

# City of Clear Lake, Iowa

Financial and Compliance Report

Year Ended June 30, 2009

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City of Clear Lake, Iowa

City Officials  
June 30, 2009

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		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

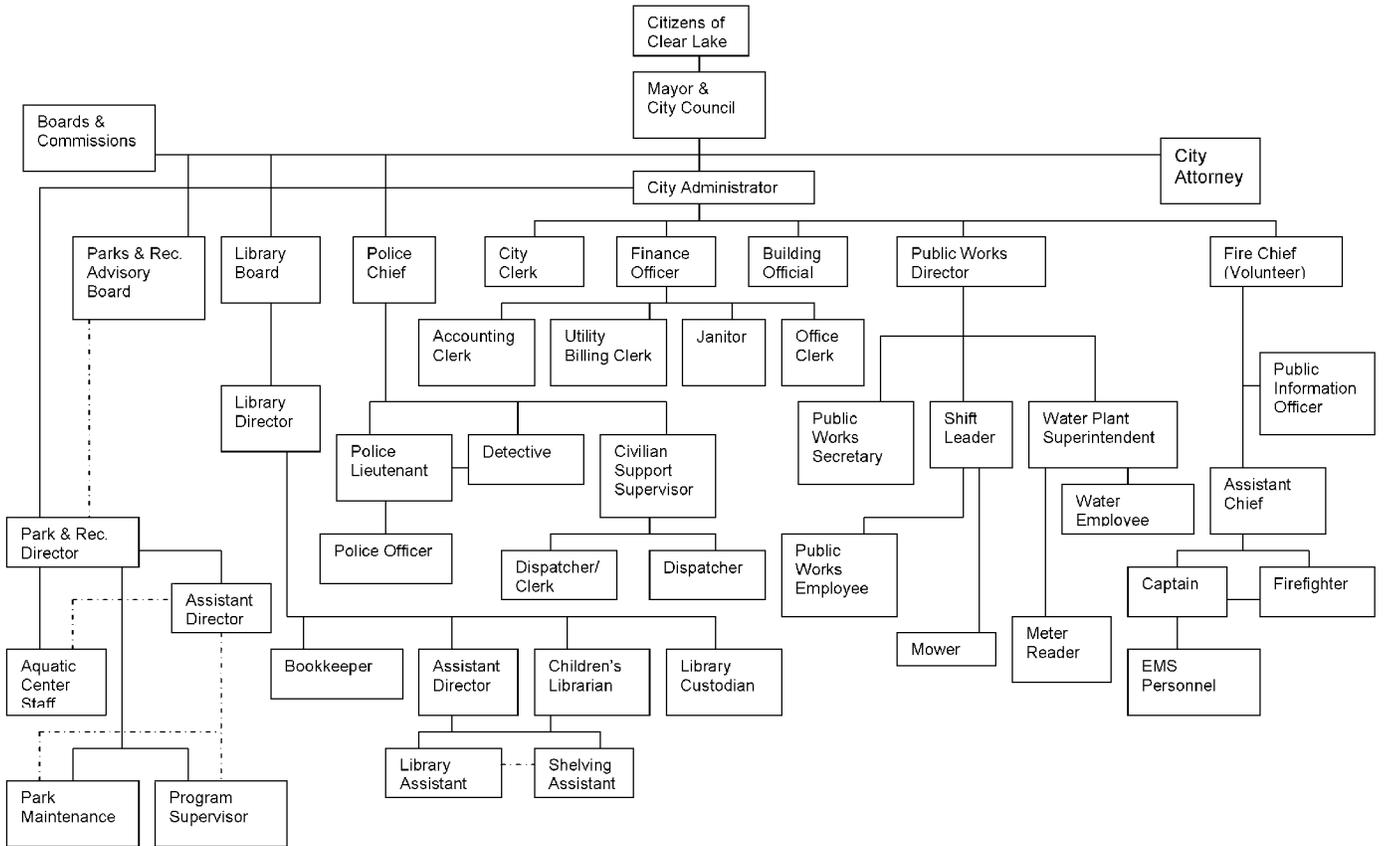
**Park and Recreation Board**

Jim Finstad  
Jennifer Merfeld  
Stuart Trembath  
Marsha Cory  
Angela Faber  
Hal Berding  
David Blaha  
Sue Keefe - Director  
Randy Miller - 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

# City of Clear Lake Organizational Chart



# 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, 2009, 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, 2009, 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 4, 2009, 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 conducted 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations*, and is 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 4, 2009

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2009

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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, 2009.

#### Financial Highlights

The assets of the City of Clear Lake exceeded its liabilities at the close of the most recent fiscal year by \$38,273,374 (net assets). Of this amount, \$5,266,581 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2008, assets exceeded liabilities by \$36,520,036. Of this amount, \$5,097,436 was unrestricted.

The City's total net assets increased by \$1,753,338 during the fiscal year ended June 30, 2009. Governmental activities increased \$578,931 and business-type activities increased \$1,174,407. For fiscal year ended June 30, 2008, total net assets increased \$3,058,651. Governmental activities increased \$2,028,867 and business-type activities increased \$1,029,784.

As of the close of the current fiscal year, the City of Clear Lake's governmental funds reported combined ending fund balances of \$4,394,559, a decrease of \$328,449 in comparison with the prior year. Approximately 99.9 percent of this total amount, \$4,392,559, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2008, governmental funds reported combined ending fund balances of \$4,723,008, of which \$4,721,008 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 \$2,854,234 or 64.6 percent of total General Fund expenditures. The unreserved fund balance for the General Fund as of June 30, 2008 was \$2,808,131 or 69.3 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, 2009

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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 12 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, 2009

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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 \$38,273,374, which represents an increase of \$1,753,338 from 2008.

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2009

Of the City of Clear Lake's net assets, 83.4 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	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$ 11,457,211	\$ 10,975,405	\$ 1,859,767	\$ 2,894,981	\$ 13,316,978	\$ 13,870,386
Capital assets net of depreciation	21,402,894	20,504,549	16,232,238	14,433,722	37,635,132	34,938,271
<b>Total assets</b>	<b>32,860,105</b>	<b>31,479,954</b>	<b>18,092,005</b>	<b>17,328,703</b>	<b>50,952,110</b>	<b>48,808,657</b>
<b>Liabilities</b>						
Current liabilities	7,141,038	6,164,818	707,698	869,916	7,848,736	7,034,734
Long-term liabilities	3,715,000	3,890,000	1,115,000	1,363,887	4,830,000	5,253,887
<b>Total liabilities</b>	<b>10,856,038</b>	<b>10,054,818</b>	<b>1,822,698</b>	<b>2,233,803</b>	<b>12,678,736</b>	<b>12,288,621</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	17,053,088	15,938,642	14,868,351	13,946,243	31,921,439	29,884,885
Restricted	1,085,354	1,537,715	-	-	1,085,354	1,537,715
Unrestricted	3,865,625	3,948,779	1,400,956	1,148,657	5,266,581	5,097,436
<b>Total net assets</b>	<b>\$ 22,004,067</b>	<b>\$ 21,425,136</b>	<b>\$ 16,269,307</b>	<b>\$ 15,094,900</b>	<b>\$ 38,273,374</b>	<b>\$ 36,520,036</b>

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, \$5,266,581, 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 \$1,753,338 during the current fiscal year. The governmental activities' net assets increased by \$578,931. The total business-type activities' net assets increased by \$1,174,407. 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, 2009. 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, 2009

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	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 652,367	\$ 620,961	\$ 1,631,096	\$ 1,582,301	\$ 2,283,463	\$ 2,203,262
Operating grants and contributions	882,991	847,820	-	-	882,991	847,820
Capital grants and contributions	725,637	1,033,626	185,447	407,668	911,084	1,441,294
General revenues:						
Property taxes	4,666,175	4,103,953	-	-	4,666,175	4,103,953
Other taxes	1,457,826	1,536,946	-	-	1,457,826	1,536,946
Investment earnings	90,011	163,058	27,912	51,092	117,923	214,150
Miscellaneous	1,480	1,200	-	-	1,480	1,200
Gain on disposal of capital assets	70,063	-	-	-	70,063	-
<b>Total revenues</b>	<b>8,546,550</b>	<b>8,307,564</b>	<b>1,844,455</b>	<b>2,041,061</b>	<b>10,391,005</b>	<b>10,442,263</b>
Expenses:						
General government	625,755	601,920	-	-	625,755	601,920
Public safety	2,194,306	2,102,452	-	-	2,194,306	2,102,452
Public works	2,631,817	1,514,707	-	-	2,631,817	1,514,707
Health and social services	1,782	1,503	-	-	1,782	1,503
Culture and recreation	996,785	941,657	-	-	996,785	941,657
Community and economic development	366,195	395,959	-	-	366,195	395,959
Interest on long-term debt	203,312	226,978	-	-	203,312	226,978
Water	-	-	727,926	674,209	727,926	674,209
Sewer rental	-	-	281,191	261,705	281,191	261,705
Storm water	-	-	177,962	163,949	177,962	163,949
Solid waste	-	-	430,636	404,935	430,636	404,935
<b>Total expenses</b>	<b>7,019,952</b>	<b>5,785,176</b>	<b>1,617,715</b>	<b>1,504,798</b>	<b>8,637,667</b>	<b>7,289,974</b>
<b>Excess of revenues       over expenses before       transfers</b>	<b>1,526,598</b>	<b>2,522,388</b>	<b>226,740</b>	<b>536,263</b>	<b>1,753,338</b>	<b>3,058,651</b>
Transfers	(947,667)	(493,521)	947,667	493,521	-	-
Change in net assets	578,931	2,028,867	1,174,407	1,029,784	1,753,338	3,058,651
Net assets, beginning of year	21,425,136	19,396,269	15,094,900	14,065,116	36,520,036	33,461,385
Net assets, end of year	\$ 22,004,067	\$ 21,425,136	\$ 16,269,307	\$ 15,094,900	\$ 38,273,374	\$ 36,520,036

City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2009

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.

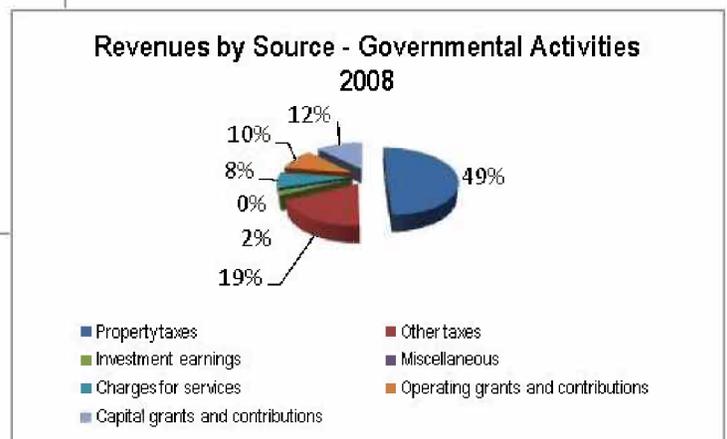
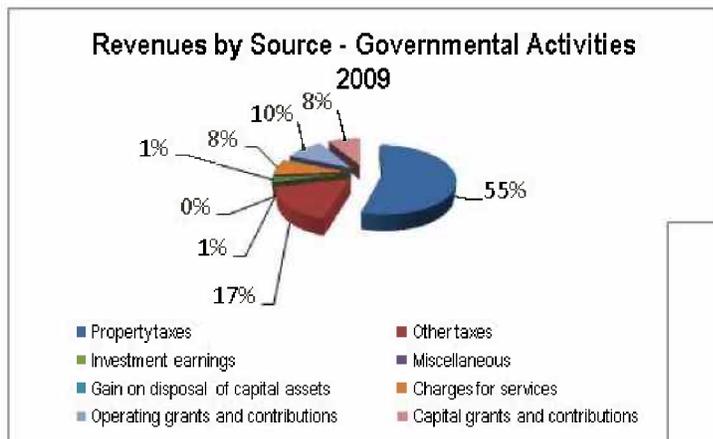
Table 3 - Governmental Activities

Programs	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Public safety	\$ 2,194,306	\$ (1,739,471)	\$ 2,102,452	\$ (1,680,040)
Public works	2,631,817	(1,226,660)	1,514,707	218,949
Health and social services	1,782	(417)	1,503	(83)
Culture and recreation	996,785	(665,641)	941,657	(671,621)
Community and economic development	366,195	(315,435)	395,959	(338,742)
General government	625,755	(608,021)	601,920	(583,254)
Interest on long-term debt	203,312	(203,312)	226,978	(226,978)
<b>Total</b>	<b>\$ 7,019,952</b>	<b>\$ (4,758,957)</b>	<b>\$ 5,785,176</b>	<b>\$ (3,282,769)</b>

Net cost of services is 67.8 percent of total cost of services in 2009 as compared to 56.7 percent in 2008. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Governmental Activities

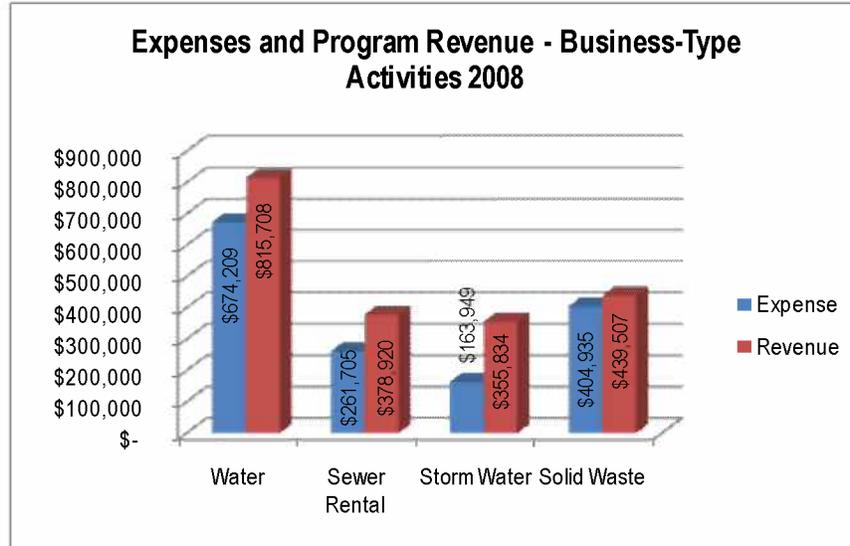
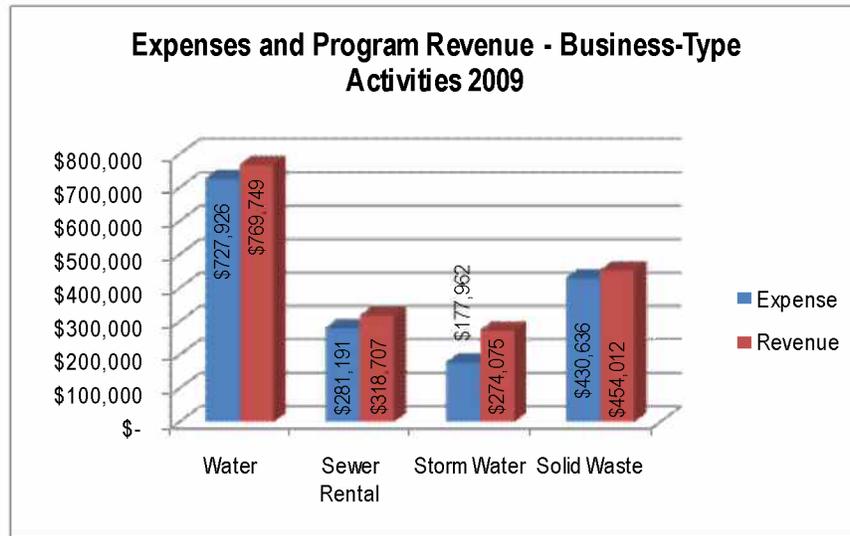
The graph below shows the percentage of the total governmental activities revenues allocated by each revenue type:



City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2009

Total business-type activities' revenue, excluding interfund transfers, for the fiscal year was \$1,844,455. All but \$27,912 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:

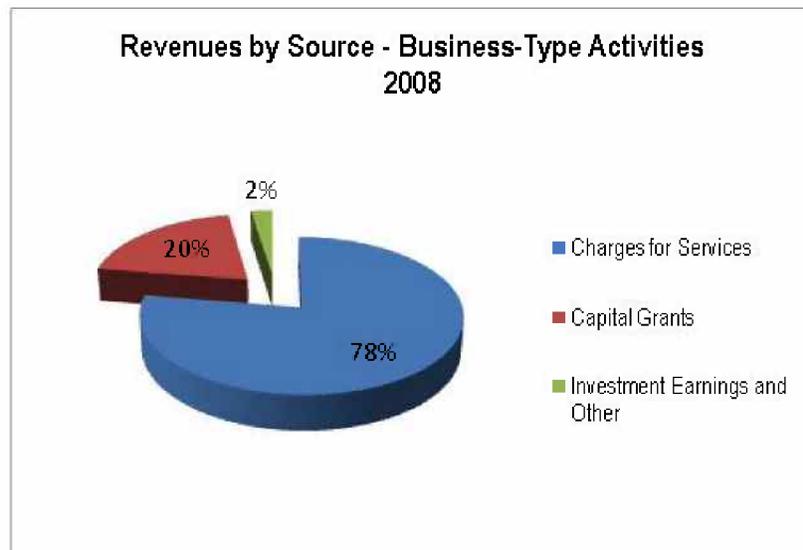
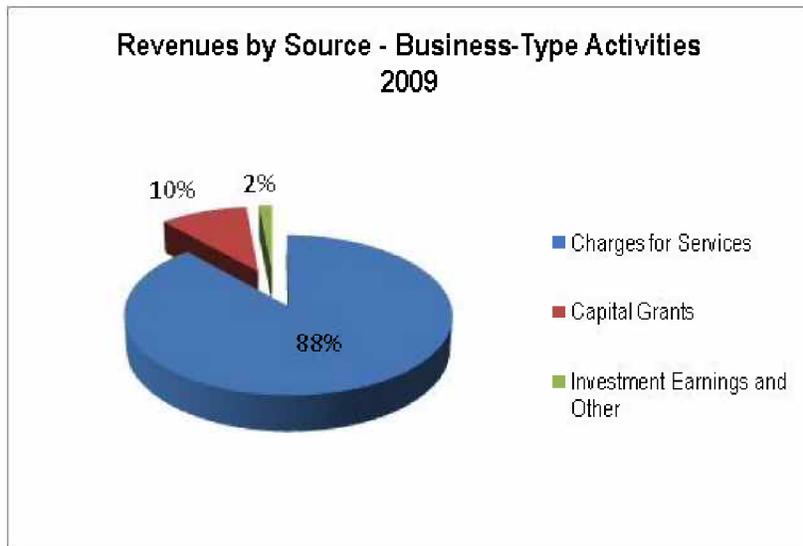


City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2009

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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 \$1,174,407 accounting for 67 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.

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2009

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**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 \$4,394,559, a decrease of \$328,449 in comparison with the prior year. Approximately 99.9 percent of this total amount, \$4,392,559, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,854,234. 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 64.6 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$46,103 during the current fiscal year. This was due to actual expenditures less than anticipated.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance increased \$59,951 from \$4,083 in 2008 to \$64,034 in 2009 primarily due to construction projects not completed as of June 30, 2009.

The Road Use Fund is to maintain and improve City streets. Fund balance decreased \$416,355 from \$997,293 in 2008 to \$580,938 in 2009 primarily due to large overlay project completed in fiscal year 2009.

The Employee Benefits Fund accounts for the employees' group life and health insurance. Fund balance decreased by \$62,059 from \$377,369 in 2008 to \$315,310 in 2009. This decrease was due to the anticipated use of accumulated reserves.

The Capital Projects Fund balance decreased \$95,428 from \$98,212 in 2008 to \$2,784 in 2009. This decrease was due to timing issues related to capital project expenditures and the related revenues (donations and grants).

The Debt Service Fund balance increased \$61,530 from \$58,758 in 2008 to \$120,288 in 2009. 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 \$10,419,587 was increased to \$10,577,607 (an increase of \$158,020) mainly due to revised estimates for capital project grants.

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2009

- The total original expenditure budget of \$14,216,967 was decreased to \$13,531,823 (a decrease of \$685,144) mainly for revised costs for capital projects.
- The total original budget for other financing sources of \$2,475,000 was decreased to \$586,000 (a decrease of \$1,889,000) mainly due to an increase in transfers and bond proceeds for capital projects.
- During the year, revenues were less than budgetary revenues and expenditures were less than budgetary expenditures.

### Capital Asset and Debt Administration

**Capital assets** - The City of Clear Lake's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to \$37,635,132 (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 7.7 percent (a 4.4 percent increase for governmental activities and a 12.5 percent increase for business-type activities).

Major capital asset events during the current fiscal year included purchase of a CAT grader, South Shore Drive project, 4<sup>th</sup> Avenue South and South 12<sup>th</sup> Street signals, water tower and storm sewer filter box.

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	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,664,749	\$ 2,521,599	\$ 331,716	\$ 331,716	\$ 2,996,465	\$ 2,853,315
Construction-in-progress	1,019,469	149,558	2,533,721	593,032	3,553,190	742,590
Buildings and improvements	6,355,843	6,330,042	1,228,527	1,228,527	7,584,370	7,558,569
Infrastructure	20,190,682	19,885,187	18,470,765	18,186,713	38,661,447	38,071,900
Machinery and equipment	4,178,980	3,954,516	935,344	935,344	5,114,324	4,889,860
Accumulated depreciation	(13,006,829)	(12,336,353)	(7,267,835)	(6,841,610)	(20,274,664)	(19,177,963)
<b>Total</b>	<b>\$ 21,402,894</b>	<b>\$ 20,504,549</b>	<b>\$ 16,232,238</b>	<b>\$ 14,433,722</b>	<b>\$ 37,635,132</b>	<b>\$ 34,938,271</b>

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2009

**Debt** - As of June 30, 2009, the City of Clear Lake, Iowa had general obligation bonds and loan notes outstanding totaling \$5,465,000 and notes payable outstanding of \$263,887. In the current year, the City paid \$1,043,592 in principal and \$223,804 in interest on outstanding debt.

**Table 5 - Outstanding Debt, June 30**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 910,000	\$ 1,005,000	\$ 1,100,000	\$ 1,200,000	\$ 2,010,000	\$ 2,205,000
General obligation loan notes	3,455,000	3,580,000	-	85,000	3,455,000	3,665,000
Notes payable	-	-	263,887	402,479	263,887	402,479
	<u>\$ 4,365,000</u>	<u>\$ 4,585,000</u>	<u>\$ 1,363,887</u>	<u>\$ 1,687,479</u>	<u>\$ 5,728,887</u>	<u>\$ 6,272,479</u>

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

### Economic Factors and Next Year's Budgets and Rates

Real property assessed values have continued to rise with tax year 2009 at \$685,463,363.

The unemployment rate for Cerro Gordo County is 6.5 percent. The rate for Cerro Gordo County increased from last year's rate of 4.8 percent. The rate is higher than the state's average unemployment rate of 6.2 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 6<sup>th</sup> Street, PO Box 185, Clear Lake, Iowa 50428.

City of Clear Lake, Iowa

Statement of Net Assets  
June 30, 2009

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 1,048,346	\$ 313,337	\$ 1,361,683
Certificates of deposit	3,362,000	1,203,000	4,565,000
Investments	92,764	-	92,764
Restricted assets, cash	2,000	-	2,000
Receivables, net of allowances for uncollectible amounts:			
Property taxes	5,294,569	-	5,294,569
Assessments	631,334	-	631,334
Accounts, consumers	135,260	168,520	303,780
Unbilled usage	-	30,222	30,222
Other	43,053	36,480	79,533
Due from other governments	769,994	76,686	846,680
Internal balances	47,206	(47,206)	-
Inventories	-	74,918	74,918
<b>Total current assets</b>	<b>11,426,526</b>	<b>1,855,957</b>	<b>13,282,483</b>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	2,664,749	331,716	2,996,465
Construction-in-progress	1,019,469	2,533,721	3,553,190
Depreciable:			
Buildings and land improvements	6,355,843	1,228,527	7,584,370
Infrastructure	20,190,682	18,470,765	38,661,447
Machinery and equipment	4,178,980	935,344	5,114,324
Accumulated depreciation	(13,006,829)	(7,267,835)	(20,274,664)
<b>Total capital assets, net of depreciation</b>	<b>21,402,894</b>	<b>16,232,238</b>	<b>37,635,132</b>
Bond issuance costs, net	15,491	3,810	19,301
Bond discount, net	15,194	-	15,194
<b>Total noncurrent assets</b>	<b>21,433,579</b>	<b>16,236,048</b>	<b>37,669,627</b>
<b>Total assets</b>	<b>\$ 32,860,105</b>	<b>\$ 18,092,005</b>	<b>\$ 50,952,110</b>

See Notes to Basic Financial Statements.

<b>Liabilities</b>	Governmental Activities	Business-Type Activities	Total
Current:			
Accounts and contracts payable	\$ 920,039	\$ 349,353	\$ 1,269,392
Accrued liabilities	124,706	37,773	162,479
Deposits	-	46,988	46,988
Compensated absences	142,166	24,697	166,863
Unearned revenue	5,304,127	-	5,304,127
Current maturities of long-term debt	650,000	248,887	898,887
<b>Total current liabilities</b>	<b>7,141,038</b>	<b>707,698</b>	<b>7,848,736</b>
Noncurrent, long-term debt, net of current maturities	3,715,000	1,115,000	4,830,000
<b>Total liabilities</b>	<b>10,856,038</b>	<b>1,822,698</b>	<b>12,678,736</b>
 <b>Net assets</b>			
Invested in capital assets, net of related debt	17,053,088	14,868,351	31,921,439
Restricted for:			
Endowments/permanently restricted trust corpus	2,000	-	2,000
Capital projects	2,784	-	2,784
Tax increment financing districts	64,034	-	64,034
Road use	580,938	-	580,938
Employee benefits	315,310	-	315,310
Debt service	120,288	-	120,288
Unrestricted	3,865,625	1,400,956	5,266,581
<b>Total net assets</b>	<b>22,004,067</b>	<b>16,269,307</b>	<b>38,273,374</b>
 <b>Total liabilities and net assets</b>	<b>\$ 32,860,105</b>	<b>\$ 18,092,005</b>	<b>\$ 50,952,110</b>

City of Clear Lake, Iowa

Statement of Activities  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Public safety	\$ 2,194,306	\$ 412,060	\$ 42,775	\$ -
Public works	2,631,817	13,149	699,561	692,447
Health and social services	1,782	1,365	-	-
Culture and recreation	996,785	166,577	131,377	33,190
Community and economic development	366,195	41,482	9,278	-
General government	625,755	17,734	-	-
Interest on long-term debt	203,312	-	-	-
<b>Total governmental activities</b>	<b>7,019,952</b>	<b>652,367</b>	<b>882,991</b>	<b>725,637</b>
Business-type activities:				
Water	727,926	769,749	-	-
Sewer rental	281,191	318,707	-	-
Storm water	177,962	88,628	-	185,447
Solid waste	430,636	454,012	-	-
<b>Total business-type activities</b>	<b>1,617,715</b>	<b>1,631,096</b>	<b>-</b>	<b>185,447</b>
<b>Total primary government</b>	<b>\$ 8,637,667</b>	<b>\$ 2,283,463</b>	<b>\$ 882,991</b>	<b>\$ 911,084</b>

General revenues:

Taxes:

Property taxes

Other taxes

Investment earnings

Miscellaneous

Gain on disposal of capital assets

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
\$ (1,739,471)	\$ -	\$ (1,739,471)
(1,226,660)	-	(1,226,660)
(417)	-	(417)
(665,641)	-	(665,641)
(315,435)	-	(315,435)
(608,021)	-	(608,021)
(203,312)	-	(203,312)
(4,758,957)	-	(4,758,957)
-	41,823	41,823
-	37,516	37,516
-	96,113	96,113
-	23,376	23,376
-	198,828	198,828
(4,758,957)	198,828	(4,560,129)
4,666,175	-	4,666,175
1,457,826	-	1,457,826
90,011	27,912	117,923
1,480	-	1,480
70,063	-	70,063
(947,667)	947,667	-
5,337,888	975,579	6,313,467
578,931	1,174,407	1,753,338
21,425,136	15,094,900	36,520,036
\$ 22,004,067	\$ 16,269,307	\$ 38,273,374

City of Clear Lake, Iowa

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

Assets	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Cash and cash equivalents	\$ 552,382	\$ 55,032	\$ 181,492	\$ 70,085
Certificates of deposit	2,283,200	-	425,000	240,000
Investments	-	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, net of allowances for uncollectible amounts:				
Property taxes	2,750,693	1,758,858	-	454,079
Special assessments	631,334	-	-	-
Accounts, consumers	135,260	-	-	-
Other	-	-	-	373
Due from other governments	255,456	-	55,247	-
Due from other funds	62,746	-	-	-
<b>Total assets</b>	<b>\$ 6,671,071</b>	<b>\$ 1,813,890</b>	<b>\$ 661,739</b>	<b>\$ 764,537</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 268,128	\$ -	\$ 73,865	\$ 18
Accrued liabilities	99,485	-	6,936	46
Due to other funds	42,100	-	-	-
Unearned revenue	3,407,124	1,749,856	-	449,163
<b>Total liabilities</b>	<b>3,816,837</b>	<b>1,749,856</b>	<b>80,801</b>	<b>449,227</b>
<b>Fund balances:</b>				
Reserved for endowments	-	-	-	-
Unreserved, reported in:				
General Fund	2,854,234	-	-	-
Special revenue funds	-	64,034	580,938	315,310
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
<b>Total fund balances</b>	<b>2,854,234</b>	<b>64,034</b>	<b>580,938</b>	<b>315,310</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,671,071</b>	<b>\$ 1,813,890</b>	<b>\$ 661,739</b>	<b>\$ 764,537</b>

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
\$ 137,180	\$ 5,650	\$ 46,525	\$ 1,048,346
-	110,000	303,800	3,362,000
-	-	92,764	92,764
-	-	2,000	2,000
-	330,939	-	5,294,569
-	-	-	631,334
-	-	-	135,260
-	13	42,667	43,053
459,291	-	-	769,994
27,100	-	-	89,846
<u>\$ 623,571</u>	<u>\$ 446,602</u>	<u>\$ 487,756</u>	<u>\$ 11,469,166</u>

\$ 576,761	\$ -	\$ 1,267	\$ 920,039
4,154	-	-	110,621
-	-	540	42,640
39,872	326,314	28,978	6,001,307
<u>620,787</u>	<u>326,314</u>	<u>30,785</u>	<u>7,074,607</u>

-	-	2,000	2,000
-	-	-	2,854,234
-	-	454,971	1,415,253
-	120,288	-	120,288
2,784	-	-	2,784
<u>2,784</u>	<u>120,288</u>	<u>456,971</u>	<u>4,394,559</u>
<u>\$ 623,571</u>	<u>\$ 446,602</u>	<u>\$ 487,756</u>	<u>\$ 11,469,166</u>

City of Clear Lake, Iowa

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

June 30, 2009

Total governmental fund balances		\$	4,394,559
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	\$	2,664,749	
Buildings and land improvements		6,355,843	
Infrastructure		20,190,682	
Machinery and equipment		4,178,980	
Construction-in-progress		1,019,469	
Accumulated depreciation		(13,006,829)	21,402,894
<hr/>			
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds			697,180
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences, current		(142,166)	
Bond discount		15,194	
Bond issuance costs		15,491	
Accrued interest payable		(14,085)	
General obligation bonds and loan notes, current		(650,000)	
General obligation bonds and loan notes, noncurrent		(3,715,000)	(4,490,566)
<b>Net assets of governmental activities</b>			<u>\$ 22,004,067</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, 2009**

	General	Tax Increment Financing	Road Use Tax	Employee Benefits
<b>Revenues:</b>				
Property taxes	\$ 2,464,721	\$ 1,398,964	\$ -	\$ 399,619
Special assessments	292,029	-	-	-
Other taxes	1,447,101	-	-	5,745
Licenses and permits	81,328	-	-	-
Intergovernmental	124,554	-	676,385	-
Charges for services	485,116	-	-	-
Fines and forfeitures	49,419	-	-	-
Use of money and property	73,359	6,173	-	5,575
Miscellaneous	76,510	-	-	-
<b>Total revenue</b>	<b>5,094,137</b>	<b>1,405,137</b>	<b>676,385</b>	<b>410,939</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	1,981,018	-	-	275,636
Public works	693,469	-	325,466	101,221
Health and social services	1,782	-	-	-
Culture and recreation	989,395	-	-	49,072
Community and economic development	185,077	165,162	-	6,517
General government	566,927	-	-	40,552
Capital projects	-	-	677,274	-
<b>Debt service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	3,950	-	-	-
<b>Total expenditures</b>	<b>4,421,618</b>	<b>165,162</b>	<b>1,002,740</b>	<b>472,998</b>
<b>Excess of revenue over (under) expenditures</b>	<b>672,519</b>	<b>1,239,975</b>	<b>(326,355)</b>	<b>(62,059)</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	88,110	-	-	-
Issuance of debt	-	-	-	-
Transfers in	257,174	-	-	-
Transfers out	(971,700)	(1,180,024)	(90,000)	-
<b>Total other financing sources (uses)</b>	<b>(626,416)</b>	<b>(1,180,024)</b>	<b>(90,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>46,103</b>	<b>59,951</b>	<b>(416,355)</b>	<b>(62,059)</b>
Fund balances, beginning of year	2,808,131	4,083	997,293	377,369
Fund balances, end of year	\$ 2,854,234	\$ 64,034	\$ 580,938	\$ 315,310

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total
\$ -	\$ 402,871	\$ -	\$ 4,666,175
-	-	-	292,029
-	4,980	-	1,457,826
-	-	-	81,328
587,362	-	570	1,388,871
-	-	-	485,116
-	-	1,763	51,182
700	4,496	32,730	123,033
-	-	74,381	150,891
588,062	412,347	109,444	8,696,451
-	-	177	2,256,831
-	-	-	1,120,156
-	-	-	1,782
-	-	17,773	1,056,240
-	-	21,185	377,941
-	-	-	607,479
1,645,810	-	-	2,323,084
-	720,000	-	720,000
-	197,880	-	197,880
-	-	-	3,950
1,645,810	917,880	39,135	8,665,343
(1,057,748)	(505,533)	70,309	31,108
-	-	-	88,110
500,000	-	-	500,000
623,100	567,063	7,500	1,454,837
(160,780)	-	-	(2,402,504)
962,320	567,063	7,500	(359,557)
(95,428)	61,530	77,809	(328,449)
98,212	58,758	379,162	4,723,008
\$ 2,784	\$ 120,288	\$ 456,971	\$ 4,394,559

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, 2009**

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Net change in fund balances - governmental funds \$ (328,449)

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	1,788,053
Depreciation	(871,661)

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

Proceeds from sale of capital assets	(88,110)
Gain from the disposal of capital assets	70,063

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (207,964)

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	(1,519)
--------------------------------	---------

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:

Issuance of debt	(500,000)
Bond issuance costs	3,950
Repayment of bond principal	720,000
Interest	1,934
Amortization of discount on bonds	(3,899)
Amortization of issuance costs on bonds	(3,467)
<b>Change in net assets of governmental activities</b>	<b>\$ 578,931</b>

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2009

	Water	Sewer Rental	Storm Water	Solid Waste	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 231,297	\$ 76,453	\$ -	\$ 5,587	\$ 313,337
Certificates of deposit	788,000	215,000	-	200,000	1,203,000
Receivables, net of allowances for uncollectible amounts:					
Accounts, consumers	84,450	35,399	8,238	40,433	168,520
Other	-	-	36,480	-	36,480
Unbilled usage	14,774	5,986	1,644	7,818	30,222
Due from other governments	-	-	76,686	-	76,686
Due from other funds	-	-	15,000	-	15,000
Inventories	74,918	-	-	-	74,918
<b>Total current assets</b>	<b>1,193,439</b>	<b>332,838</b>	<b>138,048</b>	<b>253,838</b>	<b>1,918,163</b>
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	65,026	-	266,690	-	331,716
Construction-in-progress	2,277,228	173,958	82,535	-	2,533,721
Depreciable:					
Buildings and land improvements	1,132,527	71,000	25,000	-	1,228,527
Infrastructure	6,697,713	5,034,241	6,738,811	-	18,470,765
Machinery and equipment	646,592	288,752	-	-	935,344
Accumulated depreciation	(3,661,226)	(1,531,524)	(2,075,085)	-	(7,267,835)
<b>Total capital assets, net of depreciation</b>	<b>7,157,860</b>	<b>4,036,427</b>	<b>5,037,951</b>	<b>-</b>	<b>16,232,238</b>
Bond issuance costs, net	3,810	-	-	-	3,810
<b>Total noncurrent assets</b>	<b>7,161,670</b>	<b>4,036,427</b>	<b>5,037,951</b>	<b>-</b>	<b>16,236,048</b>
<b>Total assets</b>	<b>\$ 8,355,109</b>	<b>\$ 4,369,265</b>	<b>\$ 5,175,999</b>	<b>\$ 253,838</b>	<b>\$ 18,154,211</b>

	Water	Sewer Rental	Storm Water	Solid Waste	Total
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts and contracts payable	\$ 257,670	\$ 30,417	\$ 27,891	\$ 33,375	\$ 349,353
Accrued liabilities	20,377	14,480	2,168	748	37,773
Due to other funds	-	-	62,206	-	62,206
Deposits	46,988	-	-	-	46,988
Compensated absences	20,128	3,858	-	711	24,697
Bonds and loan notes payable	105,000	-	-	-	105,000
Notes payable	-	143,887	-	-	143,887
<b>Total current liabilities</b>	<b>450,163</b>	<b>192,642</b>	<b>92,265</b>	<b>34,834</b>	<b>769,904</b>
Noncurrent liabilities:					
Bonds payable	995,000	-	-	-	995,000
Notes payable	-	120,000	-	-	120,000
<b>Total liabilities</b>	<b>1,445,163</b>	<b>312,642</b>	<b>92,265</b>	<b>34,834</b>	<b>1,884,904</b>
Net assets:					
Invested in capital assets, net of related debt	6,057,860	3,772,540	5,037,951	-	14,868,351
Unrestricted	852,086	284,083	45,783	219,004	1,400,956
<b>Total net assets</b>	<b>6,909,946</b>	<b>4,056,623</b>	<b>5,083,734</b>	<b>219,004</b>	<b>16,269,307</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,355,109</b>	<b>\$ 4,369,265</b>	<b>\$ 5,175,999</b>	<b>\$ 253,838</b>	<b>\$ 18,154,211</b>

City of Clear Lake, Iowa

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2009**

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Operating revenues:					
Charges for services	\$ 769,531	\$ 318,707	\$ 88,628	\$ 454,012	\$ 1,630,878
Miscellaneous	218	-	-	-	218
	<u>769,749</u>	<u>318,707</u>	<u>88,628</u>	<u>454,012</u>	<u>1,631,096</u>
Operating expenses:					
Personal services	313,725	91,159	8,049	34,421	447,354
Contractual services	155,644	40,748	34,614	395,830	626,836
Commodities	78,806	10,361	1,824	385	91,376
Depreciation	172,405	120,345	133,475	-	426,225
<b>Total operating expenses</b>	<u>720,580</u>	<u>262,613</u>	<u>177,962</u>	<u>430,636</u>	<u>1,591,791</u>
<b>Operating income (loss)</b>	<u>49,169</u>	<u>56,094</u>	<u>(89,334)</u>	<u>23,376</u>	<u>39,305</u>
Nonoperating income (expense):					
Investment earnings	20,054	4,009	91	3,758	27,912
Donations	-	-	185,447	-	185,447
Interest expense	(7,346)	(18,578)	-	-	(25,924)
<b>Total nonoperating income (expense)</b>	<u>12,708</u>	<u>(14,569)</u>	<u>185,538</u>	<u>3,758</u>	<u>187,435</u>
<b>Income before transfers</b>	<u>61,877</u>	<u>41,525</u>	<u>96,204</u>	<u>27,134</u>	<u>226,740</u>
Transfers in	566,693	275,974	119,000	-	961,667
Transfers out	-	-	-	(14,000)	(14,000)
<b>Change in net assets</b>	<u>628,570</u>	<u>317,499</u>	<u>215,204</u>	<u>13,134</u>	<u>1,174,407</u>
Total net assets, beginning of year	6,281,376	3,739,124	4,868,530	205,870	15,094,900
Total net assets, end of year	<u>\$ 6,909,946</u>	<u>\$ 4,056,623</u>	<u>\$ 5,083,734</u>	<u>\$ 219,004</u>	<u>\$ 16,269,307</u>

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2009

	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	\$ 773,781	\$ 318,989	\$ 100,602	\$ 454,369	\$ 1,647,741
Receipts from other	218	-	-	-	218
Payments to suppliers	(555,890)	(34,830)	(89,605)	(394,381)	(1,074,706)
Payments to employees	(312,258)	(91,395)	(8,049)	(34,465)	(446,167)
<b>Net cash provided by (used in) operating activities</b>	<b>(94,149)</b>	<b>192,764</b>	<b>2,948</b>	<b>25,523</b>	<b>127,086</b>
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(14,000)	(14,000)
Transfers in	566,693	275,974	119,000	-	961,667
Proceeds from other funds	-	-	350	-	350
Payments to other funds	-	-	(10,000)	-	(10,000)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>566,693</b>	<b>275,974</b>	<b>109,350</b>	<b>(14,000)</b>	<b>938,017</b>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,485,497)	(159,289)	(271,150)	-	(1,915,936)
Donations for purchase of capital assets	-	-	158,761	-	158,761
Payment on debt	(100,000)	(223,592)	-	-	(323,592)
Interest paid on debt	(38,109)	(18,578)	-	-	(56,687)
<b>Net cash (used in) capital and related financing activities</b>	<b>(1,623,606)</b>	<b>(401,459)</b>	<b>(112,389)</b>	<b>-</b>	<b>(2,137,454)</b>
Cash flows from investing activities:					
Proceeds from sale and maturities of investments	3,839,000	725,000	-	530,000	5,094,000
Purchase of investments	(2,814,000)	(770,000)	-	(560,000)	(4,144,000)
Interest received	20,054	4,009	91	3,758	27,912
<b>Net cash provided by (used in) investment activities</b>	<b>1,045,054</b>	<b>(40,991)</b>	<b>91</b>	<b>(26,242)</b>	<b>977,912</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(106,008)</b>	<b>26,288</b>	<b>-</b>	<b>(14,719)</b>	<b>(94,439)</b>
Cash and cash equivalents, beginning of year	337,305	50,165	-	20,306	407,776
Cash and cash equivalents, end of year	\$ 231,297	\$ 76,453	\$ -	\$ 5,587	\$ 313,337

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)  
 Proprietary Funds  
 Year Ended June 30, 2009

	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)	\$ 49,169	\$ 56,094	\$ (89,334)	\$ 23,376	\$ 39,305
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities, depreciation	172,405	120,345	133,475	-	426,225
Change in assets and liabilities:					
Receivables	244	282	11,974	357	12,857
Inventories	13,518	-	-	-	13,518
Deposits	4,006	-	-	-	4,006
Accounts payable and accrued liabilities	(334,958)	16,279	(53,167)	1,834	(370,012)
Compensated absences	1,467	(236)	-	(44)	1,187
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (94,149)</b>	<b>\$ 192,764</b>	<b>\$ 2,948</b>	<b>\$ 25,523</b>	<b>\$ 127,086</b>
Schedule of noncash items:					
Capital and related financing activities:					
Acquisition of capital assets through contracts payable	\$ 235,428	\$ 12,544	\$ 29,334	\$ -	\$ 277,306
Capitalized interest	31,499	-	-	-	31,499

See Notes to Basic Financial Statements.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### **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

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**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 Employee Benefits Fund is presented as a major fund for public interest purposes.

Notes to Basic Financial Statements

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**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.

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. The City has elected not to apply FASB guidance subsequent to November 30, 1989.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

The following are the City's major enterprise funds:

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

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

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

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

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

#### **Measurement focus and basis of accounting:**

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

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

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

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

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2009 based on the 2008 assessed valuations. These taxes are due in two installments, on September 1, 2009 and the following March 1, 2010 with a 1.5 percent per month penalty for delinquent payment. Since the 2009 tax levy is budgeted and levied for the fiscal year 2010, 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

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**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. \$31,499 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

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

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

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

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

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

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

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consist of \$64,034 for tax increment financing districts, \$315,310 for employee benefits, \$120,288 for debt service, \$580,938 for road use and \$2,784 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

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#### Note 2. Cash and Investments

As of June 30, 2009, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$	5,835,193
Cash and investments held by the Clear Lake Library Foundation		186,254
	\$	<u>6,021,447</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	\$ 18,116
Mutual fund - Capital World Growth & Income	N/A	11,425
Corporate Bond - Hydro Quebec	01/15/2027	12,529
Government securities - Franklin US Government Bonds	N/A	50,694

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**

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**Note 2. Cash and Investments (Continued)**

As of June 30, 2009, 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+
Government securities - Franklin US Government Bonds	Not Rated	AAA

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, pooled investments and government securities). Investments in any one issuer that represent 5 percent or more of total City investments is the Hydro-Quebec, corporate bond, with a fair value of \$12,529.

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, 2009, 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, 2009, 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, 2009:

	Ending Balance June 30, 2008	Additions	Deletions	Ending Balance June 30, 2009
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,521,599	\$ 143,150	\$ -	\$ 2,664,749
Construction-in-progress	149,558	908,162	38,251	1,019,469
<b>Total capital assets, not being depreciated</b>	<b>2,671,157</b>	<b>1,051,312</b>	<b>38,251</b>	<b>3,684,218</b>
Capital assets, being depreciated:				
Buildings and land improvements	6,330,042	25,801	-	6,355,843
Infrastructure	19,885,187	323,295	17,800	20,190,682
Machinery and equipment	3,954,516	425,896	201,432	4,178,980
<b>Total capital assets, being depreciated</b>	<b>30,169,745</b>	<b>774,992</b>	<b>219,232</b>	<b>30,725,505</b>
Less accumulated depreciation for:				
Buildings and land improvements	1,193,924	156,359	-	1,350,283
Infrastructure	8,525,589	460,919	17,800	8,968,708
Machinery and equipment	2,616,840	254,383	183,385	2,687,838
<b>Total accumulated depreciation</b>	<b>12,336,353</b>	<b>871,661</b>	<b>201,185</b>	<b>13,006,829</b>
<b>Total capital assets, being depreciated, net</b>	<b>17,833,392</b>	<b>(96,669)</b>	<b>18,047</b>	<b>17,718,676</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 20,504,549</b>	<b>\$ 954,643</b>	<b>\$ 56,298</b>	<b>\$ 21,402,894</b>

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2008	Additions	Deletions	Ending Balance June 30, 2009
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 331,716	\$ -	\$ -	\$ 331,716
Construction-in-progress	593,032	1,950,811	10,122	2,533,721
<b>Total capital assets, not being depreciated</b>	<b>924,748</b>	<b>1,950,811</b>	<b>10,122</b>	<b>2,865,437</b>
Capital assets, being depreciated:				
Buildings and land improvements	1,228,527	-	-	1,228,527
Infrastructure	18,186,713	284,052	-	18,470,765
Machinery and equipment	935,344	-	-	935,344
<b>Total capital assets, being depreciated</b>	<b>20,350,584</b>	<b>284,052</b>	<b>-</b>	<b>20,634,636</b>
Less accumulated depreciation for:				
Buildings and land improvements	826,994	29,939	-	856,933
Infrastructure	5,773,004	345,431	-	6,118,435
Machinery and equipment	241,612	50,855	-	292,467
<b>Total accumulated depreciation</b>	<b>6,841,610</b>	<b>426,225</b>	<b>-</b>	<b>7,267,835</b>
<b>Total capital assets, being depreciated, net</b>	<b>13,508,974</b>	<b>(142,173)</b>	<b>-</b>	<b>13,366,801</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,433,722</b>	<b>\$ 1,808,638</b>	<b>\$ 10,122</b>	<b>\$ 16,232,238</b>

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

**Governmental Activities**

General government	\$ 14,435
Culture and recreation	157,177
Public safety	130,562
Public works	569,487
	<u>\$ 871,661</u>

**Business-Type Activities**

Water	\$ 172,405
Sewer rental	120,345
Storm water	133,475
	<u>\$ 426,225</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, 2009:

	June 30, 2008	Increases and Issues	Decreases and Retirements	June 30, 2009	Due Within One Year
<b>Governmental activities:</b>					
General obligation loan notes	\$ 3,580,000	\$ 500,000	\$ 625,000	\$ 3,455,000	\$ 550,000
General obligation bonds	1,005,000	-	95,000	910,000	100,000
Compensated absences	140,647	142,166	140,647	142,166	142,166
<b>Total governmental activities</b>	<b>4,725,647</b>	<b>642,166</b>	<b>860,647</b>	<b>4,507,166</b>	<b>792,166</b>
<b>Business-type activities:</b>					
General obligation loan notes	85,000	-	85,000	-	-
General obligation bonds	1,200,000	-	100,000	1,100,000	105,000
Notes payable	402,479	-	138,592	263,887	143,887
Compensated absences	23,510	24,697	23,510	24,697	24,697
<b>Total business-type activities</b>	<b>1,710,989</b>	<b>24,697</b>	<b>347,102</b>	<b>1,388,584</b>	<b>273,584</b>
<b>Total long-term debt</b>	<b>\$ 6,436,636</b>	<b>\$ 666,863</b>	<b>\$ 1,207,749</b>	<b>\$ 5,895,750</b>	<b>\$ 1,065,750</b>

**General obligation bonds and loan notes:**

Six issues of general obligation loan notes totaling \$3,455,000 are outstanding as of June 30, 2009. These notes bear interest with rates ranging from 1.25 percent to 5.25 percent and mature in varying annual amounts ranging from \$25,000 to \$195,000 through June 1, 2028.

Two issues of general obligation bonds totaling \$2,010,000 are outstanding as of June 30, 2009. These bonds bear interest with rates ranging from 2.65 percent to 4.05 percent and mature in varying annual amounts ranging from \$100,000 to \$145,000 through June 1, 2018.

One of the six note issues was issued on July 9, 2008; the City issued the General Obligation Lake Dredging and Restoration Note in the amount of \$500,000 to finance a portion of the improvements for the Lake Dredging and Restoration Project. These notes are due in annual installments of \$25,000 through 2028 at an interest rate of 1.25 percent per annum.

Annual debt service requirements to service the City's general obligation bonds and loan notes outstanding as of June 30, 2009 are as follows:

<u>Year ending June 30:</u>	Principal	Interest	Total
2010	\$ 755,000	\$ 205,591	\$ 960,591
2011	780,000	176,764	956,764
2012	805,000	146,093	951,093
2013	745,000	113,855	858,855
2014	570,000	83,768	653,768
2015 - 2019	1,585,000	142,121	1,727,121
2020 - 2024	125,000	10,938	135,938
2025 - 2028	100,000	3,125	103,125
	<b>\$ 5,465,000</b>	<b>\$ 882,255</b>	<b>\$ 6,347,255</b>

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

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**Note 4. Bonded and Other Debt (Continued)**

**Notes Payable:**

In fiscal year 2006, the City entered into a note payable with the Sanitary Sewer District. In fiscal year 2007, the City drew an additional \$35,727 on the note. The note is payable in annual installments of principal and interest with a 3.82 percent interest rate. The outstanding balance on this note payable is \$143,887 as of June 30, 2009.

In fiscal year 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, 2009 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 143,887	\$ 5,496	\$ 149,383
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	120,000	4,800	124,800
	<u>\$ 263,887</u>	<u>\$ 10,296</u>	<u>\$ 274,183</u>

**Compensated absences:**

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

**Legal debt margin:**

As of June 30, 2009, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Total assessed valuation *	<u>\$ 685,463,363</u>
Debt limit, 5% of total actual valuation	\$ 34,273,168
Debt applicable to debt limit, debt service general obligation loan notes and bonds	<u>5,465,000</u>
<b>Legal debt margin</b>	<u><u>\$ 28,808,168</u></u>

\* 100% of assessed valuation including TIF increment.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### 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, 2009, there was one series of industrial revenue bonds outstanding with a principal amount payable of \$3,380,000.

#### 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	\$ 62,746	\$ 42,100
Capital Projects	27,100	-
Nonmajor governmental funds	-	540
Business-type activities, major fund, Storm Water	15,000	62,206
<b>Total</b>	<b>\$ 104,846</b>	<b>\$ 104,846</b>

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	\$ 257,174	\$ 971,700
Debt Service	567,063	-
Tax Incremental Financing	-	1,180,024
Road Use Tax	-	90,000
Capital Projects	623,100	160,780
Nonmajor governmental funds	7,500	-
<b>Total governmental activities</b>	<b>1,454,837</b>	<b>2,402,504</b>
Business-type activities, major funds:		
Water	566,693	-
Sewer Rental	275,974	-
Storm Water	119,000	-
Solid Waste	-	14,000
<b>Total business-type activities</b>	<b>961,667</b>	<b>14,000</b>
<b>Total</b>	<b>\$ 2,416,504</b>	<b>\$ 2,416,504</b>

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 4.1 percent of their annual covered salary and the City is required to contribute 6.35 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 5.63 percent of their annual covered salary and the City is required to contribute 8.45 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$175,473, \$159,055 and \$154,540, respectively, equal to the required contributions for each year.

Notes to Basic Financial Statements

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**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, 2009 for the unvested employee sick leave hours totals approximately \$644,000.

**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 \$7,568,000. The remaining contractual amounts on these projects total approximately \$171,000 as of June 30, 2009.

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 2009, the City paid approximately \$168,000 under these agreements.

**Note 14. Subsequent Event**

On October 19, 2009, the City approved and authorized a loan agreement to provide for the issuance of a \$437,500 General Obligation Lake Dredging and Restoration Note, Series 2009. This Note will be due in annual installments of \$20,000 to \$23,500 through 2029 at an interest rate of 1.25 percent per annum.

Notes to Basic Financial Statements

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**Note 15. Governmental Accounting Standards Board (GASB) Statements**

The City adopted the following statements during the year ended June 30, 2009:

- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The adoption of this Statement had no effect on the City in the current year
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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. The adoption of this Statement had no effect on the City in the current year
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. 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. 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. 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. 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.

Notes to Basic Financial Statements

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**Note 15. Governmental Accounting Standards Board (GASB) Statements (Continued)**

- 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.
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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, 2009**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
<b>Revenues:</b>			
Property tax	\$ 4,666,175	\$ -	\$ 4,666,175
Other taxes	1,457,826	-	1,457,826
Special assessments	292,029	-	292,029
Licenses and permits	81,328	-	81,328
Intergovernmental	1,388,871	-	1,388,871
Charges for services	485,116	1,630,878	2,115,994
Fines and forfeitures	51,182	-	51,182
Use of money and property	123,033	27,912	150,945
Miscellaneous	150,891	185,665	336,556
<b>Total revenues</b>	<b>8,696,451</b>	<b>1,844,455</b>	<b>10,540,906</b>
<b>Expenditures/Expenses:</b>			
Public safety	2,256,831	-	2,256,831
Public works	1,120,156	-	1,120,156
Health and social services	1,782	-	1,782
Culture and recreation	1,056,240	-	1,056,240
Community and economic development	377,941	-	377,941
General government	607,479	-	607,479
Debt service	921,830	-	921,830
Capital outlay	2,323,084	-	2,323,084
Business-type	-	1,617,715	1,617,715
<b>Total expenditures/expenses</b>	<b>8,665,343</b>	<b>1,617,715</b>	<b>10,283,058</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>31,108</b>	<b>226,740</b>	<b>257,848</b>
Other financing sources, net	(359,557)	947,667	588,110
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>(328,449)</b>	<b>1,174,407</b>	<b>845,958</b>
Balances, beginning of year	4,723,008	15,094,900	19,817,908
Balances, end of year	<b>\$ 4,394,559</b>	<b>\$ 16,269,307</b>	<b>\$ 20,663,866</b>

See Note to Required Supplementary Information.

Budgeted Amounts		Final	Final to Actual Variance - Positive (Negative)
Original			
\$ 4,653,399	\$ 4,656,914	\$ 9,261	
1,528,848	1,437,848	19,978	
200,000	185,000	107,029	
82,750	82,750	(1,422)	
1,412,900	1,520,800	(131,929)	
2,127,715	2,128,215	(12,221)	
49,000	49,000	2,182	
182,475	187,440	(36,495)	
182,500	329,640	6,916	
10,419,587	10,577,607	(36,701)	
2,691,299	2,331,039	74,208	
1,194,551	1,232,906	112,750	
22,664	4,384	2,602	
1,248,139	1,287,393	231,153	
390,648	437,069	59,128	
628,349	608,568	1,089	
1,061,003	922,880	1,050	
2,306,000	2,547,200	224,116	
4,674,314	4,160,384	2,542,669	
14,216,967	13,531,823	3,248,765	
(3,797,380)	(2,954,216)	3,212,064	
2,475,000	586,000	2,110	
(1,322,380)	(2,368,216)	3,214,174	
5,688,017	8,529,973	11,287,935	
\$ 4,365,637	\$ 6,161,757	\$ 14,502,109	

**City of Clear Lake, Iowa**

**Note to Required Supplementary Information – Budgetary Reporting  
Year Ended June 30, 2009**

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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, one budget amendment decreased budgeted expenditures by a total of \$685,144. The budget amendment was primarily due to capital projects, capital purchases and to adjust revenues for revised estimates for local option sales tax and investment interest.

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City of Clear Lake, Iowa

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

	Special Revenue			
	Firefighter Benefit	Library	Lindstrom Flower	Law Enforcement State
<b>Assets</b>				
Cash and cash equivalents	\$ 114	\$ 26,490	\$ -	\$ 2,101
Certificates of deposit	57,400	65,000	-	-
Investments	-	92,764	-	-
Restricted assets, cash	-	-	-	-
Receivables, other	103	-	5,000	-
<b>Total assets</b>	<b>\$ 57,617</b>	<b>\$ 184,254</b>	<b>\$ 5,000</b>	<b>\$ 2,101</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,090	\$ 177
Due to other funds	-	-	540	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,630</b>	<b>177</b>
Fund balances:				
Reserved for endowments	-	-	-	-
Unreserved, reported in special revenue funds	57,617	184,254	3,370	1,924
	57,617	184,254	3,370	1,924
<b>Total liabilities and fund balances</b>	<b>\$ 57,617</b>	<b>\$ 184,254</b>	<b>\$ 5,000</b>	<b>\$ 2,101</b>

<u>Special Revenue</u>			
Economic Development Revolving Loan	<u>Permanent Library</u>		Total
\$ 17,820	\$ -	\$	46,525
181,400	-		303,800
-	-		92,764
-	2,000		2,000
37,564	-		42,667
<u>\$ 236,784</u>	<u>\$ 2,000</u>	<u>\$</u>	<u>487,756</u>
\$ -	\$ -	\$	1,267
-	-		540
28,978	-		28,978
<u>28,978</u>	<u>-</u>		<u>30,785</u>
-	2,000		2,000
207,806	-		454,971
<u>207,806</u>	<u>2,000</u>		<u>456,971</u>
<u>\$ 236,784</u>	<u>\$ 2,000</u>	<u>\$</u>	<u>487,756</u>

City of Clear Lake, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2009

	Special Revenue			
	Firefighter Benefit	Library	Lindstrom Flower	Law Enforcement State
Revenues:				
Intergovernmental	\$ -	\$ 570		
Fines and forfeitures	-	-	-	1,763
Use of money and property	1,063	(5,774)	15	4
Miscellaneous	-	69,381	5,000	-
<b>Total revenues</b>	<b>1,063</b>	<b>64,177</b>	<b>5,015</b>	<b>1,767</b>
Expenditures:				
Current:				
Public safety	-	-	-	177
Culture and recreation	-	17,773	-	-
Community and economic development	-	-	5,907	-
<b>Total expenditures</b>	<b>-</b>	<b>17,773</b>	<b>5,907</b>	<b>177</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,063</b>	<b>46,404</b>	<b>(892)</b>	<b>1,590</b>
Other financing sources, transfers in	7,500	-	-	-
<b>Net change in fund balance</b>	<b>8,563</b>	<b>46,404</b>	<b>(892)</b>	<b>1,590</b>
Fund balances, beginning of year	49,054	137,850	4,262	334
Fund balances, end of year	\$ 57,617	\$ 184,254	\$ 3,370	\$ 1,924

<u>Special Revenue</u>			
Economic Development Revolving Loan	<u>Permanent Library</u>		Total
		\$	570
-	-		1,763
37,422	-		32,730
-	-		74,381
<u>37,422</u>	<u>-</u>		<u>109,444</u>
-	-		177
-	-		17,773
15,278	-		21,185
<u>15,278</u>	<u>-</u>		<u>39,135</u>
22,144	-		70,309
-	-		7,500
22,144	-		77,809
185,662	2,000		379,162
<u>\$ 207,806</u>	<u>\$ 2,000</u>	<u>\$</u>	<u>\$ 456,971</u>

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**City of Clear Lake, Iowa**  
**Statistical Section**  
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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.

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**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 Six 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
<b>Total governmental activities net assets</b>	<b>\$ 16,435,741</b>	<b>\$ 17,413,513</b>
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
<b>Total business-type activities net assets</b>	<b>\$ 11,149,012</b>	<b>\$ 11,533,059</b>
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
<b>Total primary government net assets</b>	<b>\$ 27,584,753</b>	<b>\$ 28,942,539</b>

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	2009
\$	13,686,281	\$ 14,917,121	\$ 15,938,642	\$ 17,053,088
	2,000	2,000	2,000	2,000
	54,488	26,794	4,083	64,034
	196,157	(102,456)	98,212	2,784
	373,342	328,207	377,369	315,310
	57,184	36,724	58,758	120,288
	551,300	671,956	997,293	580,938
	-	-	-	-
	2,925,926	3,515,923	3,948,779	3,865,625
\$	17,846,678	\$ 19,396,269	\$ 21,425,136	\$ 22,004,067
\$	11,532,643	\$ 12,505,307	\$ 13,946,243	\$ 14,868,351
	-	425,000	-	-
	1,282,501	1,134,809	1,148,657	1,400,956
\$	12,815,144	\$ 14,065,116	\$ 15,094,900	\$ 16,269,307
\$	25,218,924	\$ 27,422,427	\$ 29,884,885	\$ 31,921,439
	2,000	2,000	2,000	2,000
	54,488	26,794	4,083	64,034
	196,157	322,544	98,212	2,784
	373,342	328,207	377,369	315,310
	57,184	36,724	58,758	120,288
	551,300	671,956	997,293	580,938
	-	-	-	-
	4,208,427	4,650,733	5,097,436	5,266,581
\$	30,661,822	\$ 33,461,385	\$ 36,520,036	\$ 38,273,374

**City of Clear Lake, Iowa**  
**Changes In Net Assets**  
**Last Six 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
<b>Total governmental activities expenses</b>	<b>4,556,637</b>	<b>4,632,075</b>
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
<b>Total business-type activities expenses</b>	<b>1,261,091</b>	<b>1,416,690</b>
<b>Total primary government expenses</b>	<b>5,817,728</b>	<b>6,048,765</b>
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
<b>Total governmental activities program revenue</b>	<b>1,978,387</b>	<b>1,491,107</b>

(Continued)

	2006	2007	2008	2009
\$	735,978	\$ 590,868	\$ 601,920	\$ 625,755
	1,748,284	2,184,541	2,102,452	2,194,306
	1,789,513	1,713,782	1,514,707	2,631,817
	19,075	753	1,503	1,782
	777,635	858,868	941,657	996,785
	928,582	560,062	395,959	366,195
	136,987	202,517	226,978	203,312
	6,136,054	6,111,391	5,785,176	7,019,952
	682,199	683,728	674,209	727,926
	229,676	264,105	261,705	281,191
	132,761	184,625	163,949	177,962
	371,503	398,848	404,935	430,636
	1,416,139	1,531,306	1,504,798	1,617,715
	7,552,193	7,642,697	7,289,974	8,637,667
	21,880	18,452	18,666	17,734
	182,217	356,314	363,815	412,060
	599,269	586,159	12,531	13,149
	1,914	440	1,420	1,365
	113,464	157,360	172,612	166,577
	51,967	69,796	51,917	41,482
	2,311	6,375	-	-
	14,661	11,035	58,597	42,775
	682,693	682,845	719,061	699,561
	47,268	28,818	64,862	131,377
	600,110	213,077	5,300	9,278
	19,692	-	-	-
	-	106,344	-	-
	-	354,668	1,002,064	692,447
	213,820	534,607	31,562	33,190
	-	-	-	-
	2,551,266	3,126,290	2,502,407	2,260,995

**City of Clear Lake, Iowa**  
**Changes In Net Assets (Continued)**  
**Last Six 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
<b>Total business-type activities program revenues</b>	<b>1,830,406</b>	<b>1,555,050</b>
<b>Total primary government program revenues</b>	<b>3,808,793</b>	<b>3,046,157</b>
Net (expense) revenue:		
Governmental activities	(2,578,250)	(3,140,968)
Business-type activities	569,315	138,360
<b>Total primary government net expense</b>	<b>(2,008,935)</b>	<b>(3,002,608)</b>
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	-	-
Gain on disposal of capital assets	-	-
Transfers	(185,576)	(226,099)
<b>Total governmental activities</b>	<b>4,139,302</b>	<b>4,118,740</b>
Business-type activities:		
Investment earnings	28,495	19,588
Miscellaneous	2,088	-
Transfers	185,576	226,099
<b>Total business-type activities</b>	<b>216,159</b>	<b>245,687</b>
<b>Total primary government</b>	<b>4,355,461</b>	<b>4,364,427</b>
Changes in net assets:		
Governmental activities	1,561,052	977,772
Business-type activities	785,474	384,047
<b>Total primary government</b>	<b>\$ 2,346,526</b>	<b>\$ 1,361,819</b>

2006	2007	2008	2009
717,732	744,322	753,638	769,749
309,394	313,580	311,190	318,707
76,346	76,803	77,966	88,628
406,217	420,686	439,507	454,012
-	-	-	-
-	-	-	-
-	-	-	-
-	30,437	62,070	-
-	54,448	67,730	-
206,316	62,227	277,870	185,447
1,716,005	1,702,503	1,989,971	1,816,543
4,267,271	4,828,793	4,492,378	4,077,538
(3,584,788)	(2,985,101)	(3,282,769)	(4,758,957)
299,866	171,197	485,171	198,828
(3,284,922)	(2,813,904)	(2,797,598)	(4,560,129)
3,569,878	3,987,994	4,103,953	4,666,175
1,209,429	1,305,313	1,536,946	1,457,826
-	-	-	-
155,920	191,863	163,058	90,011
6,360	11,240	1,200	1,480
-	-	-	70,063
(923,634)	(961,716)	(493,521)	(947,667)
4,017,953	4,534,694	5,311,636	5,337,888
58,585	52,059	51,092	27,912
-	65,000	-	-
923,634	961,716	493,521	947,667
982,219	1,078,775	544,613	975,579
5,000,172	5,613,469	5,856,249	6,313,467
433,165	1,549,593	2,028,867	578,931
1,282,085	1,249,972	1,029,784	1,174,407
\$ 1,715,250	\$ 2,799,565	\$ 3,058,651	\$ 1,753,338

**City of Clear Lake, Iowa**  
**Program Revenues by Function/Program**  
**Last Six 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
<b>Total governmental activities</b>	<b>1,978,387</b>	<b>1,491,107</b>
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
<b>Total business-type activities</b>	<b>1,830,406</b>	<b>1,555,050</b>
<b>Total government</b>	<b>\$ 3,808,793</b>	<b>\$ 3,046,157</b>

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

				Fiscal Year			
2006		2007		2008		2009	
\$	43,883	\$	24,828	\$	18,666	\$	17,734
	196,878		473,693		422,412		454,835
	1,281,962		1,623,672		1,733,656		1,405,157
	1,914		440		1,420		1,365
	374,552		720,785		269,036		331,144
	652,077		282,873		57,217		50,760
	<u>2,551,266</u>		<u>3,126,291</u>		<u>2,502,407</u>		<u>2,260,995</u>
	717,732		774,758		815,708		769,749
	309,394		433,028		378,920		318,707
	282,662		139,029		355,834		274,075
	406,217		420,686		439,507		454,012
	<u>1,716,005</u>		<u>1,767,501</u>		<u>1,989,969</u>		<u>1,816,543</u>
\$	<u>4,267,271</u>	\$	<u>4,893,792</u>	\$	<u>4,492,376</u>	\$	<u>4,077,538</u>

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

	2000	2001	2002	2003
General Fund:				
Reserved	\$ 1,364,762	\$ 5,538	\$ 6,649	\$ 1,823
Unreserved	1,970,542	1,491,195	1,708,124	2,430,262
<b>Total General Fund</b>	<b>\$ 3,335,304</b>	<b>\$ 1,496,733</b>	<b>\$ 1,714,773</b>	<b>\$ 2,432,085</b>
All Other Governmental Funds:				
Reserved	\$ 39,000	\$ 39,000	\$ 39,000	\$ 39,000
Unreserved, reported in:				
Special revenue funds	1,567,852	1,252,352	1,311,862	1,084,965
Debt service funds	3,588	2,984	9,205	9,899
Capital Projects Fund	200,000	108,519	112,130	21,751
Permanent Fund	3,258	2,000	2,000	2,000
<b>Total all other government funds</b>	<b>\$ 1,813,698</b>	<b>\$ 1,404,855</b>	<b>\$ 1,474,197</b>	<b>\$ 1,157,615</b>

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

Fiscal Year											
2004		2005		2006		2007		2008		2009	
\$	53,844	\$	1,976	\$	2,140	\$	-	\$	-	\$	-
	2,083,920		2,221,373		1,962,802		2,232,472		2,808,130		2,854,234
\$	2,137,764	\$	2,223,349	\$	1,964,942	\$	2,232,472	\$	2,808,130	\$	2,854,234
\$	44,370	\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	2,000
	1,330,373		1,597,129		1,367,417		1,403,743		1,755,907		1,415,253
	134,865		69,576		57,184		36,724		58,758		120,288
	160,154		(3,703)		196,157		4,947		98,212		2,784
	2,000		-		-		-		-		-
\$	1,671,762	\$	1,665,002	\$	1,622,758	\$	1,447,414	\$	1,914,877	\$	1,540,325

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

	2000	2001	2002	2003
<b>Revenues:</b>				
Taxes	\$ 2,245,121	\$ 2,215,812	\$ 2,347,408	\$ 2,620,791
Special assessments	198,490	137,850	105,631	733,831
Other taxes	1,080,518	1,097,575	1,272,494	1,417,185
Intergovernmental	1,117,502	967,376	1,475,741	999,014
Licenses and permits	107,083	119,751	63,723	71,877
Charges for services	48,891	57,639	68,130	64,776
Fines and forfeitures	36,462	30,900	29,831	35,639
Use of money and property	540,059	408,689	96,187	82,455
Miscellaneous	489,484	325,514	311,540	118,697
<b>Total revenues</b>	<b>5,863,610</b>	<b>5,361,106</b>	<b>5,770,685</b>	<b>6,144,265</b>
<b>Expenditures:</b>				
General government	436,044	478,901	583,691	586,441
Public safety	1,470,896	1,279,940	1,429,589	1,302,038
Public works	1,282,058	1,882,488	3,219,268	827,812
Health and social services	-	-	-	18,004
Culture and recreation	1,020,140	2,436,190	1,993,985	575,603
Community and economic development	-	-	-	427,583
Capital projects	-	-	-	2,129,756
Debt service:				
Principal	345,000	355,000	365,000	335,000
Bond issuance costs	-	-	-	-
Interest	147,580	128,038	107,415	182,208
<b>Total expenditures</b>	<b>4,701,718</b>	<b>6,560,557</b>	<b>7,698,948</b>	<b>6,384,445</b>
<b>Excess of revenues (under) expenditures</b>	<b>1,161,892</b>	<b>(1,199,451)</b>	<b>(1,928,263)</b>	<b>(240,180)</b>
<b>Other financing sources (uses):</b>				
Transfers in	584,150	1,464,698	1,742,973	630,414
Transfers out	(685,520)	(1,431,700)	(1,777,607)	(570,437)
Issuance of long-term debt	-	-	2,300,000	600,000
Premium (discount) on long-term debt	-	-	(33,800)	(8,500)
Proceeds from sale of capital assets	31,925	4,300	760	2,644
<b>Total other financing sources (uses)</b>	<b>(69,445)</b>	<b>37,298</b>	<b>2,232,326</b>	<b>654,121</b>
<b>Net changes in fund balance</b>	<b>\$ 1,092,447</b>	<b>\$ (1,162,153)</b>	<b>\$ 304,063</b>	<b>\$ 413,941</b>
Debt service as a percentage of noncapital expenditures	13.8%	12.8%	11.9%	12.8%

		Fiscal Year									
		2004	2005	2006	2007	2008	2009				
\$	2,789,357	\$	3,186,780	\$	3,569,878	\$	3,987,996	\$	4,103,953	\$	4,666,175
	351,697		270,686		397,935		349,713		297,684		292,029
	1,466,994		1,070,150		1,209,429		1,305,312		1,536,946		1,457,826
	1,236,882		903,733		1,353,832		1,248,161		1,372,237		1,388,871
	73,152		86,559		85,640		102,212		84,334		81,328
	79,738		75,545		184,509		391,578		477,503		485,116
	40,728		39,330		45,555		50,471		50,759		51,182
	72,406		103,934		155,920		191,862		163,058		123,033
	154,934		91,005		301,594		569,304		259,394		150,891
	6,265,888		5,827,722		7,304,292		8,196,609		8,345,868		8,696,451
	621,862		566,647		591,050		623,057		587,568		607,479
	1,392,137		1,430,640		2,268,711		2,083,584		2,049,098		2,256,831
	917,542		747,266		1,036,067		889,792		858,248		1,120,156
	14,412		19,074		19,075		753		1,503		1,782
	594,090		627,879		678,633		792,342		1,003,306		1,056,240
	349,367		336,317		979,706		558,864		395,327		377,941
	1,417,538		1,150,076		2,502,231		3,411,103		778,068		2,323,084
	480,000		515,000		475,000		685,000		800,000		720,000
	-		-		10,070		11,279		-		3,950
	152,828		129,899		129,916		193,729		221,707		197,880
	5,939,776		5,522,798		8,690,459		9,249,503		6,694,825		8,665,343
	326,112		304,924		(1,386,167)		(1,052,894)		1,651,043		31,108
	1,107,108		1,172,333		1,089,296		1,671,200		833,353		1,454,837
	(1,292,684)		(1,398,432)		(2,012,930)		(2,632,916)		(1,326,874)		(2,402,504)
	-		-		2,000,000		2,000,000		-		500,000
	-		-		(12,000)		(14,850)		-		-
	970		-		21,150		7,250		-		88,110
	(184,606)		(226,099)		1,085,516		1,030,684		(493,521)		(359,557)
\$	141,506	\$	78,825	\$	(300,651)	\$	(22,210)	\$	1,157,522	\$	(328,449)
	14.5%		14.2%		10.4%		14.6%		17.8%		13.4%

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

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Fiscal Year	Property	Local Option Sales Tax	Utility Replacement Excise Tax	Hotel/Motel Tax	Other Tax	Total
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
<b>2009</b>	<b>4,666,175</b>	<b>1,133,687</b>	<b>46,035</b>	<b>168,049</b>	<b>110,055</b>	<b>6,124,001</b>
Change 1st to Last year	107.84%	28.41%	6.73%	-14.98%	73.35%	84.15%

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)**

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Valuation Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Railway Property
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
2007	2009	225,226,342	77,815,530	3,282,138	556,974

**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
\$ 16,012,172	\$ 243,663,514	830.39%	8.10782	\$ 393,556,978	6191.31%
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
<b>15,528,647</b>	<b>322,409,631</b>	<b>0.75</b>	<b>10.04870</b>	<b>685,463,363</b>	<b>47.04</b>

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

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Tax Valuation Year	Fiscal Year	City Direct Rates					Total Direct
		General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund		
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	
2007	2009	7.50595	0.20161	1.25406	1.08708	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.

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Overlapping Rates						
School District	Cerro Gordo County	North Iowa Area Community College	Clear Lake Sanitary District	Total Rate		
\$ 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		
<b>11.88147</b>	<b>6.98574</b>	<b>0.66226</b>	<b>1.59050</b>	<b>31.16867</b>		

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

Taxpayer	2009			2000		
	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	\$ 6,856,979	1	2.13%	*	*	*
Interstate Power & Light Co	6,643,135	2	2.06	*	*	*
National Bedding Company LLC	3,799,020	3	1.18	*	*	*
Clear Lake Independent Tele Co	3,324,307	4	1.03	*	*	*
Kingland Properties LC	3,143,327	5	0.97	*	*	*
Apple Valley LLC	2,608,390	6	0.81	*	*	*
New Cole Sewell Corporation	2,595,265	7	0.80	*	*	*
Teamquest Corporation	2,552,202	8	0.79	*	*	*
Petroleum Property MGMT Inc	2,343,773	9	0.73	*	*	*
Clear Lake Bank & Trust Co	2,314,190	10	0.72	*	*	*
<b>Total</b>	<b>\$ 36,180,588</b>			<b>*</b>		

Notes: Utilities (Magellan, Interstate Power and CL Telephone) are taxed based on an excise rate.  
\* Data for 2000 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
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
<b>2009</b>	<b>2007</b>	<b>3,258,064</b>	<b>3,258,064</b>	<b>100.00</b>

**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 \$1,398,964 during 2009.

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			Total Collections to Date	
Delinquent Collections		Amount *	Percentage of Levy	
\$	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
	<b>9,148</b>		<b>3,267,212</b>	<b>100.28</b>

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			
2000	\$ 1,400,000	\$ 3,588	\$ 1,396,412	35.00%	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
<b>2009</b>	<b>4,365,000</b>	<b>120,288</b>	<b>4,244,712</b>	<b>0.62</b>	<b>520.12</b>

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

Source: City records

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Business-Type Activities				
Loan Payable	General Obligation Bonds and Loan Notes	Total Primary Government	Percentage of Per Capita Income	Per Capita
\$ -	\$ 970,000	\$ 2,366,412	67.00%	\$ 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
<b>263,887</b>	<b>1,100,000</b>	<b>5,608,599</b>	<b>1.88</b>	<b>687.24</b>

City of Clear Lake, Iowa

Computation of Direct and Overlapping Debt  
June 30, 2009

Name of governmental unit:	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
Direct, City of Clear Lake	\$ 5,465,000	100.00%	\$ 5,465,000	\$ 669.65
Indirect:				
Cerro Gordo County	11,945,000	18.38	2,195,491	269.02
Clear Lake School District	8,505,000	71.57	6,087,029	745.87
North Iowa Area Community College	8,930,000	6.55	584,915	71.67
Clear Lake Sanitary District	3,870,000	77.05	2,981,835	365.38
<b>Subtotal, overlapping debt</b>	<u>33,250,000</u>		<u>11,849,270</u>	<u>1,451.94</u>
<b>Total direct and overlapping debt</b>	<u>\$ 38,715,000</u>		<u>\$ 17,314,270</u>	<u>\$ 2,121.59</u>

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City of Clear Lake, Iowa

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

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	2000	2001	2002	2003
Debt limit	\$ 19,677,849	\$ 21,408,235	\$ 23,179,690	\$ 23,993,097
Total net debt applicable to limit	2,366,412	2,012,016	3,940,795	4,205,101
Legal debt margin	<u>\$ 17,311,437</u>	<u>\$ 19,396,219</u>	<u>\$ 19,238,895</u>	<u>\$ 19,787,996</u>
Total net debt applicable to the limit as a percentage of debt limit	12.03%	9.40%	17.00%	17.53%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	<u>\$ 685,463,363</u>
Debt limit (5% of assessed value)	\$ 34,273,168
Debt applicable to limit, general obligation bonds	5,465,000
Legal debt margin	<u>\$ 28,808,168</u>

	2004	2005	2006	2007	2008	2009
	\$ 25,191,552	\$ 27,706,426	\$ 27,839,182	\$ 29,842,939	\$ 31,644,412	\$ 34,273,168
	3,490,135	2,930,424	4,405,000	5,600,000	5,870,000	5,465,000
	\$ 21,701,417	\$ 24,776,002	\$ 23,434,182	\$ 24,242,939	\$ 25,774,412	\$ 28,808,168
	13.85%	10.58%	15.82%	18.76%	18.55%	15.95%

City of Clear Lake, Iowa

Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

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Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
2000	45,669	25,647	39.16	1,494	259.00%
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
<b>2009</b>	<b>43,786</b>	<b>36,576</b>	<b>42.41</b>	<b>1,386</b>	<b>6.50</b>

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	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	550	1	14.65%	405	1	-%
Larson Manufacturing	220	2	5.86	345	2	-
Dean Snyder Construction	160	3	4.26	-	-	-
TeamQuest Corporation	130	4	3.46	66	5	-
Serta Mattress Company	114	5	3.04	91	4	-
Oakwood Care Center	110	6	2.93	93	3	-
Clear Lake Bank & Trust	64	7	1.71	-	-	-
Andrews Prestressed Concrete	62	8	1.65	-	-	-
Kingland Systems Corporation	54	9	1.44	-	-	-
Clear Lake Specialty Products	40	10	1.07	-	-	-

**Notes:** Remaining 2000 information unavailable

**Sources:** Employers, US Census Bureau

**Note:** Only the top five principal employers are available

City of Clear Lake, Iowa

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

Functions/Program	Full-Time Equivalent Employees as of June 30				
	2009	2008	2007	2006	2005
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	15.0	14.0	14.0
Civilian Support Supervisor	1.0	1.0	1.0	1.0	1.0
Dispatchers	5.5	4.5	4.5	4.5	4.5
Fire:					
Volunteers	25.0	25.0	25.0	22.0	25.0
Ambulance	6.0	6.0	6.0	6.0	-
Public Works:					
Administration	1.5	1.5	1.5	1.5	1.5
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
<b>Total</b>	<b>87.0</b>	<b>86.0</b>	<b>86.0</b>	<b>82.0</b>	<b>79.0</b>

Source: City records

Note: Does not include seasonal or temporary employees

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Full-Time Equivalent Employees as of June 30

2004	2003	2002	2001	2000
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	4.0	3.0	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
22.0	23.0	26.0	25.0	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	7.0	6.0	6.0	6.0
76.5	77.5	79.5	77.5	77.0

City of Clear Lake, Iowa

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

Function/Program	Calendar Year			
	1999	2000	2001	2002
<b>Police:</b>				
Calls for service	9,317	9,110	9,097	9,216
Arrests	255	388	318	447
Traffic citations	631	781	648	470
Parking tickets	579	444	224	247
<b>Fire:</b>				
Calls for service	258	252	237	256
Total Fire Calls	157	157	146	188
Total EMS Calls	101	95	91	68
Property loss	\$ 518,000	\$ 257,000	\$ 732,000	\$ 1,106,000
<b>Building safety:</b>				
Total building permits issued	123	135	134	245
Total value all permits	\$ 4,841,000	\$ 9,288,985	\$ 6,668,150	\$ 8,867,706
New single/multi family dwellings	15	24	18	22
<b>Library: (reported on a fiscal year)</b>				
Registrations	8,245	8,467	8,689	9,036
Total items checked out	121,390	91,102	97,774	116,061
<b>Park &amp; Recreation:</b>				
Program participants	1,472	1,392	1,425	1,469
Shelter reservations	129	137	130	131
Pool Memberships	-	-	-	-
<b>Cemetery:</b>				
Burials	71	56	69	60
Spaces sold (reported on a fiscal year)	56	55	77	58
<b>Public Works:</b>				
New construction or reconstruction (miles)	0.94	0.20	0.64	3.08
Resurface (miles)	0.57	-	-	0.24
<b>Water: (reported on a fiscal year)</b>				
Customers	3,594	3,645	3,671	3,711
Average daily consumption per customer	214	205	211	204
<b>Solid Waste: (reported on a fiscal year)</b>				
Garbage collected (ton)	2,335	2,319	2,330	2,339
Recycle collected (ton)	347	322	328	328
Yard waste collected (ton)	838	1,350	1,236	1,750

Source: Department records

Note: \*\* Indicator not available

Calendar Year						
2003	2004	2005	2006	2007	2008	
9,212	8,592	8,318	8,527	9,182	7,491	
454	420	533	520	607	468	
495	543	635	704	1,390	1,606	
434	446	383	248	686	874	
276	284	674	912	1,095	1,086	
187	186	220	173	158	288	
89	98	454	739	937	798	
\$ 164,000	\$ 554,000	\$ 419,000	\$ 593,000	\$ 340,000	\$ 491,000	
200	140	124	126	161	145	
\$ 9,818,995	\$ 9,723,483	\$ 13,962,026	\$ 12,913,941	\$ 18,331,333	\$ 10,722,966	
18	21	34	26	25	22	
9,282	9,478	8,884	8,812	9,100	9,552	
123,133	134,546	136,723	140,801	141,341	141,579	
1,565	1,537	1,354	1,629	1,429	1,374	
123	124	130	150	170	195	
-	-	-	-	339	340	
75	68	51	42	44	41	
79	69	49	60	32	17	
0.50	0.40	0.36	1.17	1.11	0.23	
0.29	-	1.76	2.40	2.16	2.56	
3,777	3,805	3,856	3,885	3,924	3,947	
205	188	182	184	180	172	
2,335	2,335	2,356	2,355	2,396	2,368	
333	340	348	339	341	312	
1,367	1,593	1,453	1,230	1,240	1,709	

City of Clear Lake, Iowa

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

Function/Program	2000	2001	2002	2003
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	78.6	78.8	79.0	79.1
Traffic Signals	8	8	8	8
Parks & Recreation:				
Acreage	20	33	33	33
Parks	11	11	11	11
Picnic Shelters	6	6	6	6
Library:				
Facilities	1	1	1	1
Volumes	45,696	45,144	47,001	48,464
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	852,000	892,000	952,000	931,000
Peak Consumption	1,377,000	1,353,000	1,621,000	1,534,000
Water Lines (miles)	50.0	50.7	51.3	52.0
Wastewater:				
Sanitary Sewers (miles)	43.3	43.5	43.7	44.1

Source: Department records

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2004	2005	2006	2007	2008	2009
1	1	1	1	1	1
1	1	1	1	1	1
79.3	79.3	79.3	80.3	80.3	80.4
8	9	9	9	9	10
33	33	33	33	52	52
11	11	11	11	11	11
6	6	6	6	6	6
1	1	1	1	1	1
48,101	49,560	48,830	45,374	51,043	52,785
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
962,000	889,000	864,000	910,000	854,000	823,000
1,350,000	1,251,000	1,381,000	1,533,000	1,609,000	1,424,000
52.1	52.8	53.5	53.6	54.2	55.0
44.4	44.8	44.8	46.5	46.5	47.2

City of Clear Lake, Iowa

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Direct:</b>			
<b>U.S. Department of Justice:</b>			
Bulletproof Vest Partnership Grant Act	16.607	N/A	\$ 306
<b>Indirect:</b>			
<b>U.S. Department of Transportation:</b>			
Passed through the Iowa Department of Transportation:			
Highway Planning and Construction	20.205	2-08-STPU-005	370,000
Highway Planning and Construction	20.205	2-08-STPU-005	71,195
Highway Planning and Construction	20.205	07-STRS-013	135,000
			<u>576,195</u>
<b>Total federal expenditures</b>			<u>\$ 576,501</u>

See Note to Schedule of Expenditures of Federal Awards.

City of Clear Lake, Iowa

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clear Lake, Iowa for the year ended June 30, 2009. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2. Significant Accounting Policies**

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

City of Clear Lake, Iowa

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2009

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	Comment	Status	Corrective Action or Other Explanation
<b>Significant Deficiency</b>			
08-II-A	Inadequate segregation of duties over cash receipts.	Not corrected	See corrective action plan at 09-II-A.
<b>Findings Related to Required Statutory Reporting</b>			
08-IV-D	Council member Yohn voted to approve a general contractor for a project that he was listed as the supplier of concrete.	Corrected	

# 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 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2009. 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 generally accepted accounting principles 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 deficiencies described in the accompanying schedule of findings and questioned costs, as items 09-II-A and 09-II-B, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood 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 none of the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 4, 2009

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

### **Compliance**

We have audited the compliance of City of Clear Lake, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Clear Lake Iowa's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Clear Lake Iowa's management. Our responsibility is to express an opinion on the City of Clear Lake Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clear Lake Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Clear Lake Iowa's compliance with those requirements.

In our opinion, the City of Clear Lake Iowa complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of the City of Clear Lake, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Clear Lake Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Clear Lake Iowa's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 4, 2009

City of Clear Lake, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2009

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**II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Auditing Standards.**

**A. Significant Deficiencies in Internal Control.**

**09-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: The City is aware of the limited segregation of duties and will continue to look for opportunities to realign or reassign duties when possible.

**09-II-B**

Finding: Payroll time cards for employees of the Pool department were not maintained in the payroll files for several pay periods during the fiscal year.

Condition: Time cards are signed by the employee and approved by supervisory personnel. The time cards are then used to produce the time card summary that is submitted to the Finance department for processing of payroll and issuing of checks.

Context: Pervasive to payroll time cards for employees of the Pool department for several pay periods throughout the year.

Effect: Because documentation was not maintained to prove otherwise, unauthorized transactions could have occurred to payroll transactions.

Recommendation: We recommend time sheets showing the employees signature and supervisory authorization for all pay periods and all departments be maintained in the payroll files.

Response: The City has put procedures in place to ensure a timesheet that is signed by the employee and supervisor is received and maintained with the payroll records.

**B. Compliance findings.**

None

(Continued)

City of Clear Lake, Iowa

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2009

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**III. Findings and Questioned Costs for Federal Awards.**

**A. Significant Deficiencies in Administering Federal Awards**

None

**B. Instances of Noncompliance**

None

**IV. Other Findings Related to Required Statutory Reporting.**

**08-IV-A:** Certified Budget - Disbursements during the year ended June 30, 2009 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 – No business transactions between the City and City officials or employees were noted.

**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.

**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.

City of Clear Lake, Iowa

Corrective Action Plan  
Year Ended June 30, 2009

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>Significant Deficiencies:</b>				
09-II-A	Inadequate segregation of duties over cash receipts.	See corrective action plan at 09-II-A.	June 2010	Linda Nelson, Finance Director
09-II-B	Pool department payroll timecard documentation was not maintained.	See corrective action plan at 09-II-B.	June 2010	Linda Nelson, Finance Director