

City of Clear Lake, Iowa

Financial and Compliance Report

Year Ended June 30, 2008

INTRODUCTORY

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City of Clear Lake, Iowa

City Officials
June 30, 2008

		Term Expiration Date Of Elected Officials
Nelson Crabb	Mayor	12-31-09
Shane Cooney	1st Ward City Council Member	12-31-11
Terry Unsworth	2nd Ward City Council Member	12-31-09
Ben Furleigh	3rd Ward City Council Member	12-31-11
Mike Callanan	At Large City Council Member	12-31-11
Dave Solberg	At Large City Council Member	12-31-09

Park and Recreation Board

Jim Finstad
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 Eliassen
Jana Severtson
Jackie Lowry
Ann Bagby
Michael Mahaffey
Jean Casey - Director
Elizabeth Den Hartog - Assistant Director

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, 2008, 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, 2008, 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 20, 2008 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.

The Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information on pages 47 through 49 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 20, 2008

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

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, 2008.

Financial Highlights

The assets of the City of Clear Lake exceeded its liabilities at the close of the most recent fiscal year by \$36,520,036 (net assets). Of this amount, \$5,097,436 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2007, assets exceeded liabilities by \$33,461,385. Of this amount, \$4,548,276 was unrestricted.

The City's total net assets increased by \$3,058,651 during the fiscal year ended June 30, 2008. Governmental activities increased \$2,028,867 and business-type activities increased \$1,029,784. For fiscal year ended June 30, 2007, total net assets increased \$2,799,563. Governmental activities increased \$1,549,591 and business-type activities increased \$1,249,972.

As of the close of the current fiscal year, the City of Clear Lake's governmental funds reported combined ending fund balances of \$4,723,008, an increase of \$1,157,522 in comparison with the prior year. Approximately 99.9 percent of this total amount, \$4,721,008, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2007, governmental funds reported combined ending fund balances of \$3,565,486, of which \$3,563,486 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 \$2,808,131 or 69.3 percent of total General Fund expenditures. The unreserved fund balance for the General Fund as of June 30, 2007 was \$2,225,476 or 54.9 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.

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

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 13 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 seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

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 47 through 49.

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 28 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 \$36,520,036, which represents an increase of \$3,058,651 from 2007.

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

Of the City of Clear Lake's net assets, 81.8 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	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 10,975,405	\$ 9,917,289	\$ 2,894,981	\$ 1,886,310	\$ 13,870,386	\$ 11,803,599
Capital assets net of depreciation	20,504,549	20,278,839	14,433,722	13,136,279	34,938,271	33,415,118
Total assets	31,479,954	30,196,128	17,328,703	15,022,589	48,808,657	45,218,717
Liabilities						
Current liabilities	6,164,818	6,214,859	869,916	589,994	7,034,734	6,804,853
Long-term liabilities	3,890,000	4,585,000	1,363,887	367,479	5,253,887	4,952,479
Total liabilities	10,054,818	10,799,859	2,233,803	957,473	12,288,621	11,757,332
Net Assets						
Invested in capital assets, net of related debt	15,938,642	14,917,121	13,946,243	12,505,307	29,884,885	27,422,428
Restricted	1,537,715	1,065,681	-	425,000	1,537,715	1,490,681
Unrestricted	3,948,779	3,413,467	1,148,657	1,134,809	5,097,436	4,548,276
Total net assets	\$ 21,425,136	\$ 19,396,269	\$ 15,094,900	\$ 14,065,116	\$ 36,520,036	\$ 33,461,385

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, \$5,097,436, 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 \$3,058,651 during the current fiscal year. The governmental activities' net assets increased by \$2,028,867. The total business-type activities' net assets increased by \$1,029,784. 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, 2008. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2008

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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 620,961	\$ 1,188,522	\$ 1,582,301	\$ 1,555,390	\$ 2,203,262	\$ 2,743,912
Operating grants and contributions	847,820	942,150	-	-	847,820	942,150
Capital grants and contributions	1,033,626	995,619	407,668	147,111	1,441,294	1,142,730
General revenues:						
Property taxes	4,103,953	3,987,994	-	-	4,103,953	3,987,994
Other taxes	1,536,946	1,305,313	-	-	1,536,946	1,305,313
Investment earnings	163,058	191,863	51,092	52,061	214,150	243,924
Miscellaneous	1,200	11,240	-	65,000	1,200	76,240
Total revenues	8,307,564	8,622,701	2,041,061	1,819,562	10,348,625	10,442,263
Expenses:						
General government	601,920	590,870	-	-	601,920	590,870
Public safety	2,102,452	2,184,535	-	-	2,102,452	2,184,535
Public works	1,514,707	1,713,787	-	-	1,514,707	1,713,787
Health and social services	1,503	753	-	-	1,503	753
Culture and recreation	941,657	858,869	-	-	941,657	858,869
Community and economic development	395,959	560,064	-	-	395,959	560,064
Interest on long-term debt	226,978	202,516	-	-	226,978	202,516
Water	-	-	674,209	683,728	674,209	683,728
Sewer rental	-	-	261,705	264,106	261,705	264,106
Storm water	-	-	163,949	184,625	163,949	184,625
Solid waste	-	-	404,935	398,847	404,935	398,847
Total expenses	5,785,176	6,111,394	1,504,798	1,531,306	7,289,974	7,642,700
Excess of revenues over expenses before transfers	2,522,388	2,511,307	536,263	288,256	3,058,651	2,799,563
Transfers	(493,521)	(961,716)	493,521	961,716	-	-
Change in net assets	2,028,867	1,549,591	1,029,784	1,249,972	3,058,651	2,799,563
Net assets, beginning of year	19,396,269	17,846,678	14,065,116	12,815,144	33,461,385	30,661,822
Net assets, end of year	\$ 21,425,136	\$ 19,396,269	\$ 15,094,900	\$ 14,065,116	\$ 36,520,036	\$ 33,461,385

City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2008

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

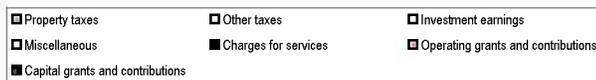
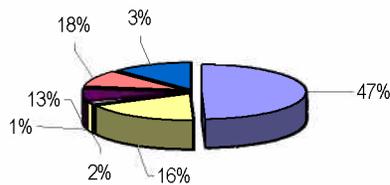
Programs	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Public safety	\$ 2,102,452	\$ (1,680,040)	\$ 2,184,535	\$ (1,710,842)
Public works	1,514,707	218,949	1,713,787	(90,115)
Health and social services	1,503	(83)	753	(313)
Culture and recreation	941,657	(672,621)	858,869	(138,084)
Community and economic development	395,959	(338,742)	560,064	(277,191)
General government	601,920	(583,254)	590,870	(566,042)
Interest on long-term debt	226,978	(226,978)	202,516	(202,516)
Total	\$ 5,785,176	\$ (3,282,769)	\$ 6,111,394	\$ (2,985,103)

Net cost of services is 56.7 percent of total cost of services in 2008 as compared to 48.8 percent in 2007. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

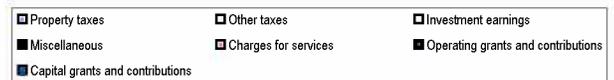
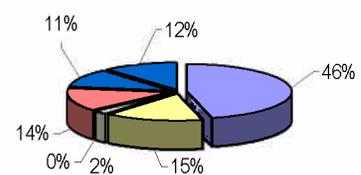
Governmental Activities

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

Revenues by Source - Governmental Activities 2008



Revenues by Source - Governmental Activities 2007

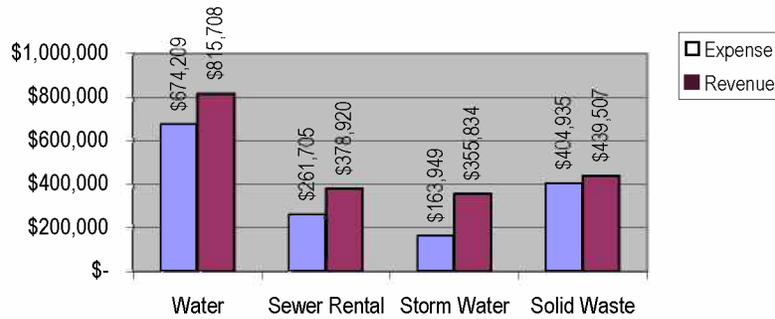


City of Clear Lake, Iowa

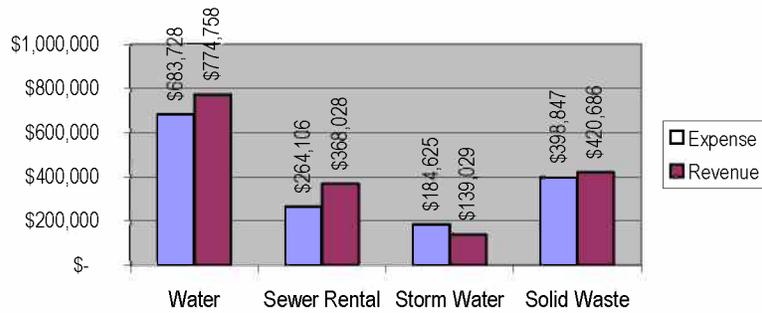
Management's Discussion and Analysis
Year Ended June 30, 2008

Total business-type activities' revenue, excluding interfund transfers, for the fiscal year was \$2,041,061. All but \$51,092 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 2008



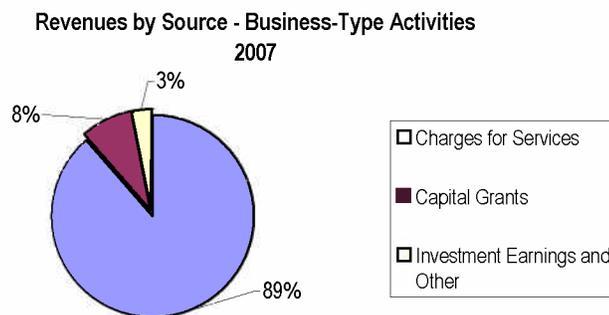
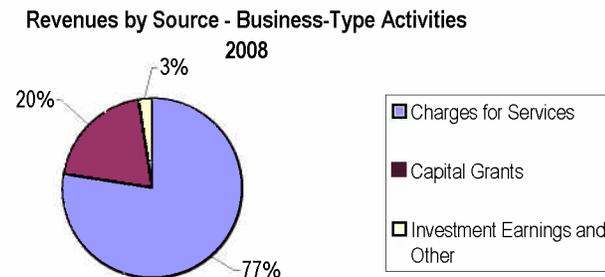
Expenses and Program Revenue - Business-Type Activities
2007



City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

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 \$1,029,784 accounting for 33.7 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 \$4,723,008, an increase of \$1,157,522 in comparison with the prior year. Approximately 99.9 percent of this total amount, \$4,721,008, 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.

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2008

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 \$2,808,131. 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 69.3 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$582,655 during the current fiscal year. This was due to actual expenditures less than anticipated and construction projects not completed as of June 30, 2008.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance decreased \$7,447 from \$11,530 in 2007 to \$4,083 in 2008 primarily due to repayment of project costs.

The Road Use Fund is to maintain and improve City streets. Fund balance increased \$325,337 from \$671,956 in 2007 to \$997,293 in 2008 primarily due to large overlay project planned for fiscal year 2009.

The Employee Benefits Fund accounts for the employees' group life and health insurance. Fund balance increased by \$49,162 from \$328,207 in 2007 to \$377,369 in 2008. This increase was due to the transfer of unused pension fund balance to the Employee Benefit Fund.

The Capital Projects Fund balance increased \$200,667 from (\$102,455) in 2007 to \$98,212 in 2008. This increase was due to timing issues related to capital project expenditures and the related revenues (donations and grants).

The Debt Service Fund balance increased \$22,034 from \$36,724 in 2007 to \$58,758 in 2008. This increase was due to the accumulation of hotel/motel tax revenue to pay for the lake improvement bond issue.

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 known 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 \$9,417,662 was increased to \$10,046,184 (an increase of \$628,522) mainly due to revised estimates for capital project grants.
- The total original expenditure budget of \$11,675,061 was decreased to \$10,816,417 (a decrease of \$858,644) mainly for revised costs for capital projects.
- The total original budget for other financing sources of \$600,000 was increased to \$1,320,000 (an increase of \$720,000) mainly due to an increase in transfers and bond proceeds for capital projects.
- During the year, however, revenues were more than budgetary revenues and expenditures were less than budgetary expenditures.

City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2008

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, 2008, amounted to \$34,938,271 (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 4.6 percent (a 1.1 percent increase for governmental activities and a 9.9 percent increase for business-type activities).

Major capital asset events during the current fiscal year included purchase of the recreational property on South 12th Street and completion of several construction projects (Industrial Park Improvements, Storm Sewer and Filter Box Improvements).

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	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,521,599	\$ 2,371,577	\$ 331,716	\$ 331,716	\$ 2,853,315	\$ 2,703,293
Construction-in-progress	149,558	2,109,859	593,032	404,560	742,590	2,514,419
Buildings and improvements	6,330,042	4,775,014	1,228,527	1,228,527	7,558,569	6,003,541
Infrastructure	19,885,187	18,963,665	18,186,713	16,667,124	38,071,900	35,630,789
Machinery and equipment	3,954,516	3,634,218	935,344	935,344	4,889,860	4,569,562
Accumulated depreciation	(12,336,353)	(11,575,494)	(6,841,610)	(6,430,992)	(19,177,963)	(18,006,486)
Total	\$ 20,504,549	\$ 20,278,839	\$ 14,433,722	\$ 13,136,279	\$ 34,938,271	\$ 33,415,118

Debt - As of June 30, 2008, the City of Clear Lake, Iowa had general obligation bonds and loan notes outstanding totaling \$5,870,000 and notes payable outstanding of \$402,479. In the current year, the City paid \$1,063,493 in principal and \$249,937 in interest on outstanding debt.

Table 5 - Outstanding Debt, June 30

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 1,005,000	\$ 1,100,000	\$ 1,200,000	\$ -	\$ 2,205,000	\$ 1,100,000
General obligation loan notes	3,580,000	4,285,000	85,000	215,000	3,665,000	4,500,000
Notes payable	-	-	402,479	415,972	402,479	415,972
	\$ 4,585,000	\$ 5,385,000	\$ 1,687,479	\$ 630,972	\$ 6,272,479	\$ 6,015,972

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

City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2008**

Economic Factors and Next Year's Budgets and Rates

Real property assessed values have continued to rise with tax year 2008 at \$632,888,248.

The unemployment rate for Cerro Gordo County is 4.8 percent. The rate for Cerro Gordo County increased from last year's rate of 3.8 percent. The rate is higher than the state's average unemployment rate of 4 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, 2008

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 1,019,874	\$ 407,776	\$ 1,427,650
Certificates of deposit	3,702,000	953,000	4,655,000
Investments	51,964	-	51,964
Restricted assets:			
Cash	2,000	-	2,000
Certificates of deposit	-	1,200,000	1,200,000
Receivables, net of allowances for uncollectible amounts:			
Property taxes	4,754,723	-	4,754,723
Assessments	784,284	-	784,284
Accounts, consumers	156,570	162,555	319,125
Unbilled usage	-	35,888	35,888
Other	55,741	49,636	105,377
Due from other governments	357,292	50,000	407,292
Internal balances	56,856	(56,856)	-
Inventories	-	88,436	88,436
Total current assets	10,941,304	2,890,435	13,831,739
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	2,521,599	331,716	2,853,315
Construction-in-progress	149,558	593,032	742,590
Depreciable:			
Buildings and land improvements	6,330,042	1,228,527	7,558,569
Infrastructure	19,885,187	18,186,713	38,071,900
Machinery and equipment	3,954,516	935,344	4,889,860
Accumulated depreciation	(12,336,353)	(6,841,610)	(19,177,963)
Total capital assets, net of depreciation	20,504,549	14,433,722	34,938,271
Bond issuance costs, net	15,008	4,546	19,554
Bond discount, net	19,093	-	19,093
Total noncurrent assets	20,538,650	14,438,268	34,976,918
Total assets	\$ 31,479,954	\$ 17,328,703	\$ 48,808,657

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current:			
Accounts and contracts payable	\$ 457,118	\$ 448,375	\$ 905,493
Accrued liabilities	107,048	31,457	138,505
Deposits	-	42,982	42,982
Compensated absences	140,647	23,510	164,157
Unearned revenue	4,765,005	-	4,765,005
Current maturities of long-term debt	695,000	323,592	1,018,592
Total current liabilities	<u>6,164,818</u>	<u>869,916</u>	<u>7,034,734</u>
Noncurrent, long-term debt, net of current maturities	3,890,000	1,363,887	5,253,887
Total liabilities	<u>10,054,818</u>	<u>2,233,803</u>	<u>12,288,621</u>
Net assets			
Invested in capital assets, net of related debt	15,938,642	13,946,243	29,884,885
Restricted for:			
Endowments/permanently restricted trust corpus	2,000	-	2,000
Capital projects	98,212	-	98,212
Tax increment financing districts	4,083	-	4,083
Road use	997,293	-	997,293
Employee benefits	377,369	-	377,369
Debt service	58,758	-	58,758
Unrestricted	3,948,779	1,148,657	5,097,436
Total net assets	<u>21,425,136</u>	<u>15,094,900</u>	<u>36,520,036</u>
Total liabilities and net assets	<u>\$ 31,479,954</u>	<u>\$ 17,328,703</u>	<u>\$ 48,808,657</u>

City of Clear Lake, Iowa

Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	\$ 2,102,452	\$ 363,815	\$ 58,597	\$ -
Public works	1,514,707	12,531	719,061	1,002,064
Health and social services	1,503	1,420	-	-
Culture and recreation	941,657	172,612	64,862	31,562
Community and economic development	395,959	51,917	5,300	-
General government	601,920	18,666	-	-
Interest on long-term debt	226,978	-	-	-
Total governmental activities	5,785,176	620,961	847,820	1,033,626
Business-type activities:				
Water	674,209	753,638	-	62,070
Sewer rental	261,705	311,190	-	67,730
Storm water	163,949	77,966	-	277,868
Solid waste	404,935	439,507	-	-
Total business-type activities	1,504,798	1,582,301	-	407,668
Total primary government	\$ 7,289,974	\$ 2,203,262	\$ 847,820	\$ 1,441,294

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
\$ (1,680,040)	\$ -	\$ (1,680,040)
218,949	-	218,949
(83)	-	(83)
(672,621)	-	(672,621)
(338,742)	-	(338,742)
(583,254)	-	(583,254)
(226,978)	-	(226,978)
(3,282,769)	-	(3,282,769)
-	141,499	141,499
-	117,215	117,215
-	191,885	191,885
-	34,572	34,572
-	485,171	485,171
(3,282,769)	485,171	(2,797,598)
4,103,953	-	4,103,953
1,536,946	-	1,536,946
163,058	51,092	214,150
1,200	-	1,200
(493,521)	493,521	-
5,311,636	544,613	5,856,249
2,028,867	1,029,784	3,058,651
19,396,269	14,065,116	33,461,385
\$ 21,425,136	\$ 15,094,900	\$ 36,520,036

City of Clear Lake, Iowa

Balance Sheet
Governmental Funds
June 30, 2008

Assets	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Cash and cash equivalents	\$ 558,801	\$ -	\$ 65,651	\$ 65,847
Certificates of deposit	2,146,200	-	950,000	304,000
Investments	-	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, net of allowances for uncollectible amounts:				
Property taxes	2,527,069	1,404,181	-	411,409
Special assessments	784,284	-	-	-
Accounts, consumers	156,570	-	-	-
Other	-	-	-	709
Due from other governments	256,024	-	55,978	-
Due from other funds	62,178	-	-	-
Total assets	\$ 6,491,126	\$ 1,404,181	\$ 1,071,629	\$ 781,965
Liabilities and fund balances				
Liabilities:				
Accounts and contracts payable	\$ 230,515	\$ -	\$ 43,717	\$ -
Accrued liabilities	84,466	-	5,619	38
Due to other funds	5,000	-	25,000	-
Unearned revenue	3,363,014	1,400,098	-	404,558
Total liabilities	3,682,995	1,400,098	74,336	404,596
Fund balances:				
Reserved for endowments	-	-	-	-
Unreserved, reported in:				
General Fund	2,808,131	-	-	-
Special revenue funds	-	4,083	997,293	377,369
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total fund balances	2,808,131	4,083	997,293	377,369
Total liabilities and fund balances	\$ 6,491,126	\$ 1,404,181	\$ 1,071,629	\$ 781,965

See Notes to Basic Financial Statements.

	Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
\$	256,588	\$ 377	\$ 72,610	\$ 1,019,874
	-	53,500	248,300	3,702,000
	-	-	51,964	51,964
	-	-	2,000	2,000
	-	412,064	-	4,754,723
	-	-	-	784,284
	-	-	-	156,570
	-	6	55,026	55,741
	45,290	-	-	357,292
	25,000	-	-	87,178
\$	326,878	\$ 465,947	\$ 429,900	\$ 10,971,626

\$	182,470	\$ -	\$ 416	\$ 457,118
	906	-	-	91,029
	-	-	322	30,322
	45,290	407,189	50,000	5,670,149
	228,666	407,189	50,738	6,248,618

	-	-	2,000	2,000
	-	-	-	2,808,131
	-	-	377,162	1,755,907
	-	58,758	-	58,758
	98,212	-	-	98,212
	98,212	58,758	379,162	4,723,008
\$	326,878	\$ 465,947	\$ 429,900	\$ 10,971,626

City of Clear Lake, Iowa

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

June 30, 2008

Total governmental fund balances		\$	4,723,008
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	\$	2,521,599	
Buildings and land improvements		6,330,042	
Infrastructure		19,885,187	
Machinery and equipment		3,954,516	
Construction-in-progress		149,558	
Accumulated depreciation		<u>(12,336,353)</u>	20,504,549
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds			905,144
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences, current		(140,647)	
Bond discount		19,093	
Bond issuance costs		15,008	
Accrued interest payable		(16,019)	
General obligation bonds and loan notes, current		(695,000)	
General obligation bonds and loan notes, noncurrent		<u>(3,890,000)</u>	(4,707,565)
Net assets of governmental activities			<u><u>\$ 21,425,136</u></u>

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2008

	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Revenues:				
Property taxes	\$ 2,347,766	\$ 879,939	\$ -	\$ 498,262
Special assessments	297,684	-	-	-
Other taxes	1,524,885	-	-	7,148
Licenses and permits	84,334	-	-	-
Intergovernmental	88,669	-	699,274	-
Charges for services	477,503	-	-	-
Fines and forfeitures	48,982	-	-	-
Use of money and property	128,771	4,363	-	11,377
Miscellaneous	62,466	-	-	-
Total revenue	5,061,060	884,302	699,274	516,787
Expenditures:				
Current:				
Public safety	1,770,407	-	-	274,746
Public works	609,810	-	151,766	96,672
Health and social services	1,503	-	-	-
Culture and recreation	928,975	-	-	50,715
Community and economic development	192,383	191,548	-	6,250
General government	548,326	-	-	39,242
Capital projects	-	-	107,171	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	4,051,404	191,548	258,937	467,625
Excess of revenue over (under) expenditures	1,009,656	692,754	440,337	49,162
Other financing sources (uses):				
Transfers in	57,981	-	-	-
Transfers out	(484,982)	(700,201)	(115,000)	-
Total other financing sources (uses)	(427,001)	(700,201)	(115,000)	-
Net change in fund balances	582,655	(7,447)	325,337	49,162
Fund balances (deficit), beginning of year	2,225,476	11,530	671,956	328,207
Fund balances, end of year	\$ 2,808,131	\$ 4,083	\$ 997,293	\$ 377,369

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total
\$ -	\$ 377,986	\$ -	\$ 4,103,953
-	-	-	297,684
-	4,913	-	1,536,946
-	-	-	84,334
584,294	-	-	1,372,237
-	-	-	477,503
-	-	1,777	50,759
293	6,970	11,284	163,058
178,177	-	18,751	259,394
762,764	389,869	31,812	8,345,868
-	-	3,945	2,049,098
-	-	-	858,248
-	-	-	1,503
-	-	23,616	1,003,306
-	-	5,146	395,327
-	-	-	587,568
670,897	-	-	778,068
-	800,000	-	800,000
-	221,707	-	221,707
670,897	1,021,707	32,707	6,694,825
91,867	(631,838)	(895)	1,651,043
120,000	653,872	1,500	833,353
(11,200)	-	(15,491)	(1,326,874)
108,800	653,872	(13,991)	(493,521)
200,667	22,034	(14,886)	1,157,522
(102,455)	36,724	394,048	3,565,486
\$ 98,212	\$ 58,758	\$ 379,162	\$ 4,723,008

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
Year Ended June 30, 2008**

Net change in fund balances - governmental funds \$ 1,157,522

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	947,749
Depreciation	(823,497)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase/decrease net assets:

(Loss) from the disposal of capital assets	(4,312)
Donation of capital assets	105,770

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (144,074)

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	(5,020)
--------------------------------	---------

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	800,000
Interest	2,318
Amortization of discount on bonds	(4,189)
Amortization of issuance costs on bonds	(3,400)
Change in net assets of governmental activities	<u>\$ 2,028,867</u>

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

**Statement of Net Assets
Proprietary Funds
June 30, 2008**

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 337,305	\$ 50,165	\$ -	\$ 20,306	\$ 407,776
Certificates of deposit	613,000	170,000	-	170,000	953,000
Restricted certificates of deposit	1,200,000	-	-	-	1,200,000
Receivables, net of allowances for uncollectible amounts:					
Accounts, consumers	81,389	34,486	7,069	39,611	162,555
Other	-	-	49,636	-	49,636
Unbilled usage	18,079	7,181	1,631	8,997	35,888
Due from other governments	-	-	50,000	-	50,000
Due from other funds	-	-	5,000	-	5,000
Inventories	88,436	-	-	-	88,436
Total current assets	2,338,209	261,832	113,336	238,914	2,952,291
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	65,026	-	266,690	-	331,716
Construction-in-progress	571,452	2,125	19,455	-	593,032
Depreciable:					
Buildings and land improvements	1,132,527	71,000	25,000	-	1,228,527
Infrastructure	6,651,065	5,034,241	6,501,407	-	18,186,713
Machinery and equipment	646,592	288,752	-	-	935,344
Accumulated depreciation	(3,488,821)	(1,411,179)	(1,941,610)	-	(6,841,610)
Total capital assets, net of depreciation	5,577,841	3,984,939	4,870,942	-	14,433,722
Bond issuance costs, net	4,546	-	-	-	4,546
Total noncurrent assets	5,582,387	3,984,939	4,870,942	-	14,438,268
Total assets	\$ 7,920,596	\$ 4,246,771	\$ 4,984,278	\$ 238,914	\$ 17,390,559

See Notes to Basic Financial Statements.

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	\$ 357,856	\$ 10,882	\$ 48,162	\$ 31,475	\$ 448,375
Accrued liabilities	19,721	5,192	5,730	814	31,457
Due to other funds	-	-	61,856	-	61,856
Deposits	42,982	-	-	-	42,982
Compensated absences	18,661	4,094	-	755	23,510
Bonds and loan notes payable	100,000	85,000	-	-	185,000
Notes payable	-	138,592	-	-	138,592
Total current liabilities	539,220	243,760	115,748	33,044	931,772
Noncurrent liabilities:					
Bonds payable	1,100,000	-	-	-	1,100,000
Notes payable	-	263,887	-	-	263,887
Total liabilities	1,639,220	507,647	115,748	33,044	2,295,659
Net assets:					
Invested in capital assets, net of related debt	5,577,841	3,497,460	4,870,942	-	13,946,243
Unrestricted	703,535	241,664	(2,412)	205,870	1,148,657
Total net assets	6,281,376	3,739,124	4,868,530	205,870	15,094,900
Total liabilities and net assets	\$ 7,920,596	\$ 4,246,771	\$ 4,984,278	\$ 238,914	\$ 17,390,559

City of Clear Lake, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2008

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Operating revenues:					
Charges for services	\$ 752,986	\$ 311,190	\$ 77,966	\$ 439,507	\$ 1,581,649
Miscellaneous	652	-	-	-	652
	<u>753,638</u>	<u>311,190</u>	<u>77,966</u>	<u>439,507</u>	<u>1,582,301</u>
Operating expenses:					
Personal services	300,537	89,528	9,131	29,857	429,053
Contractual services	146,292	19,275	27,299	374,750	567,616
Commodities	50,784	9,980	6,269	328	67,361
Depreciation	173,124	118,164	121,250	-	412,538
Total operating expenses	<u>670,737</u>	<u>236,947</u>	<u>163,949</u>	<u>404,935</u>	<u>1,476,568</u>
Operating income (loss)	<u>82,901</u>	<u>74,243</u>	<u>(85,983)</u>	<u>34,572</u>	<u>105,733</u>
Nonoperating income (expense):					
Investment earnings	38,982	3,528	1,259	7,323	51,092
Donations	-	-	96,136	-	96,136
Interest expense	(3,472)	(24,758)	-	-	(28,230)
Intergovernmental	-	-	50,000	-	50,000
Total nonoperating income (expense)	<u>35,510</u>	<u>(21,230)</u>	<u>147,395</u>	<u>7,323</u>	<u>168,998</u>
Income before capital contributions and transfers	<u>118,411</u>	<u>53,013</u>	<u>61,412</u>	<u>41,895</u>	<u>274,731</u>
Capital contributions and grants	62,070	67,730	131,732	-	261,532
Transfers in	112,784	181,737	217,000	-	511,521
Transfers out	-	-	-	(18,000)	(18,000)
Change in net assets	<u>293,265</u>	<u>302,480</u>	<u>410,144</u>	<u>23,895</u>	<u>1,029,784</u>
Total net assets, beginning of year	5,988,111	3,436,644	4,458,386	181,975	14,065,116
Total net assets, end of year	<u>\$ 6,281,376</u>	<u>\$ 3,739,124</u>	<u>\$ 4,868,530</u>	<u>\$ 205,870</u>	<u>\$ 15,094,900</u>

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer Rental	Storm Water	Solid Waste	Enterprise Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 755,679	\$ 310,740	\$ 27,774	\$ 436,151	\$ 1,530,344
Receipts from other	652	-	-	-	652
Payments to suppliers	(209,142)	(105,117)	(129,163)	(372,706)	(816,128)
Payments to employees	(301,746)	(89,166)	(9,131)	(29,790)	(429,833)
Net cash provided by (used in) operating activities	245,443	116,457	(110,520)	33,655	285,035
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(18,000)	(18,000)
Transfers in	112,784	181,737	217,000	-	511,521
Proceeds from other funds	-	-	61,856	-	61,856
Payments to other funds	-	-	(5,000)	-	(5,000)
Net cash provided by (used in) noncapital financing activities	112,784	181,737	273,856	(18,000)	550,377
Cash flows from capital and related financing activities:					
Purchase of capital assets	(320,755)	(84,763)	(661,664)	-	(1,067,182)
Donations for purchase of capital assets	-	-	96,136	-	96,136
Proceeds from issuance of debt, net of bond issuance costs of \$4,546	1,195,454	120,000	-	-	1,315,454
Payment on debt	(50,000)	(213,493)	-	-	(263,493)
Interest paid on debt	(3,472)	(24,758)	-	-	(28,230)
Net cash provided by (used in) capital and related financing activities	821,227	(203,014)	(565,528)	-	52,685
Cash flows from investing activities:					
Proceeds from sale and maturities of investments	3,552,000	410,000	130,000	640,000	4,732,000
Purchase of investments	(4,496,000)	(580,000)	(80,000)	(655,000)	(5,811,000)
Interest received	38,982	3,528	1,259	7,323	51,092
Net cash provided by (used in) investment activities	(905,018)	(166,472)	51,259	(7,677)	(1,027,908)
Increase (decrease) in cash and cash equivalents	274,436	(71,292)	(350,933)	7,978	(139,811)
Cash and cash equivalents, beginning of year	62,869	121,457	350,933	12,328	547,587
Cash and cash equivalents, end of year	\$ 337,305	\$ 50,165	\$ -	\$ 20,306	\$ 407,776

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)
 Proprietary Funds
 Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds				Total Enterprise
	Water	Sewer Rental	Storm Water	Solid Waste	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 82,901	\$ 74,243	\$ (85,983)	\$ 34,572	\$ 105,733
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities, depreciation	173,124	118,164	121,250	-	412,538
Change in assets and liabilities:					
Receivables	(744)	(450)	(50,192)	(3,356)	(54,742)
Inventories	(17,050)	-	-	-	(17,050)
Deposits	3,437	-	-	-	3,437
Accounts payable and accrued liabilities	4,984	(75,862)	(95,595)	2,372	(164,101)
Compensated absences	(1,209)	362	-	67	(780)
Net cash provided by (used in) operating activities	\$ 245,443	\$ 116,457	\$ (110,520)	\$ 33,655	\$ 285,035
Schedule of noncash items:					
Capital and related financing activities:					
Capital contributions	\$ 62,070	\$ 67,730	\$ 131,732	\$ -	\$ 261,532
Acquisition of capital assets through contracts payable	337,443	4,318	39,506	-	381,267

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

The City of 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.

Notes to Basic Financial Statements

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

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 and Employee Benefits Fund are presented as major funds for public interest purposes.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

The 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.

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.

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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

The 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.

Notes to Basic Financial Statements

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

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 2008 based on the 2007 assessed valuations. These taxes are due in two installments, on September 1, 2008 and the following March 1, 2009 with a 1.5 percent per month penalty for delinquent payment. Since the 2008 tax levy is budgeted and levied for the fiscal year 2009, 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.

Notes to Basic Financial Statements

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

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. \$1,945 in 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:

	<u>Years</u>
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.

Notes to Basic Financial Statements

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

Transactions which constitute 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. Unspent bond proceeds for the Water Fund was \$1,200,000. 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 \$4,083 for tax increment financing districts, \$377,369 for employee benefits, \$58,758 for debt service, \$997,293 for road use and \$98,212 for capital projects.

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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments

As of June 30, 2008, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$ 7,196,764
Cash and investments held by the Clear Lake Library Foundation	139,850
	<u>\$ 7,336,614</u>

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	\$ 22,562
Mutual fund - Capital World Growth & Income	N/A	15,704
Corporate Bond - Hydro Quebec	01/15/2027	13,698

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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2008, 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	Aa2	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 \$13,698.

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, 2008, 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, 2008, 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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2008:

	Ending Balance June 30, 2007	Additions	Deletions	Ending Balance June 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,371,577	\$ 150,022	\$ -	\$ 2,521,599
Construction-in-progress	2,109,859	133,190	2,093,491	149,558
Total capital assets, not being depreciated	4,481,436	283,212	2,093,491	2,671,157
Capital assets, being depreciated:				
Buildings and land improvements	4,775,014	1,555,028	-	6,330,042
Infrastructure	18,963,665	982,722	61,200	19,885,187
Machinery and equipment	3,634,218	326,048	5,750	3,954,516
Total capital assets, being depreciated	27,372,897	2,863,798	66,950	30,169,745
Less accumulated depreciation for:				
Buildings and land improvements	1,057,835	136,089	-	1,193,924
Infrastructure	8,144,346	442,443	61,200	8,525,589
Machinery and equipment	2,373,313	244,965	1,438	2,616,840
Total accumulated depreciation	11,575,494	823,497	62,638	12,336,353
Total capital assets, being depreciated, net	15,797,403	2,040,301	4,312	17,833,392
Governmental activities capital assets, net	\$ 20,278,839	\$ 2,323,513	\$ 2,097,803	\$ 20,504,549

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2007	Additions	Deletions	Ending Balance June 30, 2008
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 331,716	\$ -	\$ -	\$ 331,716
Construction-in-progress	404,560	509,439	320,967	593,032
Total capital assets, not being depreciated	736,276	509,439	320,967	924,748
Capital assets, being depreciated:				
Buildings and land improvements	1,228,527	-	-	1,228,527
Infrastructure	16,667,124	1,521,509	1,920	18,186,713
Machinery and equipment	935,344	-	-	935,344
Total capital assets, being depreciated	18,830,995	1,521,509	1,920	20,350,584
Less accumulated depreciation for:				
Buildings and land improvements	797,055	29,939	-	826,994
Infrastructure	5,446,421	328,503	1,920	5,773,004
Machinery and equipment	187,516	54,096	-	241,612
Total accumulated depreciation	6,430,992	412,538	1,920	6,841,610
Total capital assets, being depreciated, net	12,400,003	1,108,971	-	13,508,974
Business-type activities capital assets, net	\$ 13,136,279	\$ 1,618,410	\$ 320,967	\$ 14,433,722

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

Governmental Activities

General government	\$ 14,435
Culture and recreation	127,631
Public safety	128,347
Public works	553,084
	<u>\$ 823,497</u>

Business-Type Activities

Water	\$ 173,124
Sewer rental	118,164
Storm water	121,250
	<u>\$ 412,538</u>

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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, 2008:

	June 30, 2007	Increases and Issues	Decreases and Retirements	June 30, 2008	Due Within One Year
Governmental activities:					
General obligation loan notes	\$ 4,285,000	\$ -	\$ 705,000	\$ 3,580,000	\$ 600,000
General obligation bonds	1,100,000	-	95,000	1,005,000	95,000
Compensated absences	135,627	140,647	135,627	140,647	140,647
Total governmental activities	5,520,627	140,647	935,627	4,725,647	835,647
Business-type activities:					
General obligation loan notes	215,000	-	130,000	85,000	85,000
General obligation bonds	-	1,200,000	-	1,200,000	100,000
Notes payable	415,972	120,000	133,493	402,479	138,592
Compensated absences	24,290	23,510	24,290	23,510	23,510
Total business-type activities	655,262	1,343,510	287,783	1,710,989	347,102
Total long-term debt	\$ 6,175,889	\$ 1,484,157	\$ 1,223,410	\$ 6,436,636	\$ 1,182,749

General obligation bonds and loan notes:

Seven issues of general obligation loan notes totaling \$3,665,000 are outstanding as of June 30, 2008. These notes bear interest with rates ranging from 2.80 percent to 5.25 percent and mature in varying annual amounts ranging from \$75,000 to \$195,000 through June 1, 2016.

Two issues of general obligation bonds totaling \$2,205,000 are outstanding as of June 30, 2008. These bonds bear interest with rates ranging from 2.60 percent to 4.05 percent and mature in varying annual amounts ranging from \$95,000 to \$145,000 through June 1, 2018.

One of the two bond issues was issued on June 2, 2008; the City issued the General Obligation Water Improvement Bonds in the amount of \$1,200,000 to finance improvements to the municipal waterworks system consisting of a new water storage facility. The bond is due in annual installments ranging from \$100,000 to \$145,000 through 2018. Interest on the bonds range from 2.60 percent to 3.80 percent.

Annual debt service requirements to service the City's general obligation bonds and loan notes outstanding as of June 30, 2008 are as follows:

Year ending June 30:	Principal	Interest	Total
2009	\$ 880,000	\$ 235,148	\$ 1,115,148
2010	730,000	199,653	929,653
2011	755,000	171,139	926,139
2012	780,000	140,780	920,780
2013	720,000	108,855	828,855
2014 - 2018	2,005,000	311,306	2,316,306
	\$ 5,870,000	\$ 1,166,881	\$ 7,036,881

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Notes Payable:

On January 1, 2008, the City entered into a forgivable loan payable with the Sanitary Sewer District in the amount of \$120,000 to construct certain sanitary sewer improvements. The loan will be forgivable proportionate to the culmination of sewer use and property tax revenues received by the Clear Lake Sanitary District during a seven year term beginning January 1, 2008 and ending December 31, 2014. At the end of the seven year term the sum of yearly revenues shall be determined and, if the total amount of revenue produced exceeds the initial principal amount of \$120,000, the loan shall be forgiven in its entirety. Should the revenue produced during the seven year term be less than the principal amount, the balance shall be paid by the City to the Clear Lake Sanitary District plus interest accrued since January 1, 2008 at an interest rate of 4.0 percent.

Annual debt service requirements to service the notes payable outstanding as of June 30, 2008 are as follows:

Year ending June 30:	Principal	Interest	Total
2009	\$ 138,592	\$ 10,791	\$ 149,383
2010	143,887	5,496	149,383
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014 - 2015	120,000	4,800	124,800
	<u>\$ 402,479</u>	<u>\$ 21,087</u>	<u>\$ 423,566</u>

Compensated absences:

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

Legal debt margin:

As of June 30, 2008, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Total assessed valuation *	<u>\$ 632,888,248</u>
Debt limit, 5% of total actual valuation	\$ 31,644,412
Debt applicable to debt limit, debt service general obligation loan notes and bonds	<u>5,870,000</u>
Legal debt margin	<u><u>\$ 25,774,412</u></u>

* 100% of assessed valuation including TIF increment.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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, 2008, there was one series of industrial revenue bonds outstanding with a principal amount payable of \$3,460,000.

Note 6. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2008 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities, major funds:		
General	\$ 62,178	\$ 5,000
Road Use Tax	-	25,000
Capital Projects	25,000	-
Nonmajor governmental funds	-	322
Business-type activities, major fund, Storm Water	5,000	61,856
Total	\$ 92,178	\$ 92,178

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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	\$ 57,981	\$ 484,982
Debt Service	653,872	-
Tax Incremental Financing	-	700,201
Road Use Tax	-	115,000
Capital Projects	120,000	11,200
Nonmajor governmental funds	1,500	15,491
Total governmental activities	833,353	1,326,874
Business-type activities, major funds:		
Water	112,784	-
Sewer Rental	181,737	-
Storm Water	217,000	-
Solid Waste	-	18,000
Total business-type activities	511,521	18,000
Total	\$ 1,344,874	\$ 1,344,874

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 3.9 percent of their annual covered salary and the City is required to contribute 6.05 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 5.64 percent of their annual covered salary and the City is required to contribute 8.47 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$159,055, \$154,540 and \$146,136, respectively, equal to the required contributions for each year.

Notes to Basic Financial Statements

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, 2008 for the unvested employee sick leave hours totals approximately \$611,000.

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 \$6,667,000. The remaining contractual amounts on these projects total approximately \$1,465,200 as of June 30, 2008.

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 2008, the City paid approximately \$141,600 under these agreements.

Notes to Basic Financial Statements

Note 14. Governmental Accounting Standards Board (GASB) Statements

The City adopted the following statements during the year ended June 30, 2008:

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. 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. The adoption of this Statement had no effect on the City in the current year.
- GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27. 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. The adoption of this Statement had no effect on the City in the current year.

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.
- 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. 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.

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

- 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.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the City beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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

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City of Clear Lake, Iowa

**Budgetary Comparison Schedule
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2008**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	\$ 4,103,953	\$ -	\$ 4,103,953
Other taxes	1,536,946	-	1,536,946
Special assessments	297,684	-	297,684
Licenses and permits	84,334	-	84,334
Intergovernmental	1,372,237	50,000	1,422,237
Charges for services	477,503	1,581,649	2,059,152
Fines and forfeitures	50,759	-	50,759
Use of money and property	163,058	51,092	214,150
Miscellaneous	259,394	96,788	356,182
Total revenues	8,345,868	1,779,529	10,125,397
Expenditures/Expenses:			
Public safety	2,049,098	-	2,049,098
Public works	858,248	-	858,248
Health and social services	1,503	-	1,503
Culture and recreation	1,003,306	-	1,003,306
Community and economic development	395,327	-	395,327
General government	587,568	-	587,568
Debt service	1,021,707	-	1,021,707
Capital outlay	778,068	-	778,068
Business-type	-	1,504,798	1,504,798
Total expenditures/expenses	6,694,825	1,504,798	8,199,623
Excess (deficiency) of revenues over (under) expenditures/expenses	1,651,043	274,731	1,925,774
Other financing sources, net	(493,521)	755,053	261,532
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,157,522	1,029,784	2,187,306
Balances, beginning of year	3,565,486	14,065,116	17,630,602
Balances, end of year	\$ 4,723,008	\$ 15,094,900	\$ 19,817,908

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance - Positive (Negative)
Original	Final	
\$ 4,108,584	\$ 4,094,457	\$ 9,496
1,152,983	1,526,700	10,246
253,500	263,500	34,184
79,350	82,750	1,584
1,291,550	1,381,432	40,805
2,088,070	2,022,470	36,682
41,000	50,450	309
216,575	207,275	6,875
186,050	417,150	(60,968)
9,417,662	10,046,184	79,213
2,286,744	2,145,529	96,431
1,016,197	911,146	52,898
22,692	5,400	3,897
995,086	1,200,710	197,404
401,615	436,483	41,156
641,046	612,049	24,481
1,138,375	1,033,708	12,001
1,991,000	1,133,500	355,432
3,182,306	3,337,892	1,833,094
11,675,061	10,816,417	2,616,794
(2,257,399)	(770,233)	2,696,007
600,000	1,320,000	(1,058,468)
(1,657,399)	549,767	1,637,539
6,397,071	7,759,594	9,871,008
\$ 4,739,672	\$ 8,309,361	\$ 11,508,547

City of Clear Lake, Iowa

Note to Required Supplementary Information – Budgetary Reporting Year Ended June 30, 2008

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 decreased budgeted expenditures by a total of \$858,644. The budget amendments were primarily due to capital projects, capital purchases and to adjust revenues for revised estimates for local option sales tax, hotel/motel tax and utility revenues.

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City of Clear Lake, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Willow Creek Tax Increment Financing		Firefighter Benefit	Library	Lindstrom Flower	
Assets						
Cash and cash equivalents	\$	-	\$ 546	\$ 30,886	\$	-
Certificates of deposit		-	48,500	55,000		-
Investments		-	-	51,964		-
Restricted assets, cash		-	-	-		-
Receivables, other		-	8	-		5,000
Total assets	\$	-	\$ 49,054	\$ 137,850	\$	5,000
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$	-	\$ -	\$ -	\$	416
Due to other funds		-	-	-		322
Unearned revenue		-	-	-		-
Total liabilities		-	-	-		738
Fund balances:						
Reserved for endowments		-	-	-		-
Unreserved, reported in special revenue funds		-	49,054	137,850		4,262
		-	49,054	137,850		4,262
Total liabilities and fund balances	\$	-	\$ 49,054	\$ 137,850	\$	5,000

Special Revenue

	Law Enforcement State	Economic Development Revolving Loan	Permanent Library	Total
\$	334	\$ 40,844	\$ -	\$ 72,610
	-	144,800	-	248,300
	-	-	-	51,964
	-	-	2,000	2,000
	-	50,018	-	55,026
\$	334	\$ 235,662	\$ 2,000	\$ 429,900

\$	-	\$ -	\$ -	\$ 416
	-	-	-	322
	-	50,000	-	50,000
	-	50,000	-	50,738

	-	-	2,000	2,000
	334	185,662	-	377,162
	334	185,662	2,000	379,162
\$	334	\$ 235,662	\$ 2,000	\$ 429,900

City of Clear Lake, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2008

	Willow Creek Tax Increment Financing	Firefighter Benefit	Library	Lindstrom Flower
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Use of money and property	227	2,040	129	12
Miscellaneous	-	-	14,751	4,000
Total revenues	227	2,040	14,880	4,012
Expenditures:				
Current:				
Public safety	-	2,500	-	-
Culture and recreation	-	-	23,616	-
Community and economic development	-	-	-	5,146
Total expenditures	-	2,500	23,616	5,146
Excess of revenues over (under) expenditures	227	(460)	(8,736)	(1,134)
Other financing sources (uses):				
Transfers in	-	1,500	-	-
Transfers out	(15,491)	-	-	-
Total other financing sources (uses)	(15,491)	1,500	-	-
Net change in fund balance	(15,264)	1,040	(8,736)	(1,134)
Fund balances, beginning of year	15,264	48,014	146,586	5,396
Fund balances, end of year	\$ -	\$ 49,054	\$ 137,850	\$ 4,262

Special Revenue				
	Law Enforcement State	Economic Development Revolving Loan	Permanent Library	Total
\$	1,777	\$ -	\$ -	\$ 1,777
	2	8,874	-	11,284
	-	-	-	18,751
	1,779	8,874	-	31,812
	1,445	-	-	3,945
	-	-	-	23,616
	-	-	-	5,146
	1,445	-	-	32,707
	334	8,874	-	(895)
	-	-	-	1,500
	-	-	-	(15,491)
	-	-	-	(13,991)
	334	8,874	-	(14,886)
	-	176,788	2,000	394,048
\$	334	\$ 185,662	\$ 2,000	\$ 379,162

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STATISTICAL

City of Clear Lake, Iowa
Statistical Section
Contents

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.	55
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).	67
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.	75
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.	80
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.	84

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 Five 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
Capital projects	-	(3,703)
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	\$ 17,413,513
Business-type activities:		
Invested in capital assets, net of related debt	\$ 10,135,732	\$ 10,792,166
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
Capital projects	-	(3,703)
Employee benefits	-	345,599
Debt service	-	69,576
Road use	-	797,758
Bond ordinances	39,000	-
Unrestricted	5,168,240	3,776,083
Total primary government net assets	\$ 27,584,753	\$ 28,942,539

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	2008
\$	13,686,281	\$ 14,917,121	\$ 15,938,642
	2,000	2,000	2,000
	54,488	26,794	4,083
	196,157	(102,456)	98,212
	373,342	328,207	377,369
	57,184	36,724	58,758
	551,300	671,956	997,293
	-	-	-
	2,925,926	3,515,923	3,948,779
\$	17,846,678	\$ 19,396,269	\$ 21,425,136
\$	11,532,643	\$ 12,505,307	\$ 13,946,243
	-	425,000	-
	1,282,501	1,134,809	1,148,657
\$	12,815,144	\$ 14,065,116	\$ 15,094,900
\$	25,218,924	\$ 27,422,427	\$ 29,884,885
	2,000	2,000	2,000
	54,488	26,794	4,083
	196,157	322,544	98,212
	373,342	328,207	377,369
	57,184	36,724	58,758
	551,300	671,956	997,293
	-	-	-
	4,208,427	4,650,733	5,097,436
\$	30,661,822	\$ 33,461,385	\$ 36,520,036

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 rental	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	2008
\$	735,978	\$ 590,868	\$ 601,920
	1,748,284	2,184,541	2,102,452
	1,789,513	1,713,782	1,514,707
	19,075	753	1,503
	777,635	858,868	941,657
	928,582	560,062	395,959
	136,987	202,517	226,978
	6,136,054	6,111,391	5,785,176
	682,199	683,728	674,209
	229,676	264,105	261,705
	132,761	184,625	163,949
	371,503	398,848	404,935
	1,416,139	1,531,306	1,504,798
	7,552,193	7,642,697	7,289,974
	21,880	18,452	18,666
	182,217	356,314	363,815
	599,269	586,159	12,531
	1,914	440	1,420
	113,464	157,360	172,612
	51,967	69,796	51,917
	2,311	6,375	-
	14,661	11,035	58,597
	682,693	682,845	719,061
	47,268	28,818	64,862
	600,110	213,077	5,300
	19,692	-	-
	-	106,344	-
	-	354,668	1,002,064
	213,820	534,607	31,562
	-	-	-
	2,551,266	3,126,290	2,502,407

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

	2004	2005
Business-type activities:		
Charges for services:		
Water	741,385	708,817
Sewer rental	312,017	297,826
Stormwater	74,824	78,372
Solid waste	375,900	385,125
Operating grants and contributions:		
Water	-	-
Sewer rental	-	-
Stormwater	-	-
Capital grants and contributions:		
Water	108,581	45,536
Sewer rental	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	2008
717,732	744,322	753,638
309,394	313,580	311,190
76,346	76,803	77,966
406,217	420,686	439,507
-	-	-
-	-	-
-	-	-
-	30,437	62,070
-	54,448	67,730
206,316	62,227	277,870
1,716,005	1,702,503	1,989,971
4,267,271	4,828,793	4,492,378
(3,584,788)	(2,985,101)	(3,282,769)
299,866	171,197	485,171
(3,284,922)	(2,813,904)	(2,797,598)
3,569,878	3,987,994	4,103,953
1,209,429	1,305,313	1,536,946
-	-	-
155,920	191,863	163,058
6,360	11,240	1,200
(923,634)	(961,716)	(493,521)
4,017,953	4,534,694	5,311,636
58,585	52,059	51,092
-	65,000	-
923,634	961,716	493,521
982,219	1,078,775	544,613
5,000,172	5,613,469	5,856,249
433,165	1,549,593	2,028,867
1,282,085	1,249,972	1,029,784
\$ 1,715,250	\$ 2,799,565	\$ 3,058,651

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

Function/Program	Fiscal Year	
	2004	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
Sewer rental	374,904	334,000
Storm water	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		2008	
\$	43,883	\$	24,828	\$	18,666
	196,878		473,693		422,412
	1,281,962		1,623,672		1,733,656
	1,914		440		1,420
	374,552		720,785		269,036
	652,077		282,873		57,217
	<u>2,551,266</u>		<u>3,126,291</u>		<u>2,502,407</u>
	717,732		774,758		815,708
	309,394		433,028		378,920
	282,662		139,029		355,834
	406,217		420,686		439,507
	<u>1,716,005</u>		<u>1,767,501</u>		<u>1,989,969</u>
\$	<u>4,267,271</u>	\$	<u>4,893,792</u>	\$	<u>4,492,376</u>

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

	1999	2000	2001	2002
General Fund:				
Reserved	\$ 1,353,001	\$ 1,364,762	\$ 5,538	\$ 6,649
Unreserved	1,617,129	1,970,542	1,491,195	1,708,124
Total General Fund	\$ 2,970,130	\$ 3,335,304	\$ 1,496,733	\$ 1,714,773
All Other Governmental Funds:				
Reserved	\$ 39,000	\$ 39,000	\$ 39,000	\$ 39,000
Unreserved, reported in:				
Special revenue funds	1,024,015	1,567,852	1,252,352	1,311,862
Debt service funds	20,245	3,588	2,984	9,205
Capital Projects Fund	-	200,000	108,519	112,130
Permanent Fund	3,171	3,258	2,000	2,000
Total all other government funds	\$ 1,086,431	\$ 1,813,698	\$ 1,404,855	\$ 1,474,197

Fiscal Year						
2003	2004	2005	2006	2007	2008	
\$ 1,823	\$ 53,844	\$ 1,976	\$ 2,140	\$ -	\$ -	
2,430,262	2,083,920	2,221,373	1,962,802	2,232,472	2,808,130	
<u>\$ 2,432,085</u>	<u>\$ 2,137,764</u>	<u>\$ 2,223,349</u>	<u>\$ 1,964,942</u>	<u>\$ 2,232,472</u>	<u>\$ 2,808,130</u>	
\$ 39,000	\$ 44,370	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	
1,084,965	1,330,373	1,597,129	1,367,417	1,403,743	1,755,907	
9,899	134,865	69,576	57,184	36,724	58,758	
21,751	160,154	(3,703)	196,157	4,947	98,212	
2,000	2,000	-	-	-	-	
<u>\$ 1,157,615</u>	<u>\$ 1,671,762</u>	<u>\$ 1,665,002</u>	<u>\$ 1,622,758</u>	<u>\$ 1,447,414</u>	<u>\$ 1,914,877</u>	

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

	1999	2000	2001	2002
Revenues:				
Taxes	\$ 2,115,398	\$ 2,245,121	\$ 2,215,812	\$ 2,347,408
Special assessments	86,973	198,490	137,850	105,631
Other taxes	1,108,423	1,080,518	1,097,575	1,272,494
Intergovernmental	812,065	1,117,502	967,376	1,475,741
Licenses and permits	102,049	107,083	119,751	63,723
Charges for services	47,378	48,891	57,639	68,130
Fines and forfeitures	40,285	36,462	30,900	29,831
Use of money and property	290,274	540,059	408,689	96,187
Miscellaneous	294,220	489,484	325,514	311,540
Total revenues	4,897,065	5,863,610	5,361,106	5,770,685
Expenditures:				
General government	398,259	436,044	478,901	583,691
Public safety	1,135,806	1,470,896	1,279,940	1,429,589
Public works	1,891,446	1,282,058	1,882,488	3,219,268
Health and social services	-	-	-	-
Culture and recreation	1,205,577	1,020,140	2,436,190	1,993,985
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
Debt service:				
Principal	330,000	345,000	355,000	365,000
Bond issuance costs	-	-	-	-
Interest	154,067	147,580	128,038	107,415
Total expenditures	5,115,155	4,701,718	6,560,557	7,698,948
Excess of revenues (under) expenditures	(218,090)	1,161,892	(1,199,451)	(1,928,263)
Other financing sources (uses):				
Transfers in	320,194	584,150	1,464,698	1,742,973
Transfers out	(382,894)	(685,520)	(1,431,700)	(1,777,607)
Issuance of long-term debt	-	-	-	2,300,000
Premium (discount) on long-term debt	-	-	-	(33,800)
Proceeds from sale of capital assets	13,291	31,925	4,300	760
Total other financing sources (uses)	(49,409)	(69,445)	37,298	2,232,326
Net changes in fund balance	\$ (267,499)	\$ 1,092,447	\$ (1,162,153)	\$ 304,063
Debt service as a percentage of noncapital expenditures	13.9%	13.8%	12.8%	11.9%

		Fiscal Year									
		2003	2004	2005	2006	2007	2008				
\$	2,620,791	\$	2,789,357	\$	3,186,780	\$	3,569,878	\$	3,987,996	\$	4,103,953
	733,831		351,697		270,686		397,935		349,713		297,684
	1,417,185		1,466,994		1,070,150		1,209,429		1,305,312		1,536,946
	999,014		1,236,882		903,733		1,353,832		1,248,161		1,372,237
	71,877		73,152		86,559		85,640		102,212		84,334
	64,776		79,738		75,545		184,509		391,578		477,503
	35,639		40,728		39,330		45,555		50,471		50,759
	82,455		72,406		103,934		155,920		191,862		163,058
	118,697		154,934		91,005		301,594		569,304		259,394
	6,144,265		6,265,888		5,827,722		7,304,292		8,196,609		8,345,868
	586,441		621,862		566,647		591,050		623,057		587,568
	1,302,038		1,392,137		1,430,640		2,268,711		2,083,584		2,049,098
	827,812		917,542		747,266		1,036,067		889,792		858,248
	18,004		14,412		19,074		19,075		753		1,503
	575,603		594,090		627,879		678,633		792,342		1,003,306
	427,583		349,367		336,317		979,706		558,864		395,327
	2,129,756		1,417,538		1,150,076		2,502,231		3,411,103		778,068
	335,000		480,000		515,000		475,000		685,000		800,000
	-		-		-		10,070		11,279		-
	182,208		152,828		129,899		129,916		193,729		221,707
	6,384,445		5,939,776		5,522,798		8,690,459		9,249,503		6,694,825
	(240,180)		326,112		304,924		(1,386,167)		(1,052,894)		1,651,043
	630,414		1,107,108		1,172,333		1,089,296		1,671,200		833,353
	(570,437)		(1,292,684)		(1,398,432)		(2,012,930)		(2,632,916)		(1,326,874)
	600,000		-		-		2,000,000		2,000,000		-
	(8,500)		-		-		(12,000)		(14,850)		-
	2,644		970		-		21,150		7,250		-
	654,121		(184,606)		(226,099)		1,085,516		1,030,684		(493,521)
\$	413,941	\$	141,506	\$	78,825	\$	(300,651)	\$	(22,210)	\$	1,157,522
	12.8%		14.5%		14.2%		10.4%		14.6%		17.8%

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
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
2008	4,103,854	1,315,866	45,622	69,734	105,823	5,640,899
Change						
1st to Last year	94.00%	48.22%	5.77%	(68.39)%	66.52%	74.97%

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
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
2006	2008	221,744,818	77,138,184	4,482,842	353,122

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
\$ 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
16,299,062	320,018,028	5.36	10.04870	632,888,248	50.56

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

Tax Valuation Year	Fiscal Year	City Direct Rates					Total Direct
		General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund		
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	
2006	2008	7.18901	0.20311	1.57451	1.08207	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	
\$ 13.83670	\$ 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	
11.89687	7.20061	0.66022	1.65991	31.46631	

**City of Clear Lake, Iowa
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Magellan Pipeline Company, LLC	\$ 7,634,581	1	2.39%	*	*	*
Interstate Power & Light Co	4,476,642	2	1.40	*	*	*
National Bedding Company LLC	3,646,640	4	1.14	*	*	*
Clear Lake Independent Tele Co	3,420,835	3	1.07	*	*	*
Kingland Properties LC	3,029,850	5	0.95	*	*	*
Apple Valley LLC	2,531,870	6	0.79	*	*	*
New Cole Sewell Corporation	2,513,490	7	0.79	*	*	*
Clear Lake Bank & Trust Co	2,351,682	8	0.73	*	*	*
North Iowa Hotel Associates LC	2,288,430	9	0.72	*	*	*
Petroleum Property MGMT Inc	2,235,350	10	0.70	*	*	*
Total	\$ 34,129,370			*		

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

* Data for 1999 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
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
2008	2006	3,214,809	3,214,809	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.

* Amount does not include TIF property taxes which were \$879,938 during 2008.

			Total Collections to Date	
Delinquent Collections		Amount *		Percentage of Levy
\$	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
	9,206		3,224,015	100.29

City of Clear Lake, Iowa

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

Fiscal Year	Governmental Activities			Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds and Loan Notes	Less Amount Available in Debt Service				
1999	\$ 1,650,000	\$ 20,245	\$	1,629,755	43.00%	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
2008	4,585,000	58,758		4,526,242	0.72	554.62

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		General Obligation Bonds and Loan Notes	Total Primary Government	Percentage of Per Capita Income	Per Capita
\$	-	\$ 1,065,000	\$ 2,694,755	84.00%	\$ 199.16
	-	970,000	2,366,412	0.67	171.11
	-	875,000	2,012,016	0.50	139.32
	-	780,000	3,940,795	1.32	387.30
	-	675,000	4,205,101	1.46	432.56
	-	565,000	3,490,135	1.16	358.43
	-	455,000	2,930,424	0.95	303.32
	518,025	335,000	4,865,841	0.02	555.18
	415,971	215,000	5,979,247	2.05	732.66
	402,479	1,285,000	6,213,721	2.05	761.39

City of Clear Lake, Iowa

Computation of Direct and Overlapping Debt
June 30, 2008

	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	\$ 5,870,000	100.00%	\$ 5,870,000	\$ 719.27
Indirect:				
Cerro Gordo County	12,480,000	18.38	2,293,824	281.07
Clear Lake School District	9,800,000	71.57	7,013,860	859.44
North Iowa Area Community College	9,195,000	6.55	602,273	73.80
Clear Lake Sanitary District	4,310,000	77.05	3,320,855	406.82
Subtotal, overlapping debt	<u>35,785,000</u>		<u>13,230,812</u>	<u>1,621.13</u>
Total direct and overlapping debt	<u>\$ 41,655,000</u>		<u>\$ 19,100,812</u>	<u>\$ 2,340.50</u>

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City of Clear Lake, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	1999	2000	2001	2002
Debt limit	\$ 18,929,050	\$ 19,677,849	\$ 21,408,235	\$ 23,179,690
Total net debt applicable to limit	2,694,755	2,366,412	2,012,016	3,940,795
Legal debt margin	<u>\$ 16,234,295</u>	<u>\$ 17,311,437</u>	<u>\$ 19,396,219</u>	<u>\$ 19,238,895</u>
Total net debt applicable to the limit as a percentage of debt limit	14.24%	12.03%	9.40%	17.00%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	<u>\$ 632,888,248</u>
Debt limit (5% of assessed value)	\$ 31,644,412
Debt applicable to limit, general obligation bonds	5,870,000
Legal debt margin	<u>\$ 25,774,412</u>

	2003	2004	2005	2006	2007	2008
	\$ 23,993,097	\$ 25,191,552	\$ 27,706,426	\$ 27,839,182	\$ 29,842,939	\$ 31,644,412
	4,205,101	3,490,135	2,930,424	4,405,000	5,600,000	5,870,000
	\$ 19,787,996	\$ 21,701,417	\$ 24,776,002	\$ 23,434,182	\$ 24,242,939	\$ 25,774,412
	17.53%	13.85%	10.58%	15.82%	18.76%	18.55%

City of Clear Lake, Iowa

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
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
2008	44,016	37,188	43.17	1,378	4.80

Sources:

- (1) U.S. Bureau of the Census
- (2) Wood & Poole Economics, Inc
- (3) Clear Lake Community School District
- (4) 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)**

Employer	2008			1999 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	570	1	15.19%	400	1	18.67%
Larson Manufacturing	250	2	6.66	335	2	15.63
Dean Snyder Construction	175	3	4.66	-	-	-
TeamQuest Corporation	135	4	3.60	60	4	2.80
Oakwood Care Center	90	5	2.40	-	-	-
Serta Mattress Company	90	6	2.40	86	3	4.01
Clear Lake Bank & Trust	60	7	1.60	-	-	-
Kingland Systems Corporation	60	8	1.60	-	-	-
Clear Lake Specialty Products	45	9	1.20	-	-	-
Andrews Prestressed Concrete	40	10	1.07	-	-	-

Notes: Remaining 1999 information unavailable

Sources: Employers, US Census Bureau

* Only the top four principal employers are available

City of Clear Lake, Iowa

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

Functions/Program	Full-Time Equivalent Employees as of June 30				
	2008	2007	2006	2005	2004
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	15.0	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	25.0	22.0	25.0	22.0
Ambulance	6.0	6.0	6.0	-	-
Public Works:					
Administration	1.5	1.5	1.5	1.5	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	86.0	82.0	79.0	76.5

Source: City records

Note: Does not include seasonal or temporary employees

Full-Time Equivalent Employees as of June 30

2003	2002	2001	2000	1999
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	4.0	3.0	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
23.0	26.0	25.0	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
7.0	6.0	6.0	6.0	6.0
77.5	79.5	77.5	77.0	77.0

City of Clear Lake, Iowa

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

Function/Program	1998	1999	2000	2001
Police:				
Calls for service	10,488	9,317	9,110	9,097
Arrests	410	255	388	318
Traffic citations	672	631	781	648
Parking tickets	514	579	444	224
Fire:				
Calls for service	194	258	252	237
Total Fire Calls	113	157	157	146
Total EMS Calls	81	101	95	91
Property loss	\$ 221,000	\$ 518,000	\$ 257,000	\$ 732,000
Building safety:				
Total building permits issued	131	123	135	134
Total value all permits	\$ 4,875,500	\$ 4,841,000	\$ 9,288,985	\$ 6,668,150
New single/multi family dwellings	19	15	24	18
Library: (reported on a fiscal year)				
Registrations	8,036	8,245	8,467	8,689
Total items checked out	127,934	121,390	91,102	97,774
Park & Recreation:				
Program participants	1,468	1,472	1,392	1,425
Shelter reservations	161	129	137	130
Cemetery:				
Burials	70	71	56	69
Spaces sold (reported on a fiscal year)	57	56	55	77
Public Works:				
New construction or reconstruction (miles)	0.23	0.94	0.20	0.64
Resurface (miles)	-	0.57	-	-
Water: (reported on a fiscal year)				
Customers	3,426	3,594	3,645	3,671
Average daily consumption per customer	223	214	205	211
Solid Waste: (reported on a fiscal year)				
Garbage collected (ton)	2,319	2,335	2,319	2,330
Recycle collected (ton)	375	347	322	328
Yard waste collected (ton)	731	838	1,350	1,236

Source: Department records

Note: ** Indicator not available

Calendar Year						
2002	2003	2004	2005	2006	2007	
9,216	9,212	8,592	8,318	8,527	9,182	
447	454	420	533	520	607	
470	495	543	635	704	1,390	
247	434	446	383	248	686	
256	276	284	674	912	1,095	
188	187	186	220	173	158	
68	89	98	454	739	937	
\$ 1,106,000	\$ 164,000	\$ 554,000	\$ 419,000	\$ 593,000	\$ 340,000	
245	200	140	124	126	161	
\$ 8,867,706	\$ 9,818,995	\$ 9,723,483	\$ 13,962,026	\$ 12,913,941	\$ 18,331,333	
22	18	21	34	26	25	
9,036	9,282	9,478	8,884	8,812	9,100	
116,061	123,133	134,546	136,723	140,801	141,341	
1,469	1,565	1,537	1,354	1,629	1,429	
131	123	124	130	150	170	
60	75	68	51	42	44	
58	79	69	49	60	32	
3.08	0.50	0.40	0.36	1.17	1.11	
0.24	0.29	-	1.76	2.40	2.16	
3,711	3,777	3,805	3,856	3,885	3,924	
204	205	188	182	184	180	
2,339	2,335	2,335	2,356	2,355	2,396	
328	333	340	348	339	341	
1,750	1,367	1,593	1,453	1,230	1,240	

City of Clear Lake, Iowa

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

Function/Program	1999	2000	2001	2002
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	78.1	78.6	78.8	79.0
Traffic Signals	8	8	8	8
Parks & Recreation:				
Acreage	20	20	33	33
Parks	11	11	11	11
Picnic Shelters	6	6	6	6
Library:				
Facilities	1	1	1	1
Volumes	52,373	45,696	45,144	47,001
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	862,000	852,000	892,000	952,000
Peak Consumption	1,390,000	1,377,000	1,353,000	1,621,000
Water Lines (miles)	48.8	50.0	50.7	51.3
Wastewater:				
Sanitary Sewers (miles)	40.9	43.3	43.5	43.7

Source: Department records

2003	2004	2005	2006	2007	2008
1	1	1	1	1	1
1	1	1	1	1	1
79.1	79.3	79.3	79.3	80.3	80.3
8	8	9	9	9	9
33	33	33	33	33	52
11	11	11	11	11	11
6	6	6	6	6	6
1	1	1	1	1	1
48,464	48,101	49,560	48,830	45,374	51,043
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
931,000	962,000	889,000	864,000	910,000	854,000
1,534,000	1,350,000	1,251,000	1,381,000	1,533,000	1,609,000
52.0	52.1	52.8	53.5	53.6	54.2
44.1	44.4	44.8	44.8	46.5	46.5

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COMPLIANCE

City of Clear Lake, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

	Comment	Status	Corrective Action or Other Explanation
Significant Deficiency			
07-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 08-II-A.
Findings Related to Required Statutory Reporting			
07-IV-M	The City had a deficit fund balance in its Capital Projects Fund.	Corrected	

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McGladrey & Pullen

Certified Public Accountants

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, 2008, and have issued our report thereon dated November 20, 2008. 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.

08-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. There is a lack of segregation of duties in the cash receipts transaction cycle.

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, 2008 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.

The City's response to the findings identified in our audit are described above and in the accompanying schedule of required statutory reporting. We did not audit the City's response and, accordingly, we express no opinion on it.

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 20, 2008

City of Clear Lake, Iowa

**Schedule of Required Statutory Reporting
Year Ended June 30, 2008**

Findings Related to Required Statutory Reporting

08-IV-A: Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

08-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.

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

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

Yohn Enterprises	Construction, per bid	\$	38,931
Jim Hunt Electric	Electrical materials, per bid		2,194
Kelly Wreath Co.	Street Light Garland, per bid		1,947
Passport Media Creations	Videotaping		1,550
Snyder Computer Service	Computer Services		2,436

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.

Finding: Council member Yohn voted for approval of resolution 07-83 on November 5, 2007. This resolution approved the general contractor, Landmark of Ft. Worth, Texas, of the 2007 water tower project. Yohn Enterprises was listed as the supplier of concrete for the general contractor. This vote was not decisive.

Recommendation: We recommend City Council members refrain from voting on matters that would be a conflict of interest.

Response and Corrective Action Plan: The City Attorney will review potential conflict(s) of interest, be they pecuniary or otherwise, that may involve elected officials, prior to all council meetings and advise any individual elected official to abstain from discussion and voting on such matters if it is the opinion of the City Attorney that there is a conflict.

Conclusion: Response and corrective action plan accepted.

08-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.

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

08-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.

City of Clear Lake, Iowa

**Schedule of Required Statutory Reporting
Year Ended June 30, 2008**

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

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

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

08-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.

08-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.

City of Clear Lake, Iowa

Corrective Action Plan
Year Ended June 30, 2008

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies:				
08-II-A	Inadequate segregation of duties over cash receipts.	See corrective action plan at 08-II-A.	June 2009	Linda Nelson, Finance Director
Findings Related to Required Statutory Reporting:				
08-IV-D	Council member Yohn voted to approve a general contractor for a project that he was listed as the supplier of concrete.	See corrective action plan at 08-IV-D.	June 2009	Scott Flory, City Administrator

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