City of Clear Lake, Iowa

Financial and Compliance Report

Year Ended June 30, 2007

INTRODUCTORY

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City of Clear Lake, Iowa

City Officials
June 30, 2007

		Term Expiration Date Of Elected Officials
Nelson Crabb	Mayor	12-31-09
Shane Cooney	1st Ward City Council Member	12-31-07
Terry Unsworth	2nd Ward City Council Member	12-31-09
Bill Yohn	3rd Ward City Council Member	12-31-07
Julie Steinberg	At Large City Council Member	12-31-07
Dave Solberg	At Large City Council Member	12-31-09

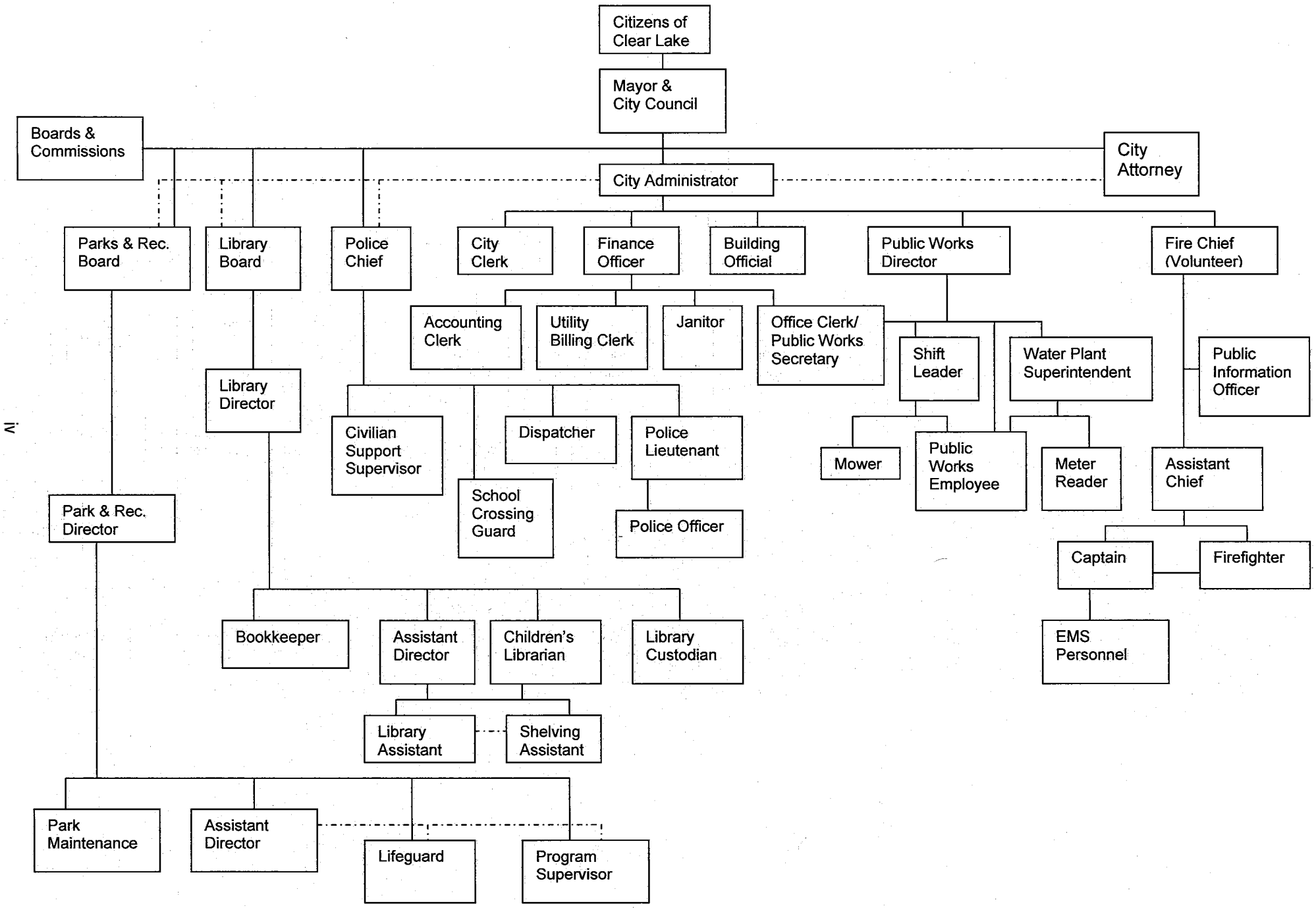
Park and Recreation Board

Dale Entner
Jennifer Merfeld
Stuart Trembath
Marsha Cory
Angela Faber
Hal Berding
David Blaha
Vicki Hensley - Director
Sue Keefe - Assistant Director

Library Board

Mary Alexander
Dave Suntken
Dolores Eliasen
Jana Severtson
Jackie Lowry
Ann Bagby
Michael Mahaffey
Jean Casey - Director
Elizabeth Den Hartog - Assistant Director

City of Clear Lake Organizational Chart



FINANCIAL

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Clear Lake, Iowa
Clear Lake, Iowa

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 Clear Lake, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clear Lake, Iowa as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP is a member firm of RSM International -
an affiliation of separate and independent legal entities.

The Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information on pages 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Clear Lake, Iowa's basic financial statements. The combining nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 27, 2007

City of Clear Lake, Iowa

Management's Discussion and Analysis
For the Year Ended June 30, 2007

It is an honor to present to you the financial picture of the City of Clear Lake, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clear Lake, Iowa for the fiscal year ended June 30, 2007.

Financial Highlights

The assets of the City of Clear Lake exceeded its liabilities at the close of the most recent fiscal year by $33,461,385 (net assets). Of this amount, $4,548,276 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2006, assets exceeded liabilities by $30,661,822. Of this amount, $3,475,403 was unrestricted.

The City's total net assets increased by $2,799,563 during the fiscal year ended June 30, 2007. Governmental activities increased $1,549,591 and business-type activities increased $1,249,972. For fiscal year ended June 30, 2006, total net assets increased $1,715,250. Governmental activities increased $433,165 and business-type activities increased $1,282,085.

As of the close of the current fiscal year, the City of Clear Lake's governmental funds reported combined ending fund balances of $3,565,486, a decrease of $22,214 in comparison with the prior year. Approximately 99.9 percent of this total amount, $3,563,486, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2006, governmental funds reported combined ending fund balances of $3,587,700, of which $3,583,560 or 99.9 percent is unreserved.

At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was $2,225,476 or 54.9 percent of total General Fund expenditures. The unreserved fund balance for the General Fund as of June 30, 2006 was $1,962,802 or 41.4 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguished functions of the City of Clear Lake that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Clear Lake include general government, public safety, public works, health and social services, culture and recreation and community and economic development. The business-type activities of the City of Clear Lake include water, sewer rental, storm water and solid waste.

The Clear Lake Library Foundation is incorporated and is legally separate from the City. The financial activity of the Foundation is included in the City's financial statements as a blended component unit.

The government-wide financial statements can be found on pages 14 through 17 of this report.

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

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

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

The City of Clear Lake, Iowa maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Tax Increment Financing Fund, Road Use Tax Fund, Employee Benefits Fund, the Capital Projects Fund and the Debt Service Fund which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget which includes all of its funds. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget on pages 45 through 47.

The basic governmental fund financial statements can be found on pages 18 through 23 of this report.

Proprietary funds: The City of Clear Lake maintains only enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Clear Lake maintains four enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Rental Fund, Solid Waste Fund and Storm Water Fund, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 24 through 27 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements and the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's total net assets have increased from a year ago. Table 1 reflects total net assets of $33,461,385, which represents an increase of $2,799,563 from 2006.

Of the City of Clear Lake's net assets, 81.9 percent reflects its investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, infrastructure and machinery and equipment); less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Clear Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported, net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 - City of Clear Lake's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	**2007**	2006	**2007**	2006
Assets						
Current and other assets	**$ 9,917,289**	$ 9,317,499	**$ 1,886,310**	$ 1,572,606	**$ 11,803,599**	$ 10,890,105
Capital assets net of depreciation	**20,278,839**	17,736,655	**13,136,279**	12,385,667	**33,415,118**	30,122,322
Total assets	**30,196,128**	27,054,154	**15,022,589**	13,958,273	**45,218,717**	41,012,427
Liabilities						
Current liabilities	**6,214,859**	5,732,476	**589,994**	532,539	**6,804,853**	6,265,015
Long-term liabilities outstanding	**4,585,000**	3,475,000	**367,479**	610,590	**4,952,479**	4,085,590
Total liabilities	**10,799,859**	9,207,476	**957,473**	1,143,129	**11,757,332**	10,350,605
Net Assets						
Invested in capital assets, net of related debt	**14,917,121**	13,686,281	**12,505,307**	12,265,667	**27,422,428**	25,951,948
Restricted	**1,065,681**	1,234,471	**425,000**	-	**1,490,681**	1,234,471
Unrestricted	**3,413,467**	2,925,926	**1,134,809**	549,477	**4,548,276**	3,475,403
Total net assets	**$ 19,396,269**	$ 17,846,678	**$ 14,065,116**	$ 12,815,144	**$ 33,461,385**	$ 30,661,822

A restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $4,548,276, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Clear Lake, Iowa is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The City's total net assets increased by $2,799,563 during the current fiscal year. The governmental activities' net assets increased by $1,549,591. The total business-type activities' net assets increased by $1,249,972. This increase was due to the completion of several construction projects.

Table 2 highlights the City's revenues and expenses for the fiscal year ended June 30, 2007. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

Table 2 - City of Clear Lake's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	**2007**	2006	**2007**	2006
Revenues:						
Program revenues:						
Charges for services	**$ 1,188,522**	$ 970,711	**$ 1,555,390**	$ 1,509,689	**$ 2,743,912**	$ 2,480,400
Operating grants and contributions	**942,150**	1,347,043	**-**	169,488	**942,150**	1,516,531
Capital grants and contributions	**995,619**	233,512	**147,111**	36,828	**1,142,730**	270,340
General revenues:						
Property taxes	**3,987,994**	3,569,878	**-**	-	**3,987,994**	3,569,878
Other taxes	**1,305,313**	1,209,429	**-**	-	**1,305,313**	1,209,429
Investment earnings	**191,863**	155,920	**52,061**	58,585	**243,924**	214,505
Miscellaneous	**11,240**	6,360	**65,000**	-	**76,240**	6,360
Total revenues	**8,622,701**	7,492,853	**1,819,562**	1,774,590	**10,442,263**	9,267,443
Expenses:						
General government	**590,870**	735,978	**-**	-	**590,870**	735,978
Public safety	**2,184,535**	1,748,284	**-**	-	**2,184,535**	1,748,284
Public works	**1,713,787**	1,789,513	**-**	-	**1,713,787**	1,789,513
Health and social services	**753**	19,075	**-**	-	**753**	19,075
Culture and recreation	**858,869**	777,635	**-**	-	**858,869**	777,635
Community and economic development	**560,064**	928,582	**-**	-	**560,064**	928,582
Interest on long-term debt	**202,516**	136,987	**-**	-	**202,516**	136,987
Water	**-**	-	**683,728**	682,199	**683,728**	682,199
Sewer rental	**-**	-	**264,106**	229,676	**264,106**	229,676
Storm water	**-**	-	**184,625**	132,761	**184,625**	132,761
Solid waste	**-**	-	**398,847**	371,503	**398,847**	371,503
Total expenses	**6,111,394**	6,136,054	**1,531,306**	1,416,139	**7,642,700**	7,552,193
Excess of revenues over expenses before transfers	**2,511,307**	1,356,799	**288,256**	358,451	**2,799,563**	1,715,250
Transfers	**(961,716)**	(923,634)	**961,716**	923,634	**-**	-
Change in net assets	**1,549,591**	433,165	**1,249,972**	1,282,085	**2,799,563**	1,715,250
Net assets, beginning of year	**17,846,678**	17,413,513	**12,815,144**	11,533,059	**30,661,822**	28,946,572
Net assets, end of year	**$ 19,396,269**	$ 17,846,678	**$ 14,065,116**	$ 12,815,144	**$ 33,461,385**	$ 30,661,822

Table 3 below discloses cost of services for governmental activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 3 - Governmental Activities

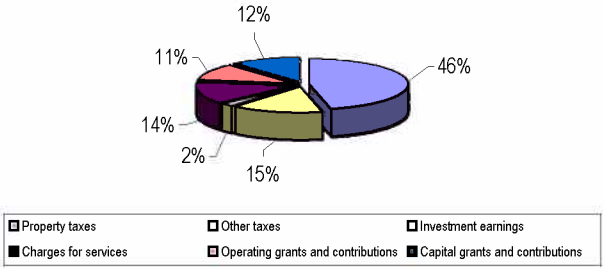
Programs	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Public safety	$ 2,184,535	$ (1,710,842)	$ 1,748,284	$ (1,551,406)
Public works	1,713,787	(90,115)	1,789,513	(507,551)
Health and social services	753	(313)	19,075	(17,161)
Culture and recreation	858,869	(138,084)	777,635	(403,083)
Community and economic development	560,064	(277,191)	928,582	(276,505)
General government	590,870	(566,042)	735,978	(692,095)
Interest on long-term debt	202,516	(202,516)	136,987	(136,987)
Total	$ 6,111,394	$ (2,985,103)	$ 6,136,054	$ (3,584,788)

Net cost of services is 48.8 percent of total cost of services in 2007 as compared to 58.4 percent in 2006. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

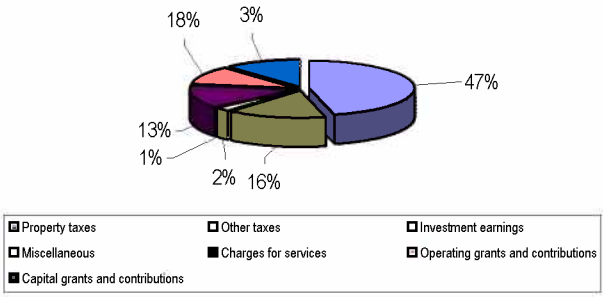
Governmental Activities

The graph below shows the percentage of the total governmental activities revenues allocated by each revenue type:

Revenues by Source - Governmental Activities 2007

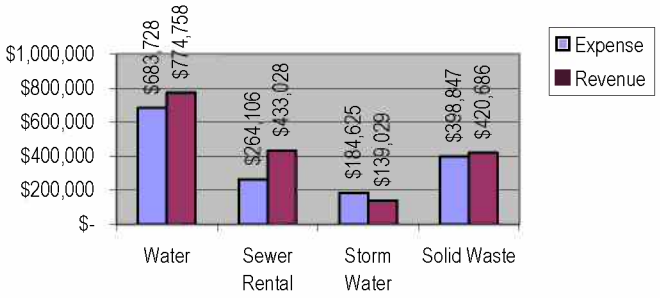


Revenues by Source - Governmental Activities 2006

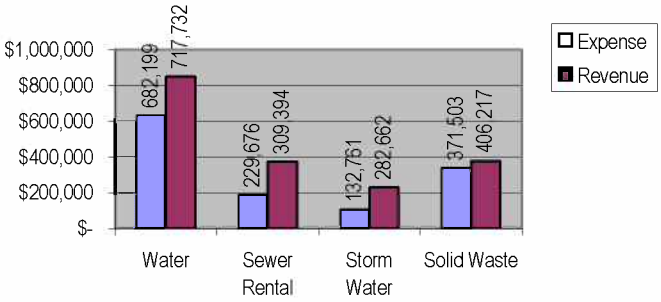


Total business-type activities' revenue for the fiscal year was $1,819,562. All but $52,061 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenditures and program revenues.

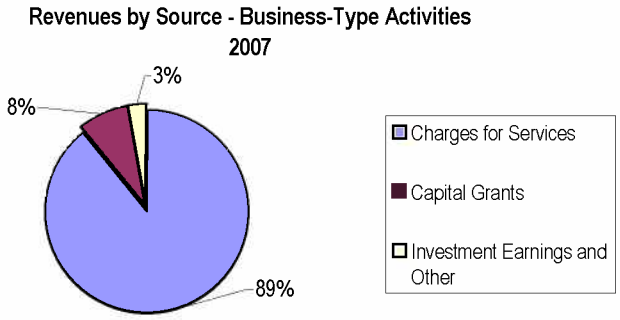
Expenses and Program Revenue - Business-Type Activities
2007

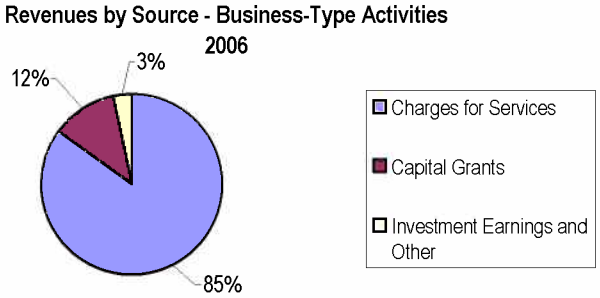


Expenses and Program Revenue - Business-Type Activities
2006



The graph below shows the breakdown of revenues by source for the business-type activities.





Business-Type Activities

Business-type activities increased the City of Clear Lake's net assets by $1,249,972 accounting for 44.6 percent of the growth in the City's net assets.

Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the City of Clear Lake, Iowa's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Clear Lake, Iowa's governmental funds reported combined ending fund balances of $3,565,486, a decrease of $22,214 in comparison with the prior year. Approximately 99.9 percent of this total amount, $3,563,486, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $2,225,476. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to fund expenditures. Unreserved fund balance represents 54.9 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by $260,534 during the current fiscal year. This was due to actual expenditures less than anticipated and construction projects not completed as of June 30, 2007.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance decreased $42,160 from $53,690 in 2006 to $11,530 in 2007 primarily due to a delay in a construction project from the previous fiscal year.

The Road Use Fund is to maintain and improve City streets. Fund balance increased $120,656 from $551,300 in 2006 to $671,956 in 2007 primarily due to construction projects not completed at the end of the fiscal year.

The Employee Benefits Fund accounts for the employees' group life and health insurance. Fund balance decreased by $45,135 from $373,342 in 2006 to $328,207 in 2007. This decrease was due to the use of reserves to pay health insurance premiums.

The Capital Projects Fund balance decreased $298,612 from $196,157 in 2006 to ($102,455) in 2007. This decrease was due to timing issues related to capital project expenditures and the related revenues (donations and grants).

The Debt Service Fund balance decreased $20,460 from $57,184 in 2006 to $36,724 in 2007. This decrease was due to the use of reserves to repay debt.

Proprietary funds – The City of Clear Lake, Iowa's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

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

Differences between the original budget and the final amended budget can be summarized as follows:

- The total original revenue budget of $10,335,601 was decreased to $10,009,677 (a decrease of $325,924) mainly due to revised estimates for capital project grants.
- The total original expenditure budget of $13,533,946 was increased to $13,661,089 (an increase of $127,143) mainly for revised costs for capital projects.
- The total original budget for other financing sources of $2,250,000 was increased to $3,430,800 (an increase of $1,180,800) mainly due an increase in transfers and bond proceeds for capital projects.
- During the year, however, revenues were less than budgetary revenues and expenditures were less than budgetary expenditures.

Capital Asset and Debt Administration

Capital assets - The City of Clear Lake's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to $33,415,118 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, infrastructure, and machinery and equipment. The total increase in capital assets for the current year was 10.9 percent (a 14.3 percent increase for governmental activities and a 6.1 percent increase for business-type activities).

Major capital asset events during the current fiscal year included purchase of the Camel Sewer Machine, Flail Mower and completion of several construction projects (1st Ave South, City Beach Enhancement Project, Aquatic Center, 22 South 3rd Parking Lot, South 24th Street Project).

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

City of Clear Lake's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	**2007**	2006	**2007**	2006
Land	**$ 2,371,577**	$ 2,282,677	**$ 331,716**	$ 331,716	**$ 2,703,293**	$ 2,614,393
Construction-in-progress	**2,109,859**	434,365	**404,560**	122,600	**2,514,419**	556,965
Buildings and improvements	**4,775,014**	4,763,606	**1,228,527**	1,228,527	**6,003,541**	5,992,133
Infrastructure	**18,963,665**	17,641,286	**16,667,124**	16,111,851	**35,630,789**	33,753,137
Machinery and equipment	**3,634,218**	3,516,120	**935,344**	797,162	**4,569,562**	4,313,282
Accumulated depreciation	**(11,575,494)**	(10,901,399)	**(6,430,992)**	(6,206,189)	**(18,006,486)**	(17,107,588)
Total	**$ 20,278,839**	$ 17,736,655	**$ 13,136,279**	$ 12,385,667	**$ 33,415,118**	$ 30,122,322

Debt - As of June 30, 2007, the City of Clear Lake, Iowa had general obligation bonds and loan notes outstanding totaling $5,600,000 and notes payable outstanding of $415,972. In the current year, the City paid $942,779 in principal and $219,362 in interest on outstanding debt.

Table 5 - Outstanding Debt, June 30

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	**2007**	2006	**2007**	2006
General obligation bonds	**$ 1,100,000**	$ -	**$ -**	$ -	**$ 1,100,000**	$ -
General obligation loan notes	**4,285,000**	4,070,000	**215,000**	335,000	**4,500,000**	4,405,000
Notes payable	**-**	-	**415,972**	518,024	**415,972**	518,024
	$ 5,385,000	$ 4,070,000	**$ 630,972**	$ 853,024	**$ 6,015,972**	$ 4,923,024

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

Economic Factors and Next Year's Budgets and Rates

Real property assessed values have continued to rise with tax year 2007 at $596,858,782.

The unemployment rate for Cerro Gordo County is 3.8 percent. The rate for Cerro Gordo County remains unchanged from a year ago. The rate is the same as the state's average unemployment rate of 3.8 percent.

Requests for Information

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Linda Nelson, Finance Officer, City of Clear Lake, 15 North 6th Street, PO Box 185, Clear Lake, Iowa 50428.

City of Clear Lake, Iowa

Statement of Net Assets
June 30, 2007

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	$ 970,166	$ 547,587	$ 1,517,753
Certificates of deposit	3,051,000	1,074,000	4,125,000
Investments	55,333	-	55,333
Restricted assets, cash	2,000	-	2,000
Receivables, net of allowances for uncollectible amounts:			
Property taxes	4,187,159	-	4,187,159
Assessments	885,921	-	885,921
Accounts, consumers	146,104	161,634	307,738
Unbilled usage	-	31,703	31,703
Other	57,584	-	57,584
Due from other governments	520,332	-	520,332
Inventories	-	71,386	71,386
Total current assets	9,875,599	1,886,310	11,761,909
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	2,371,577	331,716	2,703,293
Construction-in-progress	2,109,859	404,560	2,514,419
Depreciable:			
Buildings and land improvements	4,775,014	1,228,527	6,003,541
Infrastructure	18,963,665	16,667,124	35,630,789
Machinery and equipment	3,634,218	935,344	4,569,562
Accumulated depreciation	(11,575,494)	(6,430,992)	(18,006,486)
Total capital assets, net of depreciation	20,278,839	13,136,279	33,415,118
Bond issuance costs, net	18,408	-	18,408
Bond discount, net	23,282	-	23,282
Total noncurrent assets	20,320,529	13,136,279	33,456,808
Total assets	$ 30,196,128	$ 15,022,589	$ 45,218,717

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current:			
Accounts and contracts payable	$ 963,532	$ 246,556	$ 1,210,088
Accrued liabilities	113,757	16,110	129,867
Deposits	-	39,545	39,545
Compensated absences	135,627	24,290	159,917
Deferred revenue	4,201,943	-	4,201,943
Current maturities of long-term debt	800,000	263,493	1,063,493
Total current liabilities	6,214,859	589,994	6,804,853
Noncurrent, long-term debt, net of current maturities	4,585,000	367,479	4,952,479
Total liabilities	10,799,859	957,473	11,757,332
Net assets			
Invested in capital assets, net of related debt	14,917,121	12,505,307	27,422,428
Restricted for:			
Endowments/permanently restricted trust corpus	2,000	-	2,000
Capital projects	-	425,000	425,000
Tax increment financing districts	26,794	-	26,794
Road use	671,956	-	671,956
Employee benefits	328,207	-	328,207
Debt service	36,724	-	36,724
Unrestricted	3,413,467	1,134,809	4,548,276
Total net assets	19,396,269	14,065,116	33,461,385
Total liabilities and net assets	$ 30,196,128	$ 15,022,589	$ 45,218,717

City of Clear Lake, Iowa

Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	$ 2,184,535	$ 356,314	$ 11,035	$ 106,344
Public works	1,713,787	586,159	682,845	354,668
Health and social services	753	440	-	-
Culture and recreation	858,869	157,360	28,818	534,607
Community and economic development	560,064	69,796	213,077	-
General government	590,870	18,453	6,375	-
Interest on long-term debt	202,516	-	-	-
Total governmental activities	6,111,394	1,188,522	942,150	995,619
Business-type activities:				
Water	683,728	744,321	-	30,437
Sewer rental	264,106	313,580	-	54,448
Storm water	184,625	76,803	-	62,226
Solid waste	398,847	420,686	-	-
Total business-type activities	1,531,306	1,555,390	-	147,111
Total primary government	$ 7,642,700	$ 2,743,912	$ 942,150	$ 1,142,730

General revenues:
- Taxes:
  - Property taxes
  - Other taxes
- Investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year

Net assets end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (1,710,842)	$ -	$ (1,710,842)
(90,115)	-	(90,115)
(313)	-	(313)
(138,084)	-	(138,084)
(277,191)	-	(277,191)
(566,042)	-	(566,042)
(202,516)	-	(202,516)
(2,985,103)	-	(2,985,103)
-	91,030	91,030
-	103,922	103,922
-	(45,596)	(45,596)
-	21,839	21,839
-	171,195	171,195
(2,985,103)	171,195	(2,813,908)
3,987,994	-	3,987,994
1,305,313	-	1,305,313
191,863	52,061	243,924
11,240	65,000	76,240
(961,716)	961,716	-
4,534,694	1,078,777	5,613,471
1,549,591	1,249,972	2,799,563
17,846,678	12,815,144	30,661,822
$ 19,396,269	$ 14,065,116	$ 33,461,385

City of Clear Lake, Iowa

Balance Sheet
Governmental Funds
June 30, 2007

Assets	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Cash and cash equivalents	$ 568,700	$ -	$ 58,534	$ 105,839
Certificates of deposit	1,658,300	-	855,000	220,000
Investments	-	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, net of allowances for uncollectible amounts:				
Property taxes	2,400,517	893,004	-	508,364
Special assessments	885,921	-	-	-
Accounts, consumers	146,104	-	-	-
Other	-	189	-	379
Due from other governments	340,058	-	55,878	-
Due from other funds	604	-	-	-
Total assets	$ 6,000,204	$ 893,193	$ 969,412	$ 834,582
Liabilities and fund balances (deficit)				
Liabilities:				
Accounts and contracts payable	$ 297,365	$ -	$ 281,618	$ 151
Accrued liabilities	69,424	-	5,838	2,082
Due to other funds	82,000	-	10,000	-
Unearned revenue	3,325,939	881,663	-	504,142
Total liabilities	3,774,728	881,663	297,456	506,375
Fund balance (deficit):				
Reserved for, endowments	-	-	-	-
Unreserved, reported in:				
General Fund	2,225,476	-	-	-
Special revenue funds	-	11,530	671,956	328,207
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total fund balances (deficit)	2,225,476	11,530	671,956	328,207
Total liabilities and fund balances (deficit)	$ 6,000,204	$ 893,193	$ 969,412	$ 834,582

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
$ 190,431	$ 1,348	$ 45,314	$ 970,166
-	32,000	285,700	3,051,000
-	-	55,333	55,333
-	-	2,000	2,000
-	385,274	-	4,187,159
-	-	-	885,921
-	-	-	146,104
595	116	56,305	57,584
124,396	-	-	520,332
92,000	-	-	92,604
$ 407,422	$ 418,738	$ 444,652	$ 9,968,203
$ 384,398	$ -	$ -	$ 963,532
18,076	-	-	95,420
-	-	604	92,604
107,403	382,014	50,000	5,251,161
509,877	382,014	50,604	6,402,717
-	-	2,000	2,000
-	-	-	2,225,476
-	-	392,048	1,403,741
-	36,724	-	36,724
(102,455)	-	-	(102,455)
(102,455)	36,724	394,048	3,565,486
$ 407,422	$ 418,738	$ 444,652	$ 9,968,203

City of Clear Lake, Iowa

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Total governmental fund balances			$	3,565,486
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:				
Land	$	2,371,577		
Buildings and land improvements		4,775,014		
Infrastructure		18,963,665		
Machinery and equipment		3,634,218		
Construction-in-progress		2,109,859		
Accumulated depreciation		(11,575,494)		20,278,839
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				1,049,218
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Compensated absences, current		(135,627)		
Bond discount		23,282		
Bond issuance costs		18,408		
Accrued interest payable		(18,337)		
General obligation bonds and loan notes, current		(800,000)		
General obligation bonds and loan notes, noncurrent		(4,585,000)		(5,497,274)
Net assets of governmental activities			$	19,396,269

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Governmental Funds
For the Year Ended June 30, 2007

	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Revenues:				
Property taxes	$ 2,355,719	$ 776,948	$ -	$ 400,782
Special assessments	349,714	-	-	-
Other taxes	1,294,646	-	-	6,342
Licenses and permits	102,213	-	-	-
Intergovernmental	408,754	-	682,845	-
Charges for services	391,578	-	-	-
Fines and forfeitures	49,351	-	-	-
Use of money and property	131,433	8,758	-	14,130
Miscellaneous	15,263	-	-	-
Total revenue	5,098,671	785,706	682,845	421,254
Expenditures:				
Current:				
Public safety	1,807,630	-	-	267,281
Public works	563,986	-	218,120	107,690
Health and social services	753	-	-	-
Culture and recreation	698,717	-	-	48,157
Community and economic development	377,085	169,948	-	6,331
General government	586,129	-	-	36,930
Capital projects	21,520	-	270,815	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	4,055,820	169,948	488,935	466,389
Excess of revenue over (under) expenditures	1,042,851	615,758	193,910	(45,135)
Other financing sources (uses):				
Transfers in	289,244	-	-	-
Transfers out	(1,078,811)	(657,918)	(73,254)	-
Debt issuance	-	-	-	-
Discount on debt issuance	-	-	-	-
Proceeds from the sale of capital assets	7,250	-	-	-
Total other financing sources (uses)	(782,317)	(657,918)	(73,254)	-
Net change in fund balances (deficit)	260,534	(42,160)	120,656	(45,135)
Fund balances, beginning of year	1,964,942	53,690	551,300	373,342
Fund balances (deficit), end of year	$ 2,225,476	$ 11,530	$ 671,956	$ 328,207

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total
$ -	$ 304,273	$ 150,272	$ 3,987,994
-	-	-	349,714
-	4,325	-	1,305,313
-	-	-	102,213
156,562	-	-	1,248,161
-	-	-	391,578
-	-	1,120	50,471
1,864	7,968	27,710	191,863
534,605	-	19,434	569,302
693,031	316,566	198,536	8,196,609
-	-	8,667	2,083,578
-	-	-	889,796
-	-	-	753
-	-	45,469	792,343
-	-	5,503	558,867
-	-	-	623,059
3,118,768	-	-	3,411,103
-	685,000	-	685,000
-	193,729	-	193,729
11,279	-	-	11,279
3,130,047	878,729	59,639	9,249,507
(2,437,016)	(562,163)	138,897	(1,052,898)
838,254	541,703	2,000	1,671,201
(685,000)	-	(137,934)	(2,632,917)
2,000,000	-	-	2,000,000
(14,850)	-	-	(14,850)
-	-	-	7,250
2,138,404	541,703	(135,934)	1,030,684
(298,612)	(20,460)	2,963	(22,214)
196,157	57,184	391,085	3,587,700
$ (102,455)	$ 36,724	$ 394,048	$ 3,565,486

City of Clear Lake, Iowa

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - governmental funds	$	(22,214)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:		
Capital outlays		3,249,801
Depreciation		(788,021)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase/decrease net assets:		
Proceeds from sale of capital assets		(7,250)
(Loss) from the disposal of capital assets		(3,049)
Donation of capital assets		90,703
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		335,389
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in compensated absences		(8,110)
The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:		
Repayment of bond principal		685,000
Interest		(4,722)
Proceeds from issuance of long-term debt		(2,000,000)
Discount on bond issuance		14,850
Bond issuance costs		11,279
Amortization of discount on bonds		(1,920)
Amortization of issuance costs on bonds		(2,145)
Change in net assets of governmental activities	$	1,549,591

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 62,869	$ 121,457	$ 350,933	$ 12,328	$ 547,587
Certificates of deposit	869,000	-	50,000	155,000	1,074,000
Receivables, net of allowances for uncollectible amounts:					
Accounts, consumers	81,936	34,775	6,850	38,073	161,634
Unbilled usage	16,788	6,442	1,294	7,179	31,703
Inventories	71,386	-	-	-	71,386
Total current assets	1,101,979	162,674	409,077	212,580	1,886,310
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	65,026	-	266,690	-	331,716
Construction-in-progress	94,067	128,835	181,658	-	404,560
Depreciable:					
Buildings and land improvements	1,132,527	71,000	25,000	-	1,228,527
Infrastructure	6,408,183	4,750,720	5,508,221	-	16,667,124
Machinery and equipment	646,592	288,752	-	-	935,344
Accumulated depreciation	(3,315,698)	(1,293,015)	(1,822,279)	-	(6,430,992)
Total noncurrent assets	5,030,697	3,946,292	4,159,290	-	13,136,279
Total assets	$ 6,132,676	$ 4,108,966	$ 4,568,367	$ 212,580	$ 15,022,589
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	$ 20,679	$ 86,548	$ 109,944	$ 29,385	$ 246,556
Accrued liabilities	14,471	1,070	37	532	16,110
Deposits	39,545	-	-	-	39,545
Compensated absences	19,870	3,732	-	688	24,290
Bonds payable	50,000	80,000	-	-	130,000
Notes payable	-	133,493	-	-	133,493
Total current liabilities	144,565	304,843	109,981	30,605	589,994
Noncurrent liabilities:					
Bonds payable	-	85,000	-	-	85,000
Notes payable	-	282,479	-	-	282,479
Total liabilities	144,565	672,322	109,981	30,605	957,473
Net assets:					
Invested in capital assets, net of related debt	4,980,697	3,365,320	4,159,290	-	12,505,307
Restricted for capital projects	175,000	250,000	-	-	425,000
Unrestricted	832,414	(178,676)	299,096	181,975	1,134,809
Total net assets	5,988,111	3,436,644	4,458,386	181,975	14,065,116
Total liabilities and net assets	$ 6,132,676	$ 4,108,966	$ 4,568,367	$ 212,580	$ 15,022,589

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Operating revenues, charges for services	$ 744,321	$ 313,580	$ 76,803	$ 420,686	$ 1,555,390
Operating expenses:					
Personal services	305,575	92,437	14,049	32,036	444,097
Contractual services	133,572	49,613	58,636	366,591	608,412
Commodities	64,961	4,833	2,442	220	72,456
Depreciation	173,548	95,858	109,498	-	378,904
Total operating expenses	677,656	242,741	184,625	398,847	1,503,869
Operating income (loss)	66,665	70,839	(107,822)	21,839	51,521
Nonoperating income (expense):					
Investment earnings	35,260	9,226	605	6,970	52,061
Donations	-	-	33,755	-	33,755
Interest expense	(4,268)	(21,365)	-	-	(25,633)
Other nonoperating revenue	-	65,000	-	-	65,000
(Loss) on sale of capital assets	(1,804)	-	-	-	(1,804)
Total nonoperating income (expense)	29,188	52,861	34,360	6,970	123,379
Income before capital contributions and transfers	95,853	123,700	(73,462)	28,809	174,900
Capital contributions and grants	30,437	54,448	28,471	-	113,356
Transfers in	220,535	253,508	622,673	-	1,096,716
Transfers out	-	-	(135,000)	-	(135,000)
Change in net assets	346,825	431,656	442,682	28,809	1,249,972
Total net assets, beginning of year	5,641,286	3,004,988	4,015,704	153,166	12,815,144
Total net assets, end of year	$ 5,988,111	$ 3,436,644	$ 4,458,386	$ 181,975	$ 14,065,116

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds				
	Water	Sewer Rental	Storm Water	Solid Waste	Total Enterprise Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 743,385	$ 315,257	$ 138,569	$ 419,574	$ 1,616,785
Payments to suppliers	(217,042)	(142,227)	(122,898)	(368,947)	(851,114)
Payments to employees	(303,790)	(92,105)	(14,049)	(31,975)	(441,919)
Net cash provided by operating activities	222,553	80,925	1,622	18,652	323,752
Cash flows from noncapital financing activities:					
Transfers out	-	-	(135,000)	-	(135,000)
Transfers in	220,535	253,508	622,673	-	1,096,716
Proceeds from other funds	-	-	43,897	-	43,897
Payments to other funds	(13,698)	-	(5,480)	-	(19,178)
Net cash provided by noncapital financing activities	206,837	253,508	526,090	-	986,435
Cash flows from capital and related financing activities:					
Purchase of capital assets	(154,463)	(431,762)	(200,582)	-	(786,807)
Donations for purchase of capital assets	-	-	33,755	-	33,755
Other nonoperating revenues	-	65,000	-	-	65,000
Payment on debt	(45,000)	(212,779)	-	-	(257,779)
Interest paid on debt	(4,268)	(21,365)	-	-	(25,633)
Net cash (used in) capital and related financing activities	(203,731)	(600,906)	(166,827)	-	(971,464)
Cash flows from investing activities:					
Proceeds from sale and maturities of investments	2,682,000	810,000	10,000	555,000	4,057,000
Purchase of investments	(2,927,000)	(510,000)	(60,000)	(585,000)	(4,082,000)
Interest received	35,260	9,226	605	6,970	52,061
Net cash provided by (used in) investment activities	(209,740)	309,226	(49,395)	(23,030)	27,061
Increase (decrease) in cash and cash equivalents	15,919	42,753	311,490	(4,378)	365,784
Cash and cash equivalents, beginning of year	46,950	78,704	39,443	16,706	181,803
Cash and cash equivalents, end of year	$ 62,869	$ 121,457	$ 350,933	$ 12,328	$ 547,587

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds				
	Water	Sewer Rental	Storm Water	Solid Waste	Total Enterprise
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 66,665	$ 70,839	$ (107,822)	$ 21,839	$ 51,521
Adjustments to reconcile operating income (loss) to net cash provided by operating activities, depreciation	173,548	95,858	109,498	-	378,904
Change in assets and liabilities:					
Receivables	(1,471)	1,677	61,766	(1,112)	60,860
Inventories	(8,499)	-	-	-	(8,499)
Deposits	535	-	-	-	535
Accounts payable and accrued liabilities	(10,010)	(87,781)	(61,820)	(2,136)	(161,747)
Compensated absences	1,785	332	-	61	2,178
Net cash provided by operating activities	$ 222,553	$ 80,925	$ 1,622	$ 18,652	$ 323,752
Schedule of noncash items:					
Capital and related financing activities:					
Capital contributions	$ 30,437	$ 54,448	$ 28,471	$ -	$ 113,356
Acquisition of capital assets through issuance of note payable	-	35,727	-	-	35,727
Acquisition of capital assets through contracts payable	8,278	82,118	105,034	-	195,430

See Notes to Basic Financial Statements.

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

Nature of operations:

The City of Clear Lake, Iowa (City) is located in Cerro Gordo County, Iowa and was incorporated in 1871. The form of City government is Mayor-Council, utilizing a professional City Administrator. The City of Clear Lake provides a wide variety of public services, including public safety, roads, sanitation, health, recreation, planning, zoning and general administrative services.

Reporting entity:

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

The City of Clear Lake, Iowa is a municipal corporation governed by a council, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Clear Lake, Iowa and Clear Lake Library Foundation as its component unit. Although the Clear Lake Library Foundation (Foundation) is incorporated and is legally separate from the City, it is included in the City's reporting entity as a special revenue fund because of the significance of its operational and financial relationship with the City. The Foundation is reported in these financial statements as if it were a part of the City because its sole purpose is to help finance improvements made to the City library and to purchase property on its behalf. The Foundation also operates under a June 30 year-end. No separate external financial statements have been issued for the Foundation.

Basis of presentation:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. There are no indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

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

Tax Increment Financing Fund: A special revenue fund used to account for the revenue collected to be used for economic development purposes.

Road Use Tax Fund: A special revenue fund used to maintain and improve the City's streets.

Employee Benefits Fund: A special revenue fund used to account for the employee group life and health insurance program.

Capital Projects Fund: The Capital Projects Fund is used to account for the acquisition or construction of major capital improvements.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of, principal and interest on the City's general obligation and tax increment financing long-term debt.

The Road Use Tax Fund, Employee Benefits Fund and Debt Service Fund are presented as major funds for public interest purposes.

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

The other governmental funds of the City are considered nonmajor and are as follows:

Special Revenue Funds*:* Special revenue funds are used to account for revenues that are to be used for a specific purpose.

Northeast Tax Increment Financing Fund: To account for the revenue collected to be used for economic development purposes.

Willow Creek Tax Increment Financing Fund: To account for the revenue collected to be used for economic development purposes.

Firefighter Benefit Fund: To receive and administer funds that may be appropriated to recruit, retain and reward members of the volunteer fire department.

Library Fund: To account for donations which were restricted for the use of the library.

Lindstrom Flower Fund: To account for donations which are to be used for the purpose of planting flowers on City property.

Law Enforcement State Fund: To receive and administer state funds that may be confiscated or forfeited from drug operations or arrests.

Law Enforcement Federal Fund: To receive and administer federal funds that may be confiscated or forfeited from drug operations or assets.

Economic Development Revolving Loan Fund: To provide financial assistance loans to new and expanding businesses located in the City of Clear Lake, Iowa. Initial funds supplied by the state of Iowa.

Permanent Funds: Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs of the City.

Library Trust: Endowment from Jones, Hines and Dorchester Trust.

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

Enterprise Funds: Are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

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

The following are the City's major enterprise funds:

Water Fund: To account for the operations of providing a safe and adequate water supply for fire protection, domestic and industrial use.

Sewer Rental Fund: To account for the operations of the City's sewer utility including the revenue from usage fees and operating costs associated with it.

Storm Water Fund: To account for the operations of the City's storm water utility including the revenue from fees and the operating costs associated with it.

Solid Waste Fund: To account for the operations of the City's recycling program, yard waste service and garbage removal services.

The Solid Waste Fund is presented as a major fund for public interest purposes.

Measurement focus and basis of accounting:

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

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2007 based on the 2006 assessed valuations. These taxes are due in two installments, on September 1, 2007 and the following March 1, 2008 with a 1.5 percent per month penalty for delinquent payment. Since the 2007 tax levy is budgeted and levied for the fiscal year 2008, the revenue from this tax levy has been deferred. Revenue has been recognized for those taxes receivable which represent the prior year's delinquent taxes and which are expected to be collected within 60 days after year-end.

Special assessments are recognized at the time of the levy with the revenue deferred until the amounts become available in the fund financial statements. Revenue is recognized in the government-wide financial statements. Interest on special assessments is recognized when collected.

Substantially, all other shared revenue is recognized when received by the tax collecting authority.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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 nonoperating revenues and expenses.

Summary of significant accounting policies:

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

Cash and investments: The City maintains a cash and investment pool to maximize investment opportunities. Income from investments is recorded on a pro rata basis. Each fund's portion of total cash and investments is reported as such within this report. In addition, certain investments are separately held by several of the City's funds. Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

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

Accounts receivable: The City bills for its utility services on a monthly basis and accrues the unbilled portion of these services at year-end. The City also bills for ambulatory services and accrues the fees not yet collected by the City at year-end. These receivables are net of allowance for doubtful accounts.

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

Inventories: Inventories consist of consumable supplies and are valued at cost using the first-in first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventories are recognized only in those funds in which they are material to the extent of affecting operations.

Capital assets: Capital assets, including land, buildings and land improvements, infrastructure, machinery and equipment and construction-in-progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater.

Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized in the current fiscal year.

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

	Years
Buildings and land improvements	25 to 70
Infrastructure	20 to 40
Machinery and equipment	5 to 20

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

Unearned revenues: In the governmental funds, unearned revenues represent amounts due, which are measurable, but not available, or grants and similar items received, but for which the City has not met all eligibility requirements imposed by the provider. In the statement of net assets, unearned revenues represent the deferral of property tax receivables which are levied for a future period and unearned grants.

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

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

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

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

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

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

Fund balance: Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of fund balance are limited to outside third-party restrictions. Designations of fund balance represents tentative management plans that are subject to change.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consist of $26,794 for tax increment financing districts, $328,207 for employee benefits, $36,724 for debt service and $671,956 for road use.

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

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

The City adopts its annual program budget which includes all funds on a modified accrual basis.

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

Note 2. Cash and Investments

As of June 30, 2007, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	$	5,551,539
Cash and investments held by the Clear Lake Library Foundation		148,547
	$	5,700,086

The City maintains a cash and investment pool for certain funds where the resources have been pooled in order to maximize investment opportunities. Income from investments is recorded on a pro rata basis.

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

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the City's investment policy, the City maximizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Maturities		Fair Value
Mutual fund - Income Fund of America	N/A	$	25,699
Mutual fund - Capital World Growth & Income	N/A		16,700
Corporate Bond - Hydro Quebec	11/15/2027		12,934

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Note 2. Cash and Investments (Continued)

As of June 30, 2007, the City's investments were rated as follows:

Investment Type	Moody's Investor Services	Standard & Poor's
Mutual fund - Income Fund of America	Not Rated	
Mutual fund - Capital World Growth & Income	Not Rated	
Corporate Bond - Hydro Quebec	Aaa	A+

Concentration of credit risk: The City's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the City to meet all anticipated cash requirements. The policy limits the City to holding no more than 10 percent of prime banker's acceptances at the time of purchase, no more than 5 percent of bankers' acceptances in one issuer and no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt. The City's investment portfolio includes certificates of deposit and cash equivalents for purposes of computing compliance with policy limits whereas this disclosure considers only those items categorized as investments on the balance sheet (excluding mutual funds and pooled investments). Investments in any one issuer that represent 5 percent or more of total City investments is the Hydro-Quebec, corporate bond, with a fair value of $12,934.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2007, the City's investments were collateralized and, therefore, not exposed to custodial credit risk. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2007, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2007:

	Ending Balance June 30, 2006	Additions	Deletions	Ending Balance June 30, 2007
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,282,677	$ 88,900	$ -	$ 2,371,577
Construction-in-progress	434,365	1,876,574	201,080	2,109,859
Total capital assets, not being depreciated	2,717,042	1,965,474	201,080	4,481,436
Capital assets, being depreciated:				
Buildings and land improvements	4,763,606	11,408	-	4,775,014
Infrastructure	17,641,286	1,374,478	52,099	18,963,665
Machinery and equipment	3,516,120	190,224	72,126	3,634,218
Total capital assets, being depreciated	25,921,012	1,576,110	124,225	27,372,897
Less accumulated depreciation for:				
Buildings and land improvements	941,657	116,178	-	1,057,835
Infrastructure	7,781,364	414,044	51,062	8,144,346
Machinery and equipment	2,178,378	257,799	62,864	2,373,313
Total accumulated depreciation	10,901,399	788,021	113,926	11,575,494
Total capital assets, being depreciated, net	15,019,613	788,089	10,299	15,797,403
Governmental activities capital assets, net	$ 17,736,655	$ 2,753,563	$ 211,379	$ 20,278,839

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2006	Additions	Deletions	Ending Balance June 30, 2007
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 331,716	$ -	$ -	$ 331,716
Construction-in-progress	122,600	352,828	70,868	404,560
Total capital assets, not being depreciated	454,316	352,828	70,868	736,276
Capital assets, being depreciated:				
Buildings and land improvements	1,228,527	-	-	1,228,527
Infrastructure	16,111,851	560,608	5,335	16,667,124
Machinery and equipment	797,162	288,752	150,570	935,344
Total capital assets, being depreciated	18,137,540	849,360	155,905	18,830,995
Less accumulated depreciation for:				
Buildings and land improvements	767,116	29,939	-	797,055
Infrastructure	5,138,671	311,281	3,531	5,446,421
Machinery and equipment	300,402	37,684	150,570	187,516
Total accumulated depreciation	6,206,189	378,904	154,101	6,430,992
Total capital assets, being depreciated, net	11,931,351	470,456	1,804	12,400,003
Business-type activities capital assets, net	$ 12,385,667	$ 823,284	$ 72,672	$ 13,136,279

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

Governmental Activities	
General government	$ 14,435
Culture and recreation	96,925
Public safety	136,494
Public works	540,167
	$ 788,021
Business-Type Activities	
Water	$ 173,548
Sewer rental	95,858
Storm water	109,498
	$ 378,904

Note 4. Bonded and Other Debt

The following is a summary of changes in bonded and other long-term debt for the year ended June 30, 2007:

	June 30, 2006	Increases and Issues	Decreases and Retirements	June 30, 2007	Due Within One Year
Governmental activities:					
General obligation loan notes	$ 4,070,000	$ 900,000	$ 685,000	$ 4,285,000	$ 705,000
General obligation bonds	-	1,100,000	-	1,100,000	95,000
Compensated absences	127,517	135,627	127,517	135,627	135,627
Total governmental activities	4,197,517	2,135,627	812,517	5,520,627	935,627
Business-type activities:					
General obligation loan notes	335,000	-	120,000	215,000	130,000
Notes payable	518,024	35,727	137,779	415,972	133,493
Compensated absences	22,112	24,290	22,112	24,290	24,290
Total business-type activities	875,136	60,017	279,891	655,262	287,783
Total long-term debt	$ 5,072,653	$ 2,195,644	$ 1,092,408	$ 6,175,889	$ 1,223,410

General obligation loan notes:

Nine issues of general obligation loan notes totaling $4,500,000 are outstanding as of June 30, 2007. These notes bear interest with rates ranging from 2.80 percent to 5.25 percent and mature in varying annual amounts ranging from $50,000 to $195,000 through June 1, 2016.

On September 12, 2006, the City issued General Obligation Capital Loan Notes in the amount of $900,000 to finance the aquatic center and beach enhancement projects. These notes are due in annual installments of $90,000 through 2016 at an interest rate of 4.4 percent.

On June 15, 2007, the City issued General Obligation Bonds, Series 2007A in the amount of $1,100,000 to finance construction of street, water, storm sewer, sanitary sewer, sidewalk and street lighting improvements. These bonds are due in annual installments ranging from $95,000 to $130,000 through 2017. Interest on the bonds range from 3.7 percent to 4.15 percent.

Annual debt service requirements to service the City's general obligation bonds and loan notes outstanding as of June 30, 2007 are as follows:

Year ending June 30:	Principal	Interest	Total
2008	$ 930,000	$ 231,237	$ 1,161,237
2009	780,000	195,978	975,978
2010	625,000	163,083	788,083
2011	645,000	137,346	782,346
2012	665,000	110,128	775,128
2013 - 2017	1,955,000	201,369	2,156,369
	$ 5,600,000	$ 1,039,141	$ 6,639,141

Note 4. Bonded and Other Debt (Continued)

Notes Payable:

In fiscal year 2006, the City entered into a note payable with the Sanitary Sewer District. In fiscal year 2007, the City drew an additional $35,727 on the note. The note is payable in annual installments of principal and interest with a 3.82 percent interest rate.

Annual debt service requirements to service the note payable outstanding as of June 30, 2007 are as follows:

Year ending June 30:	Principal	Interest	Total
2008	$ 133,493	$ 15,890	$ 149,383
2009	138,592	10,791	149,383
2010	143,887	5,496	149,383
	$ 415,972	$ 32,177	$ 448,149

Compensated absences:

Compensated absences attributable to governmental activities are generally liquidated by the General Fund.

Legal debt margin:

As of June 30, 2007, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Total assessed valuation	$ 596,858,782
Debt limit, 5% of total actual valuation	$ 29,842,939
Debt applicable to debt limit, debt service general obligation loan notes and bonds	5,600,000
Legal debt margin	$ 24,242,939

* 100% of assessed valuation including TIF increment.

Note 5. Industrial Revenue Bonds

During fiscal year 2006, the City issued industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bond principal and interest do not constitute liabilities of the City.

As of June 30, 2007, there was one series of industrial revenue bonds outstanding with a principal amount payable of $3,535,000.

Note 6. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2007 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities, major funds:		
General	$ 604	$ 82,000
Road Use Tax	-	10,000
Capital Projects	92,000	-
Nonmajor governmental funds	-	604
Total	$ 92,604	$ 92,604

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

Note 7. Interfund Transfers

The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Governmental activities:		
Major governmental funds:		
General	$ 289,244	$ 1,078,811
Debt Service	541,703	-
Tax Incremental Financing	-	657,918
Road Use Tax	-	73,254
Capital Projects	838,254	685,000
Nonmajor governmental funds	2,000	137,934
Total governmental activities	1,671,201	2,632,917
Business-type activities, major funds		
Water	220,535	-
Sewer Rental	253,508	-
Storm Water	622,673	135,000
Total business-type activities	1,096,716	135,000
Total	$ 2,767,917	$ 2,767,917

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

Note 8. Pension and Retirement Systems

Iowa Public Retirement System:

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.

Plan members are required to contribute 3.7 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll, except for police and fire members in which case the percentages are 9.12 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were $154,540, $146,136 and $129,182, respectively, equal to the required contributions for each year.

Employee Benefits Fund:

The City also has a single-employer defined benefit plan which pays benefits to one retired employee. There are no other participants in the plan and the plan is closed to new entrants. This plan is accounted for in the employee benefits special revenue fund.

Currently, the Plan is funded through a property tax levy and the City expects to continue to levy the tax as long as the benefit is required to be paid. The Plan has not had an actuarial computation performed in the current year; therefore, information relating to funding progress is not available. Information as to the annual fair value of plan assets, property tax receipts and benefits paid is as follows:

	Fair Value of Net Assets	Property Tax Receipts	Benefits Paid
2007	$ 106,444	$ 34,000	$ 29,275
2006	104,074	34,000	28,284
2005	101,281	36,500	27,328

Note 9. Vacation and Sick Leave

City employees accumulate vacation and sick leave hours for subsequent use. For proprietary fund types and the government-wide statements, vacations are recorded as expenses and liabilities of the appropriate fund and activity in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation, which is payable from available resources, is recorded as a liability of the respective fund if they have matured; for example, as a result of employee retirements and resignations. The accumulated sick leave hours do not vest and, therefore, are not recognized as a liability of the City until used or paid. The City's contingent liability as of June 30, 2007 for the unvested employee sick leave hours totals approximately $558,000.

Note 10. Iowa Department of Economic Development Revolving Loan Fund

Under contract agreement with Iowa Department of Economic Development, the City, as the loan manager of a $150,000 economic loan made by the state to Cole Sewell Corporation, has agreed to establish a revolving loan fund on behalf of the Iowa Department of Economic Development. Under the agreement, all principal and interest collections on the loan, as received by the City from Cole Sewell Corporation, are to be used to fund this revolving loan fund. The balance of the loan was paid in fiscal year 1998. A plan to reuse the proceeds in the revolving loan fund has been submitted to and approved by the Iowa Department of Economic Development.

Note 11. Litigation

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

Note 12. Risk Management

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

Note 13. Commitments

The City was involved in various construction projects throughout the year. The total cost of these projects is approximately $6,522,000. The remaining contractual amounts on these projects total approximately $1,310,000 as of June 30, 2007.

In November 2007, the City entered into a contract to build a fourth water tower; the total contract amount was approximately $1,900,000.

The City has entered into several special agreements with developers to provide certain financial incentives to the developers in the form of economic development incremental property tax payments. These incentives will be offered through June 2015. The incentives are limited to actual tax incremental property taxes received by the City for the property outlined in each agreement; should the City receive no tax incremental property taxes in any given year, there would be no obligation. During 2007, the City paid approximately $107,400 under these agreements.

Note 14. Governmental Accounting Standards Board (GASB) Statements

The GASB Board has issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2009.

Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* issued June 2004, will be effective for the City beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, is effective for the City beginning with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

GASB Statement No. 49, Accounting *and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the City with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the City beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

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

City of Clear Lake, Iowa

Budgetary Comparison Schedule
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	$ 3,987,994	$ -	$ 3,987,994
Other taxes	1,305,313	-	1,305,313
Special assessments	349,714	-	349,714
Licenses and permits	102,213	-	102,213
Intergovernmental	1,248,161	-	1,248,161
Charges for services	391,578	1,602,390	1,993,968
Fines and forfeitures	50,471	-	50,471
Use of money and property	191,863	70,061	261,924
Miscellaneous	569,302	31,951	601,253
Total revenues	8,196,609	1,704,402	9,901,011
Expenditures/Expenses:			
Public safety	2,083,578	-	2,083,578
Public works	889,796	-	889,796
Health and social services	753	-	753
Culture and recreation	792,343	-	792,343
Community and economic development	558,867	-	558,867
General government	623,059	-	623,059
Debt service	890,008	-	890,008
Capital outlay	3,411,103	-	3,411,103
Business-type	-	1,529,502	1,529,502
Total expenditures/expenses	9,249,507	1,529,502	10,779,009
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,052,898)	174,900	(877,998)
Other financing sources, net	1,030,684	1,075,072	2,105,756
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(22,214)	1,249,972	1,227,758
Balances, beginning of year	3,587,700	12,815,144	16,402,844
Balances, end of year	$ 3,565,486	$ 14,065,116	$ 17,630,602

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance - Positive (Negative)
Original	Final	
$ 3,951,956	$ 3,967,296	$ 20,698
1,097,470	1,295,808	9,505
184,000	333,000	16,714
70,050	79,350	22,863
2,397,000	1,297,128	(48,967)
1,919,800	1,947,900	46,068
35,000	42,120	8,351
143,825	228,575	33,349
536,500	818,500	(217,247)
10,335,601	10,009,677	(108,666)
2,013,493	2,174,754	91,176
1,017,064	968,902	79,106
22,664	5,394	4,641
841,017	870,689	78,346
368,384	614,434	55,567
618,311	671,901	48,842
812,239	913,531	23,523
3,742,000	3,812,800	401,697
4,098,774	3,628,684	2,099,182
13,533,946	13,661,089	2,882,080
(3,198,345)	(3,651,412)	2,773,414
2,250,000	3,430,800	(1,325,044)
(948,345)	(220,612)	1,448,370
7,345,416	7,980,206	8,422,638
$ 6,397,071	$ 7,759,594	$ 9,871,008

Note to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, two budget amendments increased budgeted expenditures by a total of $127,143. The budget amendments were primarily due to changes in capital projects and community and economic development expenditures.

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City of Clear Lake, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue			
	Northeast Tax Increment Financing	Willow Creek Tax Increment Financing	Firefighter Benefit	Library
Assets				
Cash and cash equivalents	$ -	$ 264	$ 976	$ 41,214
Certificates of deposit	-	15,000	47,000	50,000
Investments	-	-	-	55,333
Restricted assets, cash	-	-	-	-
Receivables, other	-	-	38	39
Total assets	$ -	$ 15,264	$ 48,014	$ 146,586
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	$ -	$ -	$ -	$ -
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Reserved for endowments	-	-	-	-
Unreserved, reported in special revenue funds	-	15,264	48,014	146,586
	-	15,264	48,014	146,586
Total liabilities and fund balances	$ -	$ 15,264	$ 48,014	$ 146,586

Special Revenue					
Lindstrom Flower	Law Enforcement State	Law Enforcement Federal	Economic Development Revolving Loan	Permanent Library	Total
$ -	$ -	$ -	$ 2,860	$ -	$ 45,314
-	-	-	173,700	-	285,700
-	-	-	-	-	55,333
-	-	-	-	2,000	2,000
6,000	-	-	50,228	-	56,305
$ 6,000	$ -	$ -	$ 226,788	$ 2,000	$ 444,652
$ 604	$ -	$ -	$ -	$ -	$ 604
-	-	-	50,000	-	50,000
604	-	-	50,000	-	50,604
-	-	-	-	2,000	2,000
5,396	-	-	176,788	-	392,048
5,396	-	-	176,788	2,000	394,048
$ 6,000	$ -	$ -	$ 226,788	$ 2,000	$ 444,652

City of Clear Lake, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Special Revenue			
	Northeast Tax Increment Financing	Willow Creek Tax Increment Financing	Firefighter Benefit	Library
Revenues:				
Property taxes	$ 38,530	$ 111,742	$ -	$ -
Fines and forfeitures	-	-	-	-
Use of money and property	589	1,539	2,558	11,359
Miscellaneous	-	-	-	14,506
Total revenues	39,119	113,281	2,558	25,865
Expenditures:				
Current:				
Public safety	-	-	7,500	-
Culture and recreation	-	-	-	45,469
Community and economic development	-	-	-	-
Total expenditures	-	-	7,500	45,469
Excess of revenues over (under) expenditures	39,119	113,281	(4,942)	(19,604)
Other financing sources (uses):				
Transfers in	-	-	2,000	-
Transfers out	(39,121)	(98,813)	-	-
Total other financing sources (uses)	(39,121)	(98,813)	2,000	-
Net change in fund balance	(2)	14,468	(2,942)	(19,604)
Fund balances, beginning of year	2	796	50,956	166,190
Fund balances, end of year	$ -	$ 15,264	$ 48,014	$ 146,586

Special Revenue					
Lindstrom Flower	Law Enforcement State	Law Enforcement Federal	Economic Development Revolving Loan	Permanent Library	Total
$ -	$ -	$ -	$ -	$ -	$ 150,272
-	-	1,120	-	-	1,120
-	-	1	11,664	-	27,710
4,928	-	-	-	-	19,434
4,928	-	1,121	11,664	-	198,536
-	46	1,121	-	-	8,667
-	-	-	-	-	45,469
5,503	-	-	-	-	5,503
5,503	46	1,121	-	-	59,639
(575)	(46)	-	11,664	-	138,897
-	-	-	-	-	2,000
-	-	-	-	-	(137,934)
-	-	-	-	-	(135,934)
(575)	(46)	-	11,664	-	2,963
5,971	46	-	165,124	2,000	391,085
$ 5,396	$ -	$ -	$ 176,788	$ 2,000	$ 394,048

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STATISTICAL

The statistical section of the City's financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	53
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	65
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	73
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	78
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	80

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. The City implemented GASB Statement No. 34 in fiscal year 2004; schedules presenting government-wide information include information beginning in that year.

City of Clear Lake, Iowa
Net Assets By Component
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005
Governmental activities:		
Invested in capital assets, net of related debt	$ 12,239,781	$ 13,132,062
Restricted for:		
Endowments	2,000	2,000
Tax increment financing districts	-	30,998
Employee benefits	-	345,599
Debt service	-	69,576
Road use tax	-	797,758
Bond ordinances	39,000	-
Unrestricted	4,154,960	3,039,223
Total governmental activities net assets	$ 16,435,741	$ 17,417,216
Business-type activities:		
Invested in capital assets, net of related debt	$ 10,135,732	$ 10,792,166
Restricted for capital projects	-	-
Unrestricted	1,013,280	740,893
Total business-type activities net assets	$ 11,149,012	$ 11,533,059
Primary government:		
Invested in capital assets, net of related debt	$ 22,375,513	$ 23,924,228
Restricted for:		
Endowments	2,000	2,000
Tax increment financing districts	-	30,998
Employee benefits	-	345,599
Debt service	-	69,576
Road use	-	797,758
Bond ordinances	39,000	-
Capital projects	-	-
Unrestricted	5,168,240	3,776,083
Total primary government net assets	$ 27,584,753	$ 28,946,242

GASB Statement No. 34 Implemented in Fiscal Year 2004

Note: The City implemented GASB 46 in fiscal year 2006, which included a restatement for net assets previously reported as unrestricted. The fiscal year 2005 ending net assets reflect this restatement.

	2006		2007
$	13,686,281	$	14,917,121
	2,000		2,000
	54,488		26,794
	373,342		328,207
	57,184		36,724
	551,300		671,956
	-		-
	2,925,926		3,413,467
$	17,650,521	$	19,396,269
$	11,532,643	$	12,505,307
	-		425,000
	1,282,501		1,134,809
$	12,815,144	$	14,065,116
$	25,218,924	$	27,422,428
	2,000		2,000
	54,488		26,794
	373,342		328,207
	57,184		36,724
	551,300		671,956
	-		-
	-		425,000
	4,208,427		4,548,276
$	30,465,665	$	33,461,385

City of Clear Lake, Iowa
Changes In Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005
Expenses:		
Governmental activities:		
General government	$ 637,908	$ 580,841
Public safety	1,411,957	1,454,035
Public works	1,040,968	1,199,597
Health and social services	14,411	19,074
Culture and recreation	658,881	714,333
Community and economic development	641,594	536,133
Interest on long-term debt	150,918	128,062
Total governmental activities expenses	4,556,637	4,632,075
Business-type activities:		
Water	631,386	705,567
Sewer	186,202	222,352
Stormwater	104,232	137,756
Solid waste	339,271	351,015
Total business-type activities expenses	1,261,091	1,416,690
Total primary government expenses	5,817,728	6,048,765
Program revenue:		
Governmental activities:		
Charges for services:		
General government	26,496	26,803
Public safety	53,926	57,904
Public works	314,033	296,893
Health and social services	4,834	3,420
Culture and recreation	220,954	123,281
Community and economic development	50,321	54,060
Operating grants and contributions:		
General government	-	2,158
Public safety	7,297	6,987
Public works	683,820	678,275
Culture and recreation	34,413	16,264
Community and economic development	6,000	72,477
Capital grants and contributions		
General government	-	-
Public safety	-	7,579
Public works	395,202	106,680
Culture and recreation	14,791	5,485
Community and economic development	166,300	32,841
Total governmental activities program revenue	1,978,387	1,491,107

(Continued)

2006	2007
$ 735,978	$ 590,870
1,748,284	2,184,535
1,789,513	1,713,787
19,075	753
777,635	858,869
928,582	560,064
136,987	202,516
6,136,054	6,111,394
682,199	683,728
229,676	264,106
132,761	184,625
371,503	398,847
1,416,139	1,531,306
7,552,193	7,642,700
21,880	18,453
182,217	356,314
599,269	586,159
1,914	440
113,464	157,360
51,967	69,796
2,311	6,375
14,661	11,035
682,693	682,845
47,268	28,818
600,110	213,077
19,692	-
-	106,344
-	354,668
213,820	534,607
-	-
2,551,266	3,126,291

City of Clear Lake, Iowa
Changes In Net Assets (Continued)
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005
Business-type activities:		
Charges for services:		
Water	741,385	708,817
Sewer	312,017	297,826
Stormwater	74,824	78,372
Solid waste	375,900	385,125
Operating grants and contributions:		
Water	-	-
Sewer	-	-
Stormwater	-	-
Capital grants and contributions:		
Water	108,581	45,536
Sewer	62,887	36,174
Stormwater	154,812	3,200
Total business-type activities program revenues	1,830,406	1,555,050
Total primary government program revenues	3,808,793	3,046,157
Net (expense) revenue:		
Governmental activities	(2,578,250)	(3,140,968)
Business-type activities	569,315	138,360
Total primary government net expense	(2,008,935)	(3,002,608)
General revenues and other changes in net assets:		
Governmental activities:		
Taxes:		
Property taxes	2,789,357	3,186,780
Other taxes	1,466,994	1,070,150
Intergovernmental	17,867	-
Investment earnings	50,660	87,909
Miscellaneous	-	-
Transfers	(185,576)	(226,099)
Total governmental activities	4,139,302	4,118,740
Business-type activities:		
Investment earnings	28,495	19,588
Miscellaneous	2,088	-
Transfers	185,576	226,099
Total business-type activities	216,159	245,687
Total primary government	4,355,461	4,364,427
Changes in net assets:		
Governmental activities	1,561,052	977,772
Business-type activities	785,474	384,047
Total primary government	$ 2,346,526	$ 1,361,819

2006	2007
717,732	**744,321**
309,394	**313,580**
76,346	**76,803**
406,217	**420,686**
-	**-**
-	**-**
-	**-**
-	**30,437**
-	**54,448**
206,316	**62,226**
1,716,005	**1,702,501**
4,267,271	**4,828,792**
(3,584,788)	**(2,985,103)**
299,866	**171,195**
(3,284,922)	**(2,813,908)**
3,569,878	**3,987,994**
1,209,429	**1,305,313**
-	**-**
155,920	**191,863**
6,360	**11,240**
(923,634)	**(961,716)**
4,017,953	**4,534,694**
58,585	**52,061**
-	**65,000**
923,634	**961,716**
982,219	**1,078,777**
5,000,172	**5,613,471**
433,165	**1,549,591**
1,282,085	**1,249,972**
$ 1,715,250	**$ 2,799,563**

City of Clear Lake, Iowa
Program Revenues by Function/Program
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

Function/Program	Fiscal Year 2004	Fiscal Year 2005
Governmental activities:		
General government	$ 26,496	$ 28,961
Public safety	61,223	72,470
Public works	1,393,055	1,081,848
Health and social services	4,834	3,420
Culture and recreation	270,158	145,030
Community development	222,621	159,378
Total governmental activities	1,978,387	1,491,107
Business-type activities:		
Water	849,966	754,353
Sanitary sewer	374,904	334,000
Stormwater	229,636	81,572
Solid waste	375,900	385,125
Total business-type activities	1,830,406	1,555,050
Total government	$ 3,808,793	$ 3,046,157

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

Fiscal Year	
2006	**2007**
$ 43,883	$ 24,828
196,878	473,693
1,281,962	1,623,672
1,914	440
374,552	720,785
652,077	282,873
2,551,266	**3,126,291**
717,732	**774,758**
309,394	**433,028**
282,662	**139,029**
406,217	**420,686**
1,716,005	**1,767,501**
$ 4,267,271	**$ 4,893,792**

City of Clear Lake, Iowa
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	1998	1999	2000	2001
General Fund:				
Reserved	$ 1,351,385	$ 1,353,001	$ 1,364,762	$ 5,538
Unreserved	1,950,844	1,617,129	1,970,542	1,491,195
Total General Fund	$ 3,302,229	$ 2,970,130	$ 3,335,304	$ 1,496,733
All Other Governmental Funds:				
Reserved	$ 39,800	$ 39,000	$ 39,000	$ 39,000
Unreserved, reported in:				
Special revenue funds	962,559	1,024,015	1,567,852	1,252,352
Debt service funds	19,728	20,245	3,588	2,984
Capital Projects Fund	-	-	200,000	108,519
Permanent Fund	3,085	3,171	3,258	2,000
Total all other government funds	$ 1,025,172	$ 1,086,431	$ 1,813,698	$ 1,404,855

Fiscal Year					
2002	2003	2004	2005	2006	**2007**
$ 6,649	$ 1,823	$ 53,844	$ 1,976	$ 2,140	**$ -**
1,708,124	2,430,262	2,083,920	2,221,373	1,962,802	**2,225,476**
$ 1,714,773	$ 2,432,085	$ 2,137,764	$ 2,223,349	$ 1,964,942	**$ 2,225,476**
$ 39,000	$ 39,000	$ 44,370	$ 2,000	$ 2,000	**$ 2,000**
1,311,862	1,084,965	1,330,373	1,597,129	1,367,417	**1,403,741**
9,205	9,899	134,865	69,576	57,184	**36,724**
112,130	21,751	160,154	(3,703)	196,157	**(102,455)**
2,000	2,000	2,000	-	-	**-**
$ 1,474,197	$ 1,157,615	$ 1,671,762	$ 1,665,002	$ 1,622,758	**$ 1,340,010**

City of Clear Lake, Iowa
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	1998	1999	2000	2001
Revenues:				
Property taxes	$ 2,159,914	$ 2,115,398	$ 2,245,121	$ 2,215,812
Special assessments	53,107	86,973	198,490	137,850
Other taxes	1,147,669	1,108,423	1,080,518	1,097,575
Intergovernmental	821,711	812,065	1,117,502	967,376
Licenses and permits	103,828	102,049	107,083	119,751
Charges for services	53,785	47,378	48,891	57,639
Fines and forfeitures	38,487	40,285	36,462	30,900
Use of money and property	390,115	290,274	540,059	408,689
Miscellaneous	125,093	294,220	489,484	325,514
Total revenues	4,893,709	4,897,065	5,863,610	5,361,106
Expenditures:				
General government	441,438	398,259	436,044	478,901
Public safety	1,087,734	1,135,806	1,470,896	1,279,940
Public works	996,840	1,891,446	1,282,058	1,882,488
Health and social services	-	-	-	-
Culture and recreation	697,197	1,205,577	1,020,140	2,436,190
Community and economic development	-	-	-	-
Capital Projects	-	-	-	-
Capital project expenditures not capitalized	-	-	-	-
Debt service:				
Principal	400,000	330,000	345,000	355,000
Bond issuance costs	-	-	-	-
Interest	150,972	154,067	147,580	128,038
Total expenditures	3,774,181	5,115,155	4,701,718	6,560,557
Excess of revenues (under) expenditures	1,119,528	(218,090)	1,161,892	(1,199,451)
Other financing sources (uses):				
Transfers in	281,234	320,194	584,150	1,464,698
Transfers out	(448,677)	(382,894)	(685,520)	(1,431,700)
Debt issuance	-	-	-	-
Premium (discount) on long-term debt	-	-	-	-
Proceeds from sale of capital assets	17,872	13,291	31,925	4,300
Total other financing sources (uses)	(149,571)	(49,409)	(69,445)	37,298
Net changes in fund balance	$ 969,957	$ (267,499)	$ 1,092,447	$ (1,162,153)
Debt service as a percentage of noncapital expenditures	16.5%	13.9%	13.8%	12.8%

	Fiscal Year					
	2002	2003	2004	2005	2006	**2007**
	$ 2,347,408	$ 2,620,791	$ 2,789,357	$ 3,186,780	$ 3,569,878	**$ 3,987,994**
	105,631	733,831	351,697	270,686	397,935	**349,714**
	1,272,494	1,417,185	1,466,994	1,070,150	1,209,429	**1,305,313**
	1,475,741	999,014	1,236,882	903,733	1,353,832	**1,248,161**
	63,723	71,877	73,152	86,559	85,640	**102,213**
	68,130	64,776	79,738	75,545	184,509	**391,578**
	29,831	35,639	40,728	39,330	45,555	**50,471**
	96,187	82,455	72,406	103,934	155,920	**191,863**
	311,540	118,697	154,934	91,005	301,594	**569,302**
	5,770,685	6,144,265	6,265,888	5,827,722	7,304,292	**8,196,609**
	583,691	586,441	621,862	566,647	591,050	**623,059**
	1,429,589	1,302,038	1,392,137	1,430,640	2,268,711	**2,083,578**
	3,219,268	827,812	917,542	747,266	1,036,067	**889,796**
	-	18,004	14,412	19,074	19,075	**753**
	1,993,985	575,603	594,090	627,879	678,633	**792,343**
	-	427,583	349,367	336,317	979,706	**558,867**
	-	2,129,756	1,417,538	1,150,076	2,502,231	**3,249,801**
	-	-	-	-	-	**161,302**
	365,000	335,000	480,000	515,000	475,000	**685,000**
	-	-	-	-	10,070	**11,279**
	107,415	182,208	152,828	129,899	129,916	**193,729**
	7,698,948	6,384,445	5,939,776	5,522,798	8,690,459	**9,249,507**
	(1,928,263)	(240,180)	326,112	304,924	(1,386,167)	**(1,052,898)**
	1,742,973	630,414	1,107,108	1,172,333	1,089,296	**1,671,201**
	(1,777,607)	(570,437)	(1,292,684)	(1,398,432)	(2,012,930)	**(2,632,917)**
	2,300,000	600,000	-	-	2,000,000	**2,000,000**
	(33,800)	(8,500)	-	-	(12,000)	**(14,850)**
	760	2,644	970	-	21,150	**7,250**
	2,232,326	654,121	(184,606)	(226,099)	1,085,516	**1,030,684**
	$ 304,063	$ 413,941	$ 141,506	$ 78,825	$ (300,651)	**$ (22,214)**
	11.9%	12.8%	14.5%	14.2%	10.4%	**14.6%**

City of Clear Lake, Iowa
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year	Property	Local Option Sales Tax	Utility Replacement Excise Tax	Hotel/Motel Tax	Other Tax	Total
1998	$ 2,159,914	$ 942,667	$ -	$ 205,002	$ -	$ 3,307,583
1999	2,115,398	887,783	-	220,640	-	3,223,821
2000	2,245,121	882,858	-	197,660	-	3,325,639
2001	2,215,812	848,560	43,134	205,881	-	3,313,387
2002	2,304,586	1,002,305	42,822	206,701	63,488	3,619,902
2003	2,620,791	1,071,009	45,969	224,149	76,058	4,037,976
2004	2,789,357	1,302,932	38,010	47,433	78,619	4,256,351
2005	3,186,780	904,865	38,351	45,500	81,434	4,256,930
2006	3,569,878	1,039,242	39,124	46,798	84,265	4,779,307
2007	**3,987,994**	**1,119,089**	**47,809**	**47,572**	**90,843**	**5,293,307**
Change 1st to Last year	84.64%	18.72%	10.84%	(76.79)%	43.09%	60.04%

Source: City records.

Notes: Utility franchise fees classified as other tax in fiscal year 2002; Hotel/Motel tax recorded as net (total proceeds less amount to Clear Lake Chamber and Economic Development Corporation) in fiscal year 2004

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City of Clear Lake, Iowa
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Valuation Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Railway Property
1996	1998	$ 133,399,610	$ 51,186,317	$ 5,611,687	$ 208,574
1997	1999	154,384,193	50,560,447	5,444,056	260,859
1998	2000	169,510,637	52,394,220	5,456,743	289,742
1999	2001	175,273,612	52,051,437	5,651,649	250,323
2000	2002	193,226,754	53,634,023	4,808,018	176,396
2001	2003	191,049,690	66,661,459	4,890,796	106,197
2002	2004	200,123,204	70,321,460	4,529,917	97,938
2003	2005	197,038,741	76,130,666	3,058,346	125,421
2004	2006	203,639,924	75,221,616	3,065,968	220,366
2005	**2007**	**208,886,090**	**74,915,456**	**2,912,930**	**282,433**

Source: County Auditor's Office

Note: There is no personal property tax (on cars or jewelry); only real property is taxed. The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year.

Utility Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Taxable Value as a Percentage of Actual Value
$ 13,768,330	$ 204,174,518	5.01%	9.48702	$ 358,371,679	56.97%
14,331,797	224,981,352	10.19	8.32973	378,581,007	59.43
16,012,172	243,663,514	8.30	8.10782	393,556,978	61.91
14,704,592	247,931,613	1.75	8.10782	428,164,692	57.91
14,540,208	266,385,399	7.44	7.82587	433,636,554	61.43
14,835,893	277,544,035	4.19	8.23096	479,861,942	57.84
14,841,562	289,914,081	4.46	8.41204	497,892,737	58.23
14,238,488	290,591,662	0.23	8.97902	503,831,037	57.68
14,641,073	296,788,947	2.13	9.35600	556,783,649	53.30
16,822,336	**303,819,245**	**2.37**	**10.04870**	**596,858,782**	**50.90**

City of Clear Lake, Iowa
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

		City Direct Rates				
Tax Valuation Year	Fiscal Year	General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund	Total Direct
1996	1998	$ 6.79466	$ 0.28410	$ 0.86887	$ 1.53939	$ 9.48702
1997	1999	6.32224	0.24535	0.81082	0.95132	8.32973
1998	2000	6.31732	0.22654	0.86853	0.69543	8.10782
1999	2001	6.11705	0.22264	1.04061	0.72752	8.10782
2000	2002	5.56337	0.20722	1.32383	0.73145	7.82587
2001	2003	5.97275	0.19889	1.28989	0.76943	8.23096
2002	2004	6.11337	0.19040	1.28989	0.81838	8.41204
2003	2005	6.25362	0.18996	1.73783	0.79761	8.97902
2004	2006	6.81384	0.18599	1.47351	0.88266	9.35600
2005	**2007**	**7.59257**	**0.21428**	**1.33289**	**0.90896**	**10.04870**

Source: City records and County Auditor's office

Note: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners, although the County property tax rates apply to all City property owners.

Overlapping Rates				
School District	Cerro Gordo County	North Iowa Area Community College	Clear Lake Sanitary District	Total Rate
$ 13.93380	$ 5.48671	$ 0.50619	$ 1.80746	$ 31.22118
13.83670	5.47804	0.50619	1.81821	29.96887
13.21620	5.43260	0.53536	1.82390	29.11588
13.33615	5.74088	0.53329	1.80734	29.52548
12.85907	5.28549	0.52425	1.80814	28.30282
12.94453	5.21866	0.59547	1.75731	28.74693
12.82648	5.10724	0.61307	1.69731	28.65614
13.45400	5.80297	0.62599	1.67071	30.53269
12.64447	6.72232	0.62330	1.67071	31.01680
11.88686	**7.12571**	**0.62409**	**1.67071**	**31.35607**

City of Clear Lake, Iowa
Principal Property Taxpayers
Current Year
(Unaudited)

	2007		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Magellan Pipeline Company, LLC	$ 7,417,854	1	2.45%
Interstate Power & Light Co	4,783,552	2	1.58
Clear Lake Independent Tele Co	3,810,065	3	1.26
National Bedding Company LLC	3,646,640	4	1.20
Kingland Properties LC	2,780,430	5	0.92
Clear Lake Bank & Trust Co	2,598,037	6	0.86
New Cole Sewell Corporation	2,513,433	7	0.83
North Iowa Hotel Associates LC	2,268,999	8	0.75
Petroleum Property MGMT Inc	2,190,670	9	0.72
Apple Valley LLC	2,145,061	10	0.71
Total	$ 34,154,741		

Notes: Utilities (Magellan, Interstate Power and CL Telephone) are taxed based on an excise rate.
Data for 1998 is unavailable

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City of Clear Lake, Iowa
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30:	Valuation Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy	
			Amount	Percentage of Levy
1998	1996	$ 1,958,139	$ 1,958,139	100.00%
1999	1997	1,891,566	1,887,232	99.77
2000	1998	1,991,748	1,991,748	100.00
2001	1999	1,983,690	1,983,690	100.00
2002	2000	2,037,544	2,037,544	100.00
2003	2001	2,259,437	2,257,482	99.91
2004	2002	2,412,774	2,411,578	99.95
2005	2003	2,591,782	2,591,782	100.00
2006	2004	2,768,531	2,768,531	100.00
2007	**2005**	**3,039,369**	**3,039,369**	**100.00**

Source: City records

Note: There is no personal property tax (on cars or jewelry); only real property is taxed.
The above information presents the information for each period for which it is levied.
A tax levy provides taxes remitted in the following year.
The farmland value is based upon productivity instead of actual market value.

	Total Collections to Date	
Delinquent Collections	Amount	Percentage of Levy
$ 6,415	$ 1,964,554	100.33%
9,727	1,896,959	100.29
12,541	2,004,289	100.63
16,195	1,999,885	100.82
4,168	2,041,712	100.20
4,641	2,262,123	100.12
2,398	2,413,976	100.05
4,482	2,596,264	100.17
1,241	2,769,772	100.04
21,406	**3,060,775**	**100.70**

City of Clear Lake, Iowa

Ratios of Net General Bonded Debt Outstanding by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities: General Obligation Bonds & Notes	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita
1998	$ 1,945,000	$ 19,728	$ 1,925,272	0.54%	235.28
1999	1,650,000	20,245	1,629,755	0.43	199.16
2000	1,400,000	3,588	1,396,412	0.35	171.11
2001	1,140,000	2,984	1,137,016	0.27	139.32
2002	3,170,000	9,205	3,160,795	0.73	387.30
2003	3,540,000	9,899	3,530,101	0.74	432.56
2004	3,060,000	134,865	2,925,135	0.59	358.43
2005	2,545,000	69,576	2,475,424	0.49	303.32
2006	4,070,000	57,184	4,012,816	0.72	491.71
2007	**5,385,000**	**36,724**	**5,348,276**	**0.90**	**655.35**

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

Source: City records

Business-Type Activities				
Loan Payable	General Obligation Bonds/Notes	Total Primary Government	Percentage of Per Capita Income	Per Capita
$ -	$ 400,000	$ 1,925,272	1.02%	$ 235.28
-	1,065,000	1,629,755	0.84	199.16
-	970,000	1,396,412	0.67	171.11
-	875,000	1,137,016	0.50	139.32
-	780,000	3,160,795	1.32	387.30
-	675,000	3,530,101	1.46	432.56
-	565,000	2,925,135	1.16	358.43
-	455,000	2,475,424	0.95	303.32
518,025	335,000	4,530,841	1.67%	555.18
415,971	**215,000**	**5,979,247**	**2.05%**	**732.66**

City of Clear Lake, Iowa

Computation of Direct and Overlapping Debt
June 30, 2007

	Net General Obligation Debt Outstanding	Percent Applicable to the City of Clear Lake	City of Clear Lake Share of Debt	Net General Obligation Debt Per Capita
Name of governmental unit:				
Direct, City of Clear Lake	$ 5,600,000	100.00%	$ 5,600,000	$ 686.19
Indirect:				
Cerro Gordo County	13,435,000	18.38	2,469,353	302.58
Clear Lake School District	4,175,000	71.57	2,988,048	366.14
North Iowa Area Community College	7,670,000	6.55	502,385	61.56
Clear Lake Sanitary District	4,735,000	77.05	3,648,318	447.04
Subtotal, overlapping debt	30,015,000		9,608,104	1,177.32
Total direct and overlapping debt	$ 35,615,000		$ 15,208,104	$ 1,863.51

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City of Clear Lake, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	1998	1999	2000	2001
Debt limit	$ 17,918,584	$ 18,929,050	$ 19,677,849	$ 21,408,235
Total net debt applicable to limit	2,325,272	2,694,755	2,366,412	2,012,016
Legal debt margin	$ 15,593,312	$ 16,234,295	$ 17,311,437	$ 19,396,219
Total net debt applicable to the limit as a percentage of debt limit	14.91%	16.60%	13.67%	10.37%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2007		
Assessed value	$	596,858,782
Debt limit (5% of assessed value)	$	29,842,939
Debt applicable to limit, general obligation bonds		5,600,000
Legal debt margin	$	24,242,939

2002	2003	2004	2005	2006	**2007**
$ 23,179,690	$ 23,993,097	$ 25,191,552	$ 27,706,426	$ 27,839,182	**$ 29,842,939**
3,940,795	4,205,101	3,490,135	2,930,424	4,405,000	**5,600,000**
$ 19,238,895	$ 19,787,996	$ 21,701,417	$ 24,776,002	$ 23,434,182	**$ 24,242,939**
20.48%	21.25%	16.08%	11.83%	15.82%	**18.76%**

City of Clear Lake, Iowa

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population (1)**	Per Capita Income (3)**	Median Age (3) **	School Enrollment (4)	Unemployment Rate (5)**
1998	46,408	23,169	38.25	1,616	2.83%
1999	46,159	23,637	38.04	1,570	2.70
2000	45,669	25,647	39.16	1,494	2.59
2001	46,447	28,024	39.30	1,507	2.82
2002	45,638	29,176	39.95	1,462	3.73
2003	45,339	29,530	40.30	1,463	3.93
2004	45,118	30,747	41.13	1,426	3.92
2005	45,029	31,879	41.55	1,391	4.89
2006	44,645	33,072	42.15	1,404	3.80
2007	**44,384**	**33,712**	**42.90**	**1,405**	**3.80**

Sources:
(1) U.S. Bureau of the Census
(2) Bureau of Economic Analysis
(3) Wood & Poole Economics, Inc
(4) Clear Lake Community School District
(5) Iowa Workforce Development

Note: The demographic statistic is being added to the report.

** For Cerro Gordo County

City of Clear Lake, Iowa

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

	2007			1998 *		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment
Opportunity Village	**546**	**1**	**25.48%**	297	2	13.86%
Larson Manufacturing	**259**	**2**	**12.09**	300	1	14.00
Dean Snyder Construction	**148**	**3**	**6.91**	-	-	-
Oakwood Care Center	**90**	**4**	**4.20**	-	-	-
TeamQuest Corporation	**120**	**5**	**5.60**	60	5	2.80
Serta Mattress Company	**100**	**6**	**4.67**	82	4	3.83
Andrews Prestressed Concrete	**40**	**7**	**1.87**	-	-	-
Clear Lake Bank & Trust	**56**	**8**	**2.61**	-	-	-
Kingland Systems Corporation	**50**	**9**	**2.33**	-	-	-
Clear Lake Independent Telephone Company	**26**	**10**	**1.21**	-	-	-
Clear Lake Bakery	**-**	**-**	**-**	169	3	7.89

Notes: Remaining 1998 information unavailable

Sources: Employers, US Census Bureau

* Only the top five principal employers are available

City of Clear Lake, Iowa

Full-Time Equivalent City Government Employees By Functions/Programs
Last Ten Fiscal Years
(Unaudited)

	Full-Time Equivalent Employees as of June 30				
	2007	2006	2005	2004	2003
Functions/Program					
General Government:					
Mayor/Council	**6.0**	6.0	6.0	6.0	6.0
City Administrator	**1.0**	1.0	1.0	1.0	1.0
City Clerk/Deputy City Clerk	**1.0**	1.0	1.0	1.0	1.0
Finance/Utilities/Janitor	**4.0**	4.0	4.0	4.0	4.0
Building & Zoning Official	**1.0**	1.0	1.0	1.0	1.0
Police:					
Officers	**15.0**	14.0	14.0	14.0	14.0
Civilian Support Supervisor	**1.0**	1.0	1.0	1.0	1.0
Dispatchers	**4.5**	4.5	4.5	4.5	4.5
Fire:					
Volunteers	**25.0**	22.0	25.0	22.0	23.0
Ambulance	**6.0**	6.0	-	-	-
Public Works:					
Administration	**1.5**	1.5	1.5	2.0	2.0
Vehicle Maintenance	**1.0**	1.0	1.0	1.0	1.0
Laborers	**7.0**	7.0	7.0	7.0	7.0
Water:					
Water plant superintendent	**1.0**	1.0	1.0	1.0	1.0
Laborers	**2.0**	2.0	2.0	2.0	2.0
Other Programs/Functions:					
Park & Recreation	**2.0**	2.0	2.0	2.0	2.0
Library	**7.0**	7.0	7.0	7.0	7.0
Total	**86.0**	82.0	79.0	76.5	77.5

Source: City records

Note: Does not include seasonal or temporary employees

Full-Time Equivalent Employees as of June 30				
2002	2001	2000	1999	1998
6.0	6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
4.0	3.0	3.5	3.5	3.5
1.0	1.0	1.0	1.0	1.0
14.0	14.0	14.0	14.0	14.0
1.0	1.0	1.0	1.0	1.0
4.5	4.5	4.5	4.5	4.5
26.0	25.0	24.0	24.0	24.0
-	-	-	-	-
2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0
7.0	7.0	7.0	7.0	7.0
1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0
6.0	6.0	6.0	6.0	6.0
79.5	77.5	77.0	77.0	77.0

City of Clear Lake, Iowa

Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	1997	1998	1999	2000
Police:				
Calls for service	10,327	10,488	9,317	9,110
Arrests	382	410	255	388
Traffic citations	754	672	631	781
Parking tickets	906	514	579	444
Fire:				
Calls for service	517	194	258	252
Total Fire Calls	161	113	157	157
Total EMS Calls	356	81	101	95
Property loss	$ 210,000	$ 221,000	$ 518,000	$ 257,000
Building safety:				
Total building permits issued	116	131	123	135
Total value all permits	$ 9,903,500	$ 4,875,500	$ 4,841,000	$ 9,288,985
New single/multi family dwellings	15	19	15	24
Library: (reported on a fiscal year)				
Registrations	7,655	8,036	8,245	8,467
Total items checked out	130,815	127,934	121,390	91,102
Park & Recreation:				
Program participants	1,065	1,468	1,472	1,392
Shelter reservations	140	161	129	137
Cemetery:				
Burials	63	70	71	56
Spaces sold (reported on a fiscal year)	67	57	56	55
Public Works:				
New construction or reconstruction (miles)	-	0.23	0.94	0.20
Resurface (miles)	3.20	-	0.57	-
Water: (reported on a fiscal year)				
Customers	3,418	3,426	3,594	3,645
Average daily consumption per customer	235	223	214	205
Solid Waste: (reported on a fiscal year)				
Garbage collected (ton)	2,275	2,319	2,335	2,319
Recycle collected (ton)	362	375	347	322
Yard waste collected (ton)	1,287	731	838	1,350

Source: Department records

Note: ** Indicator not available

Calendar Year					
2001	2002	2003	2004	2005	**2006**
9,097	9,216	9,212	8,592	8,318	**8,527**
318	447	454	420	533	**520**
648	470	495	543	635	**704**
224	247	434	446	383	**248**
237	256	276	284	674	**912**
146	188	187	186	220	**173**
91	68	89	98	454	**739**
$ 732,000	$ 1,106,000	$ 164,000	$ 554,000	$ 419,000	**$ 593,000**
134	245	200	140	124	**126**
$ 6,668,150	$ 8,867,706	$ 9,818,995	$ 9,723,483	$ 13,962,026	**$ 12,913,941**
18	22	18	21	34	**26**
8,689	9,036	9,282	9,478	8,884	**8,812**
97,774	116,061	123,133	134,546	136,723	**140,801**
1,425	1,469	1,565	1,537	1,354	**1,629**
130	131	123	124	130	**150**
69	60	75	68	51	**42**
77	58	79	69	49	**60**
0.64	3.08	0.50	0.40	0.36	**1.17**
-	0.24	0.29	-	1.76	**2.40**
3,671	3,711	3,777	3,805	3,856	**3,885**
211	204	205	188	182	**184**
2,330	2,339	2,335	2,335	2,356	**2,355**
328	328	333	340	348	**339**
1,236	1,750	1,367	1,593	1,453	**1,230**

City of Clear Lake, Iowa

Capital Asset Statistics By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	1998	1999	2000	2001
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	78.6	78.1	78.6	78.8
Traffic Signals	7	8	8	8
Parks & Recreation:				
Acreage	20	20	20	33
Parks	11	11	11	11
Picnic Shelters	6	6	6	6
Library:				
Facilities	1	1	1	1
Volumes	47,140	52,373	45,696	45,144
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	908,000	862,000	852,000	892,000
Peak Consumption	1,452,000	1,445,000	1,589,000	1,397,000
Water Lines (miles)	48.6	48.8	50.0	50.7
Wastewater:				
Sanitary Sewers (miles)	40.9	40.9	43.3	43.5

Source: Department records

2002	2003	2004	2005	2006	**2007**
1	1	1	1	1	**1**
1	1	1	1	1	**1**
79.0	79.1	79.3	79.3	79.3	**80.3**
8	8	8	9	9	**9**
33	33	33	33	33	**33**
11	11	11	11	11	**11**
6	6	6	6	6	**6**
1	1	1	1	1	**1**
47,001	48,464	48,101	49,560	48,830	**45,374**
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	**1,000,000**
952,000	931,000	962,000	889,000	864,000	**910,000**
1,845,000	1,630,000	1,591,000	1,476,000	1,460,000	**1,533,000**
51.3	52.0	52.1	52.8	53.5	**53.6**
43.7	44.1	44.4	44.8	44.8	**46.5**

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COMPLIANCE

City of Clear Lake, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

	Comment	Status	Corrective Action or Other Explanation
Significant Deficiency			
06-II-A	The City does not have an adequate segregation of duties over billing, collecting, depositing and recording of miscellaneous and utility receipts. The data processing function is not segregated from the authorization of transactions.	Not corrected	Similar finding at 07-II-A
Significant Deficiencies in Administering Federal Awards			
06-III-A	The City does not have a system in place to ensure that subrecipients used are not suspended or debarred from participation in federal programs.	Corrected	
06-III-B	The City does not have a system in place to ensure compliance with subrecipient monitoring requirements.	Corrected	
Findings Related to Required Statutory Reporting			
06-IV-N	The City has not completed and filed its unclaimed property reports per Chapter 556.1(10) of the Code of Iowa.	Corrected	

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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 Clear Lake, Iowa
Clear Lake, Iowa

We have audited the financial statements of the City of Clear Lake, Iowa as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. 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.

Internal Control Over Financial Reporting

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

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

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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described below to be significant deficiency in internal control over financial reporting.

07-II-A

Finding: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

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an affiliation of separate and independent legal entities.

Condition: The individual responsible for billing is also responsible for collecting money, making deposits and recording transactions in the general ledger. The data processing function is not segregated from the authorization of transactions.

Context: Pervasive to cash receipt transactions.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of collecting from reconciling and recording of the cash receipts to prevent mismanagement of receipts.

Response and Corrective Action Plan: The City is aware of the limited segregation of duties and will continue to look for opportunities to realign or reassign duties when possible.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clear Lake, Iowa's financial statements are free of 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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

This report is intended solely for the information and use of City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 27, 2007

Findings Related to Required Statutory Reporting

07-IV-A: Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

07-IV-B: Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25,1979 were noted.

07-IV-C: Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

07-IV-D: Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Yohn Enterprises	Construction, per bid	$	559,604
Jim Hunt Electric	Electrical materials, per bid		9,683
Kelly Wreath Co.	Street Light Garland, per bid		1,947

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions listed above do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

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

07-IV-F: Council Minutes - We noted no transactions requiring Council approval which had not been approved in the Council minutes.

07-IV-G: 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.

07-IV-H: Revenue Notes - Currently, the City does not have revenue notes.

07-IV-I: Payment of General Obligation Bonds - The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.

07-IV-J: Economic Development - We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.

07-IV-K: Notice of Public Hearing for Public Improvements - We noted no instance of noncompliance with Chapters 384.102 and 362.3 of the Code of Iowa.

07-IV-L: Sales Tax - We noted no instance of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

(Continued)

07-IV-M: Financial Condition

Finding: The Capital Projects Fund had a deficit fund balance of $102,455 as of June 30, 2007.

Recommendation: We recommend the City fund the deficit.

Response and Corrective Action Plan: The City will fund the deficit through future donations and grants.

Conclusion: Response and corrective action plan accepted.

City of Clear Lake, Iowa

Corrective Action Plan
Year Ended June 30, 2007

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies:				
07-II-A	Inadequate segregation of duties over cash receipts.	See corrective action plan at 07-II-A	June 2008	Linda Nelson, Finance Director
Findings Related to Statutory Reporting:				
07-IV-M	The City had a deficit fund balance in its Capital Projects Fund.	See corrective action plan at 07-IV-M	June 2008	Linda Nelson, Finance Director

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