfactory indicator of financial capability, but does represent an improvement in the capability to issue more general long-term debt when compared to the ratio of the prior period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
67%	45%	49%	23%	38%	40%				

Property Taxes Per Capita

Will our citizens be willing to approve property tax increases, if needed?

Total Property Taxes Per Capita



The financial ratio of property taxes per capita is an indication of the City's property tax burden on its citizens and other taxpayers.

For the year ended June 30, 2014, the City had property tax levies of \$1,317 per capita. This is a slightly unfavorable measure of financial capability, however it is consistent with the prior period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$847	\$1,027	\$1,191	\$1,237	\$1,301	\$1,317				

Financial Capability Ratios

Summary and Comparison to Prior Years

Ratio	FY 2011	FY 2012	FY 2013	FY 2014
Revenue Dispersion	79.4%	77.2%	77.1%	60.5%
Debt Service Load	24.3%	51%	48.7%	38.7%
General Bonded Debt per Capita	\$5,044	\$6,186	\$5,116	\$6,023
Remaining Legal Debt Margin	49%	23%	38%	40%
Property Taxes per Capita	\$1,191	\$1,237	\$1,301	\$1,317
Financial Capability Component Performer Score	4.9	4.0	4.4	3.8

Thank You

We would like to commend and thank the City of LeClaire management, staff and its governing body for assisting us and allowing us to present this financial analysis. We hope it continues to serve as a useful and understandable compliment to your annual financial report.

Visit our website at crawfordcpas.com for other useful tools for state and local governments.
