

City of Clear Lake, Iowa

Financial Report
Year Ended June 30, 2010

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City of Clear Lake, Iowa

**City Officials
June 30, 2010**

		Term Expiration Date Of Elected Officials
Nelson Crabb	Mayor	12-31-13
Shane Cooney	1st Ward City Council Member	12-31-11
Tony Nelson	2nd Ward City Council Member	12-31-13
Ben Furleigh	3rd Ward City Council Member	12-31-11
Mike Callanan	At Large City Council Member	12-31-11
Jon Monson	At Large City Council Member	12-31-13

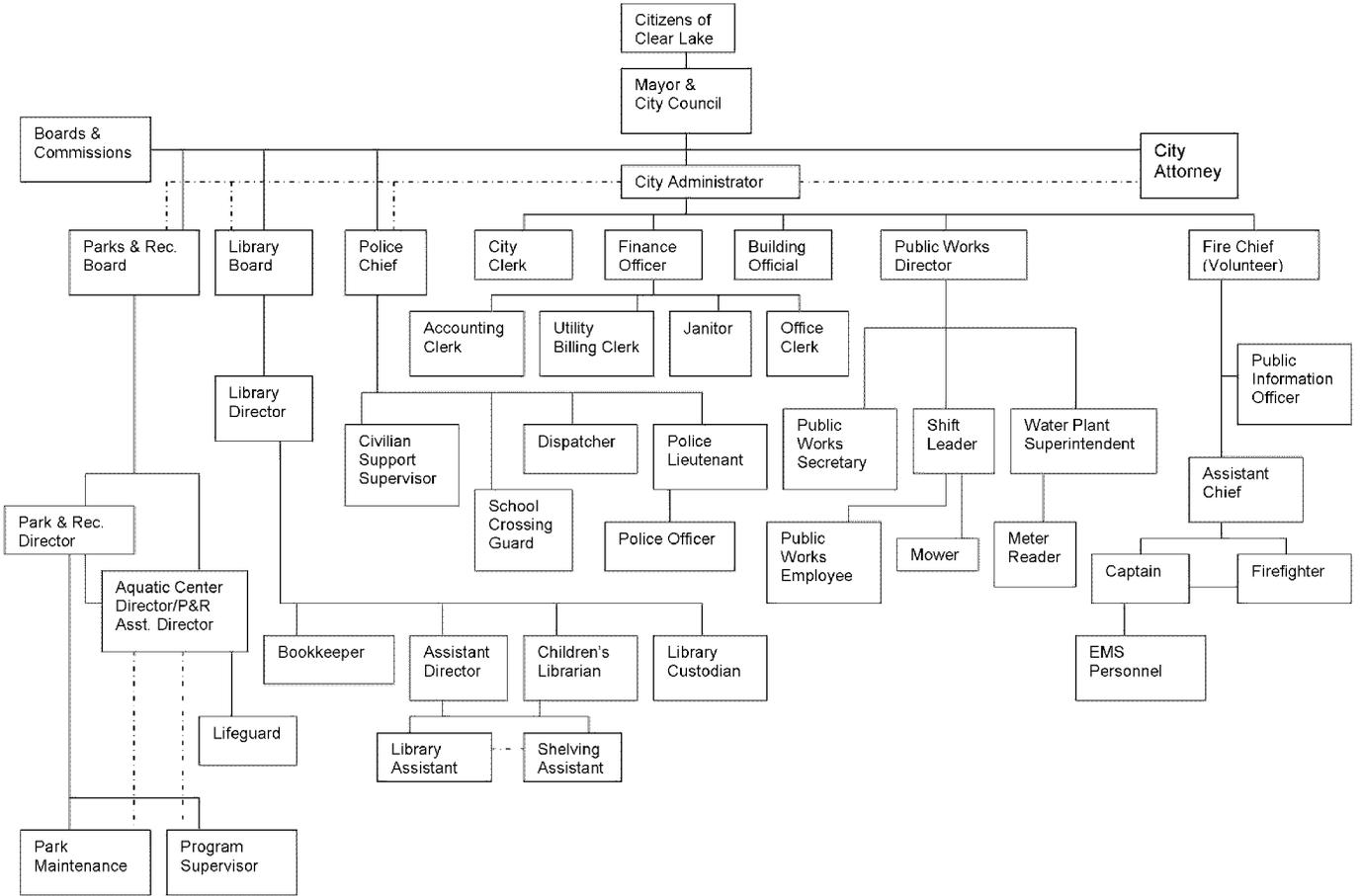
Park and Recreation Board

Jim Finstad
Jennifer Merfeld
Stuart Trembath
Amanda Korenberg
Angela Faber
Hal Berding
David Blaha
Sue Keefe - Director
Randy Miller - Assistant Director

Library Board

Diane Glynn
Dave Suntken
Daniel Gustafson
Jana Severtson
Elizabeth Cherry
Ann Bagby
Michael Mahaffey
Jean Casey - Director
Elizabeth Den Hartog - Assistant Director

City of Clear Lake Organizational Chart





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, 2010, 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, 2010, 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.

As explained in Note 13 to the basic financial statements, the City changed its method of accounting for other postemployment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, 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, other postemployment benefit plan schedule of funding progress on page 49 and budgetary comparison schedule on pages 50 through 52 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. 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 1, 2010

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2010

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, 2010.

Financial Highlights

The assets of the City of Clear Lake exceeded its liabilities at the close of the most recent fiscal year by \$40,840,441 (net assets). Of this amount, \$4,870,193 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2009, assets exceeded liabilities by \$38,273,374. Of this amount, \$5,266,581 was unrestricted.

The City's total net assets increased by \$2,567,067 during the fiscal year ended June 30, 2010. Governmental activities increased \$1,802,028 and business-type activities increased \$765,039. For fiscal year ended June 30, 2009, total net assets increased \$1,753,338. Governmental activities increased \$578,931 and business-type activities increased \$1,174,407.

As of the close of the current fiscal year, the City of Clear Lake's governmental funds reported combined ending fund balances of \$4,889,973, an increase of \$495,414 in comparison with the prior year. Approximately 92.8 percent of this total amount, \$4,539,633, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2009, governmental funds reported combined ending fund balances of \$4,394,559, of which \$4,392,559 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 \$2,649,619 or 50.7 percent of total General Fund expenditures. The unreserved fund balance for the General Fund as of June 30, 2009 was \$2,854,234 or 64.6 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, 2010

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

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

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

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

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

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

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

The City of Clear Lake, Iowa maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Tax Increment Financing Fund, Road Use Tax Fund, Employee Benefits Fund, the Capital Projects Fund and the Debt Service Fund which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2010

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 50 through 52.

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 \$40,840,441, which represents an increase of \$2,567,067 from 2009.

City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2010**

Of the City of Clear Lake's net assets, 83.8 percent reflects its investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, infrastructure and machinery and equipment) less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Clear Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported, net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 - City of Clear Lake's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 12,086,504	\$ 11,457,211	\$ 1,590,570	\$ 1,859,767	\$ 13,677,074	\$ 13,316,978
Capital assets net of depreciation	22,500,442	21,402,894	17,564,756	16,232,238	40,065,198	37,635,132
Total assets	34,586,946	32,860,105	19,155,326	18,092,005	53,742,272	50,952,110
Liabilities						
Current liabilities	7,338,568	7,141,038	592,077	707,698	7,930,645	7,848,736
Long-term liabilities	3,442,283	3,715,000	1,528,903	1,115,000	4,971,186	4,830,000
Total liabilities	10,780,851	10,856,038	2,120,980	1,822,698	12,901,831	12,678,736
Net Assets						
Invested in capital assets, net of related debt	18,368,294	17,053,088	15,849,756	14,868,351	34,218,050	31,921,439
Restricted	1,752,198	1,085,354	-	-	1,752,198	1,085,354
Unrestricted	3,685,603	3,865,625	1,184,590	1,400,956	4,870,193	5,266,581
Total net assets	\$ 23,806,095	\$ 22,004,067	\$ 17,034,346	\$ 16,269,307	\$ 40,840,441	\$ 38,273,374

A restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$4,870,193, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net assets increased by \$2,567,067 during the current fiscal year. The governmental activities' net assets increased by \$1,802,028. The total business-type activities' net assets increased by \$765,039. 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, 2010. 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, 2010

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		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 628,640	\$ 652,367	\$ 1,639,864	\$ 1,631,096	\$ 2,268,504	\$ 2,283,463
Operating grants and contributions	830,825	882,991	-	-	830,825	882,991
Capital grants and contributions	1,351,139	725,637	437,477	185,447	1,788,616	911,084
General revenues:						
Property taxes	5,197,907	4,666,175	-	-	5,197,907	4,666,175
Other taxes	1,415,469	1,457,826	-	-	1,415,469	1,457,826
Investment earnings	85,456	90,011	8,975	27,912	94,431	117,923
Miscellaneous	-	1,480	-	-	-	1,480
Gain on disposal of capital assets	34,475	70,063	-	-	34,475	70,063
Total revenues	9,543,911	8,546,550	2,086,316	1,844,455	11,630,227	10,391,005
Expenses:						
General government	662,464	625,755	-	-	662,464	625,755
Public safety	2,399,055	2,194,306	-	-	2,399,055	2,194,306
Public works	2,170,696	2,631,817	-	-	2,170,696	2,631,817
Health and social services	1,359	1,782	-	-	1,359	1,782
Culture and recreation	1,045,416	996,785	-	-	1,045,416	996,785
Community and economic development	794,422	366,195	-	-	794,422	366,195
Interest on long-term debt	180,297	203,312	-	-	180,297	203,312
Water	-	-	762,104	727,926	762,104	727,926
Sewer rental	-	-	428,176	281,191	428,176	281,191
Storm water	-	-	182,559	177,962	182,559	177,962
Solid waste	-	-	436,612	430,636	436,612	430,636
Total expenses	7,253,709	7,019,952	1,809,451	1,617,715	9,063,160	8,637,667
Excess of revenues over expenses before transfers	2,290,202	1,526,598	276,865	226,740	2,567,067	1,753,338
Transfers	(488,174)	(947,667)	488,174	947,667	-	-
Change in net assets	1,802,028	578,931	765,039	1,174,407	2,567,067	1,753,338
Net assets, beginning of year	22,004,067	21,425,136	16,269,307	15,094,900	38,273,374	36,520,036
Net assets, end of year	\$ 23,806,095	\$ 22,004,067	\$ 17,034,346	\$ 16,269,307	\$ 40,840,441	\$ 38,273,374

City of Clear Lake, Iowa

**Management’s Discussion and Analysis
Year Ended June 30, 2010**

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.

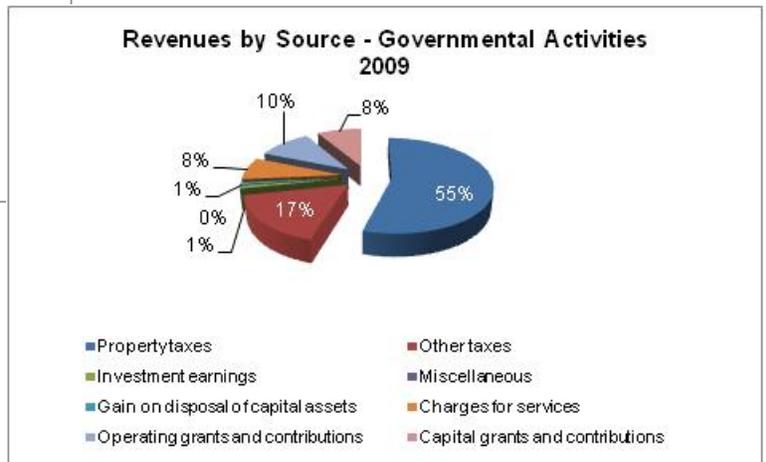
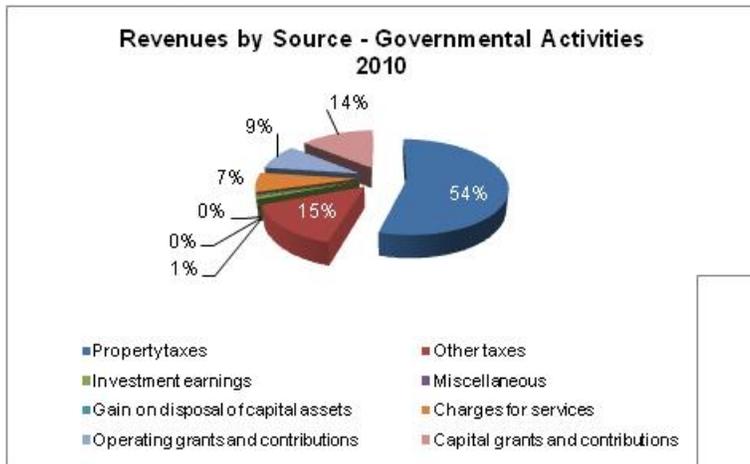
Table 3 - Governmental Activities

Programs	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Public safety	\$ 2,399,055	\$ (1,957,494)	\$ 2,194,306	\$ (1,739,471)
Public works	2,170,696	(448,593)	2,631,817	(1,226,660)
Health and social services	1,359	631	1,782	(417)
Culture and recreation	1,045,416	(466,081)	996,785	(665,641)
Community and economic development	794,422	(746,010)	366,195	(315,435)
General government	662,464	(645,261)	625,755	(608,021)
Interest on long-term debt	180,297	(180,297)	203,312	(203,312)
Total	\$ 7,253,709	\$ (4,443,105)	\$ 7,019,952	\$ (4,758,957)

Net cost of services is 61.3 percent of total cost of services in 2010 as compared to 67.8 percent in 2009. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Governmental Activities

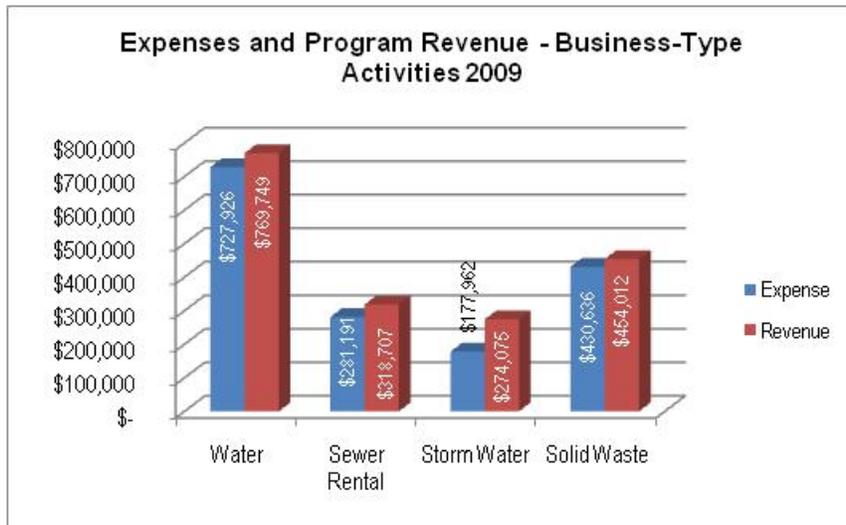
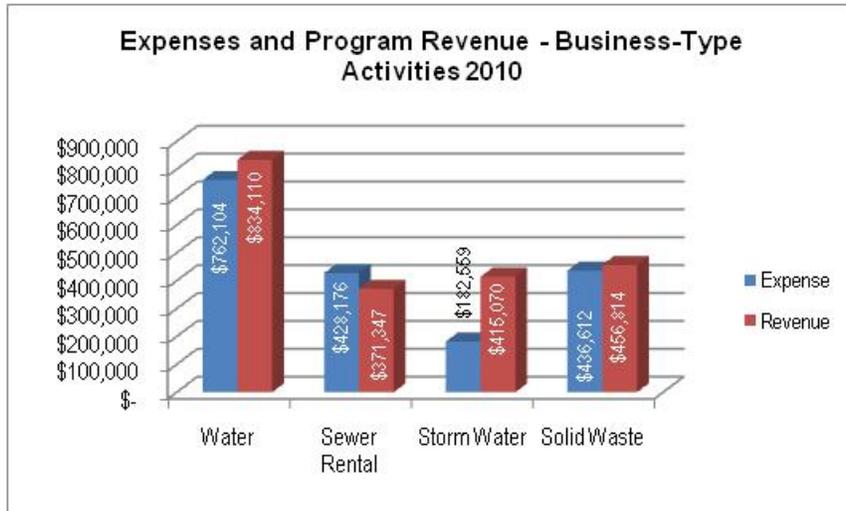
The graph below shows the percentage of the total governmental activities revenues allocated by each revenue type:



City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2010

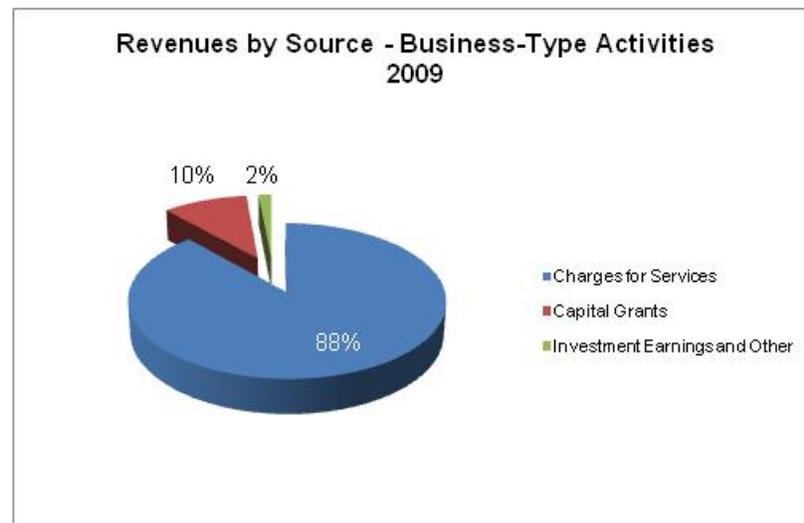
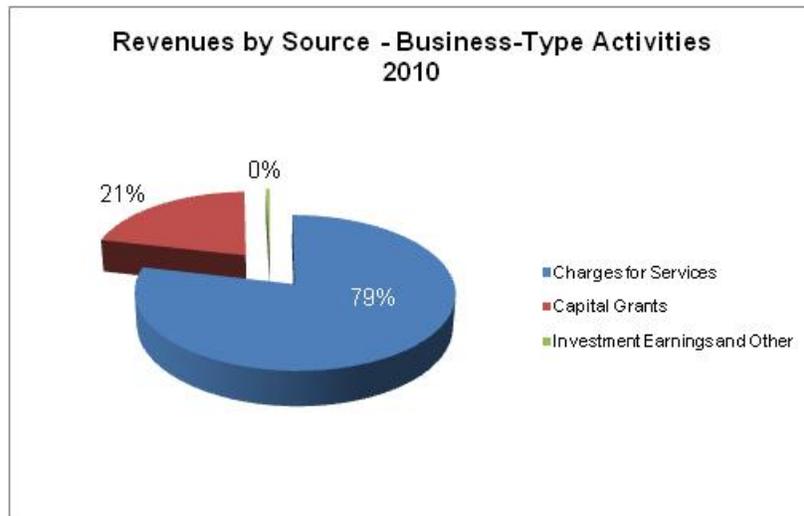
Total business-type activities' revenue, excluding interfund transfers, for the fiscal year was \$2,086,316. All but \$8,975 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenditures and program revenues:



City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2010**

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 \$765,039 accounting for 30 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, 2010

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 \$4,889,973, an increase of \$495,414 in comparison with the prior year. Approximately 92.8 percent of this total amount, \$4,539,633, 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 \$2,649,619. 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 50.7 percent of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$204,615 during the current fiscal year. This was due to revenues less than anticipated and use of accumulated reserves.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance increased \$241,173 from \$64,034 in 2009 to \$305,207 in 2010 primarily due to construction projects not completed as of June 30, 2010.

The Road Use Fund is to maintain and improve City streets. Fund balance increased \$156,088 from \$580,938 in 2009 to \$737,026 in 2010 primarily due to revenues more than anticipated and actual expenditures less than anticipated.

The Employee Benefits Fund accounts for the employees' group life and health insurance. Fund balance decreased by \$68,739 from \$315,310 in 2009 to \$246,571 in 2010. This decrease was due to the anticipated use of accumulated reserves.

The Capital Projects Fund balance increased \$73,180 from \$2,784 in 2009 to \$75,964 in 2010. This increase was due to timing issues related to capital project expenditures and the related revenues (donations and grants).

The Debt Service Fund balance decreased \$83,198 from \$120,288 in 2009 to \$37,090 in 2010. This decrease was due to the anticipated use of accumulated reserves.

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 \$10,659,490 was increased to \$11,190,393 (an increase of \$530,903) mainly due to revised estimates for capital project grants and bequest.
- The total original expenditure budget of \$14,198,857 was increased to \$14,624,496 (an increase of \$425,639) mainly for revised costs for capital projects and bond refunding.

City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2010**

- The total original budget for other financing sources of \$2,675,000 was decreased to \$2,228,500 (a decrease of \$446,500) mainly due to bond proceeds for capital projects and bond refunding.
- 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, 2010, amounted to \$40,065,198 (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 6.5 percent (a 5.1 percent increase for governmental activities and an 8.2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included loader and backhoe, North 4th Street Project, Storm Filter Box Project and start of the Water Distribution System Improvement Project.

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

City of Clear Lake's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,944,612	\$ 2,664,749	\$ 331,716	\$ 331,716	\$ 3,276,328	\$ 2,996,465
Construction-in-progress	488,855	1,019,469	695,079	2,533,721	1,183,934	3,553,190
Buildings and improvements	6,402,203	6,355,843	1,476,720	1,228,527	7,878,923	7,584,370
Infrastructure	21,758,565	20,190,682	21,817,897	18,470,765	43,576,462	38,661,447
Machinery and equipment	4,438,302	4,178,980	931,668	935,344	5,369,970	5,114,324
Accumulated depreciation	(13,532,095)	(13,006,829)	(7,688,324)	(7,267,835)	(21,220,419)	(20,274,664)
Total	\$ 22,500,442	\$ 21,402,894	\$ 17,564,756	\$ 16,232,238	\$ 40,065,198	\$ 37,635,132

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2010

Debt: As of June 30, 2010, the City of Clear Lake, Iowa had general obligation bonds and loan notes outstanding totaling \$5,742,500 and notes payable outstanding of \$120,000. In the current year, the City paid \$2,063,887 in principal and \$210,457 in interest on outstanding debt.

Table 5 - Outstanding Debt, June 30

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 1,970,000	\$ 910,000	\$ 1,595,000	\$ 1,100,000	\$ 3,565,000	\$ 2,010,000
General obligation loan notes	2,177,500	3,455,000	-	-	2,177,500	3,455,000
Notes payable	-	-	120,000	263,887	120,000	263,887
	<u>\$ 4,147,500</u>	<u>\$ 4,365,000</u>	<u>\$ 1,715,000</u>	<u>\$ 1,363,887</u>	<u>\$ 5,862,500</u>	<u>\$ 5,728,887</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 2010 at \$729,210,007.

The unemployment rate for Cerro Gordo County is 7.6 percent. The rate for Cerro Gordo County increased from last year's rate of 6.5 percent. The rate is higher than the state's average unemployment rate of 6.7 percent.

Requests for Information

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

City of Clear Lake, Iowa

Statement of Net Assets
June 30, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 1,241,281	\$ 347,621	\$ 1,588,902
Certificates of deposit	3,366,000	951,000	4,317,000
Investments	99,357	-	99,357
Restricted assets, cash	350,340	-	350,340
Receivables, net of allowances for uncollectible amounts:			
Property taxes	5,712,173	-	5,712,173
Assessments	691,065	-	691,065
Accounts, consumers	145,277	162,575	307,852
Unbilled usage	-	29,638	29,638
Other	53,083	15,400	68,483
Due from other governments	406,721	-	406,721
Inventories	-	76,358	76,358
Total current assets	12,065,297	1,582,592	13,647,889
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	2,944,612	331,716	3,276,328
Construction-in-progress	488,855	695,079	1,183,934
Depreciable:			
Buildings and land improvements	6,402,203	1,476,720	7,878,923
Infrastructure	21,758,565	21,817,897	43,576,462
Machinery and equipment	4,438,302	931,668	5,369,970
Accumulated depreciation	(13,532,095)	(7,688,324)	(21,220,419)
Total capital assets, net of depreciation	22,500,442	17,564,756	40,065,198
Bond issuance costs, net	21,207	7,978	29,185
Total noncurrent assets	22,521,649	17,572,734	40,094,383
Total assets	\$ 34,586,946	\$ 19,155,326	\$ 53,742,272

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current:			
Accounts and contracts payable	\$ 614,639	\$ 292,907	\$ 907,546
Accrued liabilities	143,062	38,835	181,897
Deposits	-	49,157	49,157
Compensated absences	165,412	20,178	185,590
Unearned revenue	5,690,455	-	5,690,455
Current maturities of long-term debt	725,000	191,000	916,000
Total current liabilities	7,338,568	592,077	7,930,645
Noncurrent:			
Other postemployment benefits obligation	35,135	4,903	40,038
Long-term debt, net of current maturities	3,422,500	1,524,000	4,946,500
Bond discounts	(15,352)	-	(15,352)
Total noncurrent liabilities	3,442,283	1,528,903	4,971,186
Total liabilities	10,780,851	2,120,980	12,901,831
Net assets			
Invested in capital assets, net of related debt	18,368,294	15,849,756	34,218,050
Restricted for:			
Endowments/permanently restricted trust corpus	350,340	-	350,340
Capital projects	75,964	-	75,964
Tax increment financing districts	305,207	-	305,207
Road use	737,026	-	737,026
Employee benefits	246,571	-	246,571
Debt service	37,090	-	37,090
Unrestricted	3,685,603	1,184,590	4,870,193
Total net assets	23,806,095	17,034,346	40,840,441
Total liabilities and net assets	\$ 34,586,946	\$ 19,155,326	\$ 53,742,272

City of Clear Lake, Iowa

Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	\$ 2,399,055	\$ 383,213	\$ 58,348	\$ -
Public works	2,170,696	7,982	711,322	1,002,799
Health and social services	1,359	1,990	-	-
Culture and recreation	1,045,416	170,640	60,355	348,340
Community and economic development	794,422	47,612	800	-
General government	662,464	17,203	-	-
Interest on long-term debt	180,297	-	-	-
Total governmental activities	7,253,709	628,640	830,825	1,351,139
Business-type activities:				
Water	762,104	763,823	-	70,287
Sewer rental	428,176	316,912	-	54,435
Storm water	182,559	102,315	-	312,755
Solid waste	436,612	456,814	-	-
Total business-type activities	1,809,451	1,639,864	-	437,477
Total primary government	\$ 9,063,160	\$ 2,268,504	\$ 830,825	\$ 1,788,616

General revenues:

Taxes:

Property taxes

Other taxes

Investment earnings

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
\$ (1,957,494)	\$ -	\$ (1,957,494)
(448,593)	-	(448,593)
631	-	631
(466,081)	-	(466,081)
(746,010)	-	(746,010)
(645,261)	-	(645,261)
(180,297)	-	(180,297)
(4,443,105)	-	(4,443,105)
-	72,006	72,006
-	(56,829)	(56,829)
-	232,511	232,511
-	20,202	20,202
-	267,890	267,890
(4,443,105)	267,890	(4,175,215)
5,197,907	-	5,197,907
1,415,469	-	1,415,469
85,456	8,975	94,431
34,475	-	34,475
(488,174)	488,174	-
6,245,133	497,149	6,742,282
1,802,028	765,039	2,567,067
22,004,067	16,269,307	38,273,374
\$ 23,806,095	\$ 17,034,346	\$ 40,840,441

City of Clear Lake, Iowa

**Balance Sheet
Governmental Funds
June 30, 2010**

Assets	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Cash and cash equivalents	\$ 582,305	\$ 224,439	\$ 41,487	\$ 77,759
Certificates of deposit	2,057,000	100,000	675,000	165,000
Investments	-	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, net of allowances for uncollectible amounts:				
Property taxes	2,710,955	2,077,083	-	573,691
Special assessments	691,065	-	-	-
Accounts, consumers	144,522	-	-	-
Other	-	26,735	-	1,116
Due from other governments	271,670	-	45,185	-
Due from other funds	-	-	-	-
Total assets	\$ 6,457,517	\$ 2,428,257	\$ 761,672	\$ 817,566
Liabilities and fund balances				
Liabilities:				
Accounts and contracts payable	\$ 225,501	\$ -	\$ 17,723	\$ 3,925
Accrued liabilities	108,170	-	6,923	385
Due to other funds	57,000	45,000	-	-
Unearned revenue	3,417,227	2,078,050	-	566,685
Total liabilities	3,807,898	2,123,050	24,646	570,995
Fund balances:				
Reserved for endowments	-	-	-	-
Unreserved, reported in:				
General Fund	2,649,619	-	-	-
Special revenue funds	-	305,207	737,026	246,571
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Permanent Fund	-	-	-	-
Total fund balances	2,649,619	305,207	737,026	246,571
Total liabilities and fund balances	\$ 6,457,517	\$ 2,428,257	\$ 761,672	\$ 817,566

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
\$ 266,763	\$ 6,041	\$ 42,487	\$ 1,241,281
-	26,000	343,000	3,366,000
-	-	99,357	99,357
-	-	350,340	350,340
-	350,444	-	5,712,173
-	-	-	691,065
755	-	-	145,277
-	5	25,227	53,083
89,866	-	-	406,721
102,000	-	-	102,000
<u>\$ 459,384</u>	<u>\$ 382,490</u>	<u>\$ 860,411</u>	<u>\$ 12,167,297</u>

\$ 365,575	\$ -	\$ 1,915	\$ 614,639
17,845	-	-	133,323
-	-	-	102,000
-	345,400	20,000	6,427,362
<u>383,420</u>	<u>345,400</u>	<u>21,915</u>	<u>7,277,324</u>

-	-	350,340	350,340
-	-	-	2,649,619
-	-	486,200	1,775,004
-	37,090	-	37,090
75,964	-	-	75,964
-	-	1,956	1,956
<u>75,964</u>	<u>37,090</u>	<u>838,496</u>	<u>4,889,973</u>

<u>\$ 459,384</u>	<u>\$ 382,490</u>	<u>\$ 860,411</u>	<u>\$ 12,167,297</u>
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City of Clear Lake, Iowa

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total governmental fund balances \$ 4,889,973

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	\$ 2,944,612	
Buildings and land improvements	6,402,203	
Infrastructure	21,758,565	
Machinery and equipment	4,438,302	
Construction-in-progress	488,855	
Accumulated depreciation	<u>(13,532,095)</u>	22,500,442

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

736,907

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences, current	(165,412)	
Other postemployment benefits obligation	(35,135)	
Bond discount	15,352	
Bond issuance costs	21,207	
Accrued interest payable	(9,739)	
General obligation bonds and loan notes, current	(725,000)	
General obligation bonds and loan notes, noncurrent	<u>(3,422,500)</u>	<u>(4,321,227)</u>
Net assets of governmental activities		<u><u>\$ 23,806,095</u></u>

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2010

	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Revenues:				
Property taxes	\$ 2,687,170	\$ 1,744,351	\$ -	\$ 443,670
Special assessments	528,006	-	-	-
Other taxes	1,406,001	-	-	5,876
Licenses and permits	89,091	-	-	-
Intergovernmental	171,125	-	711,322	-
Charges for services	449,556	-	-	-
Fines and forfeitures	43,160	-	-	-
Use of money and property	37,111	3,364	-	1,614
Miscellaneous	8,191	-	-	-
Total revenue	5,419,411	1,747,715	711,322	451,160
Expenditures:				
Current:				
Public safety	2,299,383	-	-	307,839
Public works	863,221	-	406,733	112,957
Health and social services	1,357	-	-	2
Culture and recreation	886,163	-	-	49,934
Community and economic development	564,516	217,700	-	7,193
General government	596,580	-	-	47,274
Capital projects	-	-	6,379	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	10,865	-	-	-
Total expenditures	5,222,085	217,700	413,112	525,199
Excess of revenue over (under) expenditures	197,326	1,530,015	298,210	(74,039)
Other financing sources (uses):				
Proceeds from sale of capital assets	38,800	-	-	-
Issuance of debt	15,000	-	-	-
Discount on debt issuance	(7,366)	-	-	-
Transfers in	202,122	-	-	5,300
Transfers out	(650,497)	(1,288,842)	(142,122)	-
Total other financing sources (uses)	(401,941)	(1,288,842)	(142,122)	5,300
Net change in fund balances	(204,615)	241,173	156,088	(68,739)
Fund balances, beginning of year	2,854,234	64,034	580,938	315,310
Fund balances, end of year	\$ 2,649,619	\$ 305,207	\$ 737,026	\$ 246,571

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total
\$ -	\$ 322,716	\$ -	\$ 5,197,907
-	-	-	528,006
-	3,592	-	1,415,469
-	-	-	89,091
150,888	-	-	1,033,335
-	-	-	449,556
-	-	2,337	45,497
118	1,758	31,736	75,701
-	-	368,666	376,857
151,006	328,066	402,739	9,211,419
-	-	94	2,607,316
-	-	-	1,382,911
-	-	-	1,359
-	-	16,032	952,129
-	-	12,288	801,697
-	-	-	643,854
1,462,969	-	-	1,469,348
-	1,815,000	-	1,815,000
-	172,286	-	172,286
-	-	-	10,865
1,462,969	1,987,286	28,414	9,856,765
(1,311,963)	(1,659,220)	374,325	(645,346)
-	-	-	38,800
437,500	1,145,000	-	1,597,500
-	-	-	(7,366)
947,643	431,022	7,200	1,593,287
-	-	-	(2,081,461)
1,385,143	1,576,022	7,200	1,140,760
73,180	(83,198)	381,525	495,414
2,784	120,288	456,971	4,394,559
\$ 75,964	\$ 37,090	\$ 838,496	\$ 4,889,973

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, 2010**

Net change in fund balances - governmental funds \$ 495,414

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	1,776,324
Depreciation	(940,741)

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

Capital contributions	266,290
Proceeds from sale of capital assets	(38,800)
Gain from the disposal of capital assets	34,475

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

39,727

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	(23,246)
Change in other postemployment benefits obligation	(35,135)

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	(1,597,500)
Bond issuance costs	10,865
Discount on debt issuance	7,366
Repayment of bond principal	1,815,000
Interest	4,346
Amortization of discount on bonds	(7,208)
Amortization of issuance costs on bonds	(5,149)
Change in net assets of governmental activities	\$ 1,802,028

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 197,301	\$ 60,853	\$ 75,711	\$ 13,756	\$ 347,621
Certificates of deposit	671,000	160,000	-	120,000	951,000
Receivables, net of allowances for uncollectible amounts:					
Accounts, consumers	78,331	33,906	9,556	40,782	162,575
Other	-	-	15,400	-	15,400
Unbilled usage	13,984	5,777	1,910	7,967	29,638
Inventories	76,358	-	-	-	76,358
Total current assets	1,036,974	260,536	102,577	182,505	1,582,592
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	65,026	-	266,690	-	331,716
Construction-in-progress	691,845	2,125	1,109	-	695,079
Depreciable:					
Buildings and land improvements	1,132,527	319,193	25,000	-	1,476,720
Infrastructure	9,205,448	5,294,908	7,317,541	-	21,817,897
Machinery and equipment	642,916	288,752	-	-	931,668
Accumulated depreciation	(3,823,882)	(1,647,810)	(2,216,632)	-	(7,688,324)
Total capital assets, net of depreciation	7,913,880	4,257,168	5,393,708	-	17,564,756
Bond issuance costs, net	7,978	-	-	-	7,978
Total noncurrent assets	7,921,858	4,257,168	5,393,708	-	17,572,734
Total assets	\$ 8,958,832	\$ 4,517,704	\$ 5,496,285	\$ 182,505	\$ 19,155,326

See Notes to Basic Financial Statements.

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	\$ 159,758	\$ 74,713	\$ 24,372	\$ 34,064	\$ 292,907
Accrued liabilities	22,852	14,697	213	1,073	38,835
Deposits	49,157	-	-	-	49,157
Compensated absences	15,343	4,083	-	752	20,178
Bonds and loan notes payable	191,000	-	-	-	191,000
Total current liabilities	438,110	93,493	24,585	35,889	592,077
Noncurrent liabilities:					
Other postemployment benefits obligation	3,334	1,569	-	-	4,903
Bonds payable	1,404,000	-	-	-	1,404,000
Notes payable	-	120,000	-	-	120,000
Total liabilities	1,845,444	215,062	24,585	35,889	2,120,980
Net assets:					
Invested in capital assets, net of related debt	6,318,880	4,137,168	5,393,708	-	15,849,756
Unrestricted	794,508	165,474	77,992	146,616	1,184,590
Total net assets	7,113,388	4,302,642	5,471,700	146,616	17,034,346
Total liabilities and net assets	\$ 8,958,832	\$ 4,517,704	\$ 5,496,285	\$ 182,505	\$ 19,155,326

City of Clear Lake, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2010

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Operating revenues:					
Charges for services	\$ 762,257	\$ 316,912	\$ 102,315	\$ 456,814	\$ 1,638,298
Miscellaneous	1,566	-	-	-	1,566
	<u>763,823</u>	<u>316,912</u>	<u>102,315</u>	<u>456,814</u>	<u>1,639,864</u>
Operating expenses:					
Personal services	308,087	104,224	14,766	31,763	458,840
Contractual services	163,456	178,350	18,381	404,366	764,553
Commodities	54,346	9,968	7,865	483	72,662
Depreciation	196,805	124,716	141,547	-	463,068
Total operating expenses	<u>722,694</u>	<u>417,258</u>	<u>182,559</u>	<u>436,612</u>	<u>1,759,123</u>
Operating income (loss)	<u>41,129</u>	<u>(100,346)</u>	<u>(80,244)</u>	<u>20,202</u>	<u>(119,259)</u>
Nonoperating income (expense):					
Investment earnings	6,043	1,342	180	1,410	8,975
Donations	-	-	142,489	-	142,489
Intergovernmental	-	-	93,584	-	93,584
Loss on sale of capital assets	(11,077)	(1,080)	-	-	(12,157)
Interest expense	(28,333)	(9,838)	-	-	(38,171)
Total nonoperating income (expense)	<u>(33,367)</u>	<u>(9,576)</u>	<u>236,253</u>	<u>1,410</u>	<u>194,720</u>
Income (loss) before capital contributions and transfers	<u>7,762</u>	<u>(109,922)</u>	<u>156,009</u>	<u>21,612</u>	<u>75,461</u>
Capital contributions	70,287	54,435	76,682	-	201,404
Transfers in	125,393	301,506	155,275	-	582,174
Transfers out	-	-	-	(94,000)	(94,000)
Change in net assets	<u>203,442</u>	<u>246,019</u>	<u>387,966</u>	<u>(72,388)</u>	<u>765,039</u>
Total net assets, beginning of year	6,909,946	4,056,623	5,083,734	219,004	16,269,307
Total net assets, end of year	<u>\$ 7,113,388</u>	<u>\$ 4,302,642</u>	<u>\$ 5,471,700</u>	<u>\$ 146,616</u>	<u>\$ 17,034,346</u>

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

	Business-Type Activities - Enterprise Funds				Total Enterprise
	Water	Sewer Rental	Storm Water	Solid Waste	
Cash flows from operating activities:					
Receipts from customers and users	\$ 771,335	\$ 318,614	\$ 121,811	\$ 456,316	\$ 1,668,076
Receipts from other	1,566	-	-	-	1,566
Payments to suppliers	(399,716)	(173,531)	(36,214)	(403,835)	(1,013,296)
Payments to employees	(309,538)	(102,430)	(14,766)	(31,722)	(458,456)
Net cash provided by operating activities	63,647	42,653	70,831	20,759	197,890
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(94,000)	(94,000)
Transfers in	125,393	301,506	155,275	-	582,174
Proceeds from other funds	-	-	15,000	-	15,000
Payments to other funds	-	-	(62,206)	-	(62,206)
Net cash provided by (used in) noncapital financing activities	125,393	301,506	108,069	(94,000)	440,968
Cash flows from capital and related financing activities:					
Purchase of capital assets	(799,299)	(262,376)	(416,128)	-	(1,477,803)
Donations and grants for purchase of capital assets	-	-	312,759	-	312,759
Proceeds from bonds, net of bond issue costs of \$4,856	595,144	-	-	-	595,144
Payment on debt	(105,000)	(143,887)	-	-	(248,887)
Interest paid on debt	(36,924)	(9,838)	-	-	(46,762)
Net cash (used in) capital and related financing activities	(346,079)	(416,101)	(103,369)	-	(865,549)
Cash flows from investing activities:					
Proceeds from sale and maturities of investments	2,891,000	405,000	-	730,000	4,026,000
Purchase of investments	(2,774,000)	(350,000)	-	(650,000)	(3,774,000)
Interest received	6,043	1,342	180	1,410	8,975
Net cash provided by investing activities	123,043	56,342	180	81,410	260,975
Increase (decrease) in cash and cash equivalents	(33,996)	(15,600)	75,711	8,169	34,284
Cash and cash equivalents, beginning of year	231,297	76,453	-	5,587	313,337
Cash and cash equivalents, end of year	\$ 197,301	\$ 60,853	\$ 75,711	\$ 13,756	\$ 347,621

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds				Total Enterprise
	Water	Sewer Rental	Storm Water	Solid Waste	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 41,129	\$ (100,346)	\$ (80,244)	\$ 20,202	\$ (119,259)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities, depreciation	196,805	124,716	141,547	-	463,068
Change in assets and liabilities:					
Receivables	6,909	1,702	19,496	(498)	27,609
Inventories	(1,440)	-	-	-	(1,440)
Deposits	2,169	-	-	-	2,169
Accounts payable and accrued liabilities	(180,474)	14,787	(9,968)	1,014	(174,641)
Compensated absences	(4,785)	225	-	41	(4,519)
Other postemployment benefits obligation	3,334	1,569	-	-	4,903
Net cash provided by operating activities	\$ 63,647	\$ 42,653	\$ 70,831	\$ 20,759	\$ 197,890
Schedule of noncash items:					
Capital and related financing activities:					
Acquisition of capital assets through contracts payable	\$ 85,037	\$ 29,726	\$ 4,494	\$ -	\$ 119,257
Capitalized interest	9,279	-	-	-	9,279
Capital contributions	70,287	54,435	76,682	-	201,404

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

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

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

Basis of presentation:

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

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

Notes to Basic Financial Statements

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

Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

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

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

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

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

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

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

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

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

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

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.

Riley Trust: Endowment from Riley 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

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

The following are the City's major enterprise funds:

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

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

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

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

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

Measurement focus and basis of accounting:

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

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

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

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

Notes to Basic Financial Statements

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2010 based on the 2009 assessed valuations. These taxes are due in two installments, on September 1, 2010 and the following March 1, 2011 with a 1.5 percent per month penalty for delinquent payment. Since the 2010 tax levy is budgeted and levied for the fiscal year 2011, 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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

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. \$9,279 in interest was capitalized in the current fiscal year.

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

	<u>Years</u>
Buildings and land improvements	25 to 70
Infrastructure	20 to 40
Machinery and equipment	5 to 20

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

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

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. 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 \$305,207 for tax increment financing districts, \$246,571 for employee benefits, \$37,090 for debt service, \$737,026 for road use and \$75,964 for capital projects.

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

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

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

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments

As of June 30, 2010, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$	6,159,703
Cash and investments held by the Clear Lake Library Foundation		195,896
	\$	<u>6,355,599</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	\$ 13,787
Mutual fund - Capital World Growth & Income	N/A	12,278
Corporate Bond - Hydro Quebec	01/15/2027	20,900
Government securities - Franklin US Government Bonds	N/A	52,392

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2010, 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 \$20,900.

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, 2010, 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, 2010, 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, 2010:

	Beginning Balance June 30, 2009	Additions	Deletions	Ending Balance June 30, 2010
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,664,749	\$ 279,863	\$ -	\$ 2,944,612
Construction-in-progress	1,019,469	422,681	953,295	488,855
Total capital assets, not being depreciated	3,684,218	702,544	953,295	3,433,467
Capital assets, being depreciated:				
Buildings and land improvements	6,355,843	46,360	-	6,402,203
Infrastructure	20,190,682	1,695,318	127,435	21,758,565
Machinery and equipment	4,178,980	551,687	292,365	4,438,302
Total capital assets, being depreciated	30,725,505	2,293,365	419,800	32,599,070
Less accumulated depreciation for:				
Buildings and land improvements	1,350,283	157,912	-	1,508,195
Infrastructure	8,968,708	485,228	123,110	9,330,826
Machinery and equipment	2,687,838	297,601	292,365	2,693,074
Total accumulated depreciation	13,006,829	940,741	415,475	13,532,095
Total capital assets, being depreciated, net	17,718,676	1,352,624	4,325	19,066,975
Governmental activities capital assets, net	\$ 21,402,894	\$ 2,055,168	\$ 957,620	\$ 22,500,442

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Beginning Balance June 30, 2009	Additions	Deletions	Ending Balance June 30, 2010
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 331,716	\$ -	\$ -	\$ 331,716
Construction-in-progress	2,533,721	691,845	2,530,487	695,079
Total capital assets, not being depreciated	2,865,437	691,845	2,530,487	1,026,795
Capital assets, being depreciated:				
Buildings and land improvements	1,228,527	257,193	9,000	1,476,720
Infrastructure	18,470,765	3,376,792	29,660	21,817,897
Machinery and equipment	935,344	12,400	16,076	931,668
Total capital assets, being depreciated	20,634,636	3,646,385	54,736	24,226,285
Less accumulated depreciation for:				
Buildings and land improvements	856,933	32,421	7,920	881,434
Infrastructure	6,118,435	381,260	18,583	6,481,112
Machinery and equipment	292,467	49,387	16,076	325,778
Total accumulated depreciation	7,267,835	463,068	42,579	7,688,324
Total capital assets, being depreciated, net	13,366,801	3,183,317	12,157	16,537,961
Business-type activities capital assets, net	\$ 16,232,238	\$ 3,875,162	\$ 2,542,644	\$ 17,564,756

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

Governmental Activities	
General government	\$ 14,435
Culture and recreation	157,039
Public safety	144,380
Public works	624,887
	<u>\$ 940,741</u>
Business-Type Activities	
Water	\$ 196,805
Sewer rental	124,716
Storm water	141,547
	<u>\$ 463,068</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, 2010:

	June 30, 2009	Increases and Issues	Decreases and Retirements	June 30, 2010	Due Within One Year
Governmental activities:					
General obligation loan notes	\$ 3,455,000	\$ 437,500	\$ 1,715,000	\$ 2,177,500	\$ 250,000
General obligation bonds	910,000	1,160,000	100,000	1,970,000	475,000
Compensated absences	142,166	165,412	142,166	165,412	165,412
Total governmental activities	4,507,166	1,762,912	1,957,166	4,312,912	890,412
Business-type activities:					
General obligation bonds	1,100,000	600,000	105,000	1,595,000	191,000
Notes payable	263,887	-	143,887	120,000	-
Compensated absences	24,697	20,178	24,697	20,178	20,178
Total business-type activities	1,388,584	620,178	273,584	1,735,178	211,178
Total long-term debt	\$ 5,895,750	\$ 2,383,090	\$ 2,230,750	\$ 6,048,090	\$ 1,101,590

General obligation bonds and loan notes:

On October 27, 2009, the City issued General Obligation Lake Dredging and Restoration Notes in the amount of \$437,500 to finance a portion of the improvements for the Lake Dredging and Restoration Project. These notes are due in annual installments ranging from \$20,000 to \$24,000 through 2029 at an interest rate of 1.25 percent per annum.

On June 1, 2010, the City issued General Obligation Water Improvement Notes in the amount of \$600,000 to finance a portion of the improvements for the water distribution system. These notes are due in annual installments ranging from \$81,000 to \$93,000 through 2015 at an interest rate ranging from 1.20 to 3.60 percent per annum.

On May 27, 2010, the City issued General Obligation Refunding Bonds in the amount of \$1,160,000 with an average interest rate of 2 percent to current refund \$1,145,000 of the 2001 GO Library Improvement Notes, 2002 GO Street Improvement Notes, and the 2005 GO Capital Project Note. These notes are due in annual installments ranging from \$40,000 to \$370,000 through 2015 at an interest rate ranging from 1.10 to 4.05 percent per annum. Proceeds from the refunding bond issue, less bond discount, issuance costs and additional proceeds totaling \$1,145,000 were transferred to the bondholders. The City completed the current refunding to reduce its total debt service payments over the next five years by \$55,000 and to economic gain (difference between the present values of the old and new debt service payments) of \$51,000.

Four issues of general obligation loan notes totaling \$2,177,500 are outstanding as of June 30, 2010. These notes bear interest with rates ranging from 1.20 percent to 4.00 percent and mature in varying annual amounts ranging from \$20,000 to \$145,000 through July 1, 2029.

Four issues of general obligation bonds totaling \$3,565,000 are outstanding as of June 30, 2010. These bonds bear interest with rates ranging from 1.10 percent to 4.05 percent and mature in varying annual amounts ranging from \$40,000 to \$370,000 through June 1, 2018.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Annual debt service requirements to service the City's general obligation bonds and loan notes outstanding as of June 30, 2010 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 916,000	\$ 164,759	\$ 1,080,759
2012	928,000	142,805	1,070,805
2013	859,000	118,469	977,469
2014	676,000	93,022	769,022
2015	643,000	74,175	717,175
2016 - 2020	1,314,000	98,970	1,412,970
2021 - 2025	238,000	19,494	257,494
2026 - 2030	168,500	4,813	173,313
	<u>\$ 5,742,500</u>	<u>\$ 716,507</u>	<u>\$ 6,459,007</u>

Notes payable:

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, 2010 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,000	\$ 4,800	\$ 124,800

Compensated absences:

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Legal debt margin:

As of June 30, 2010, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Total assessed valuation *	<u>\$ 729,210,007</u>
Debt limit, 5% of total actual valuation	\$ 36,460,500
Debt applicable to debt limit, debt service general obligation loan notes and bonds	<u>5,742,500</u>
Legal debt margin	<u><u>\$ 30,718,000</u></u>

* 100% of assessed valuation including TIF increment.

Note 5. Industrial Revenue Bonds

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

As of June 30, 2010, there was one series of industrial revenue bonds outstanding with a principal amount payable of \$3,295,000.

Note 6. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2010 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental activities, major funds:		
General	\$ -	\$ 57,000
Tax Increment Financing	-	45,000
Capital Projects	102,000	-
Total	<u><u>\$ 102,000</u></u>	<u><u>\$ 102,000</u></u>

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	\$ 202,122	\$ 650,497
Debt Service	431,022	-
Tax Incremental Financing	-	1,288,842
Road Use Tax	-	142,122
Employee Benefits	5,300	-
Capital Projects	947,643	-
Nonmajor governmental funds	7,200	-
Total governmental activities	<u>1,593,287</u>	<u>2,081,461</u>
Business-type activities, major funds:		
Water	125,393	-
Sewer Rental	301,506	-
Storm Water	155,275	-
Solid Waste	-	94,000
Total business-type activities	<u>582,174</u>	<u>94,000</u>
Total	<u>\$ 2,175,461</u>	<u>\$ 2,175,461</u>

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 4.3 percent of their annual covered salary and the City is required to contribute 6.65 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 6.14 percent of their annual covered salary and the City is required to contribute 9.20 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$198,176, \$175,473 and \$159,055, respectively, equal to the required contributions for each year.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 9. Vacation and Sick Leave

City employees accumulate vacation and sick leave hours for subsequent use. For proprietary fund types and the government-wide statements, vacations are recorded as expenses and liabilities of the appropriate fund and activity in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation, which is payable from available resources, is recorded as a liability of the respective fund if they have matured; for example, as a result of employee retirements and resignations. The accumulated sick leave hours do not vest and, therefore, are not recognized as a liability of the City until used or paid. The City's contingent liability as of June 30, 2010 for the unvested employee sick leave hours totals approximately \$680,000.

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. Other Postemployment Benefits

Plan description: The City sponsors a single-employer health care plan that provides medical benefits to all active and retired employees and their eligible dependents. For general employees (excluding police and fire), retiree coverage begins at IPERS retirement age of at least 55 and for police and fire employees, retiree coverage begins at age 55 or at age 50 with 22 years of service. Retirees are allowed to remain on the plan until they are medicare eligible at age 65. Spouses of retirees and surviving spouses are allowed to remain on the plan through COBRA coverage only. The plan does not issue a stand-alone financial report.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits (Continued)

Funding policy: The health insurance plan contributions on behalf of employees are negotiated by management and the union and governed by the City's union contracts. The current funding policy of the City is to pay health claims as they occur. Retirees are responsible for the portion of premium rates not covered by the City.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2010, the City contributed \$35,005. Retiree and active members receiving benefits have required monthly contributions of:

	Single	Family
Traditional	\$ 565.92	\$ 1,414.81
HAS	483.35	1,054.54

Annual OPEB cost and net OPEB obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actuarially contributed to the plan and changes in the City's annual OPEB obligation

Annual required contribution	\$ 75,043
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>75,043</u>
Contributions and payments made	<u>35,005</u>
Increase in net OPEB obligation	40,038
Net OPEB obligation - July 1, 2009	-
Net OPEB obligation - June 30, 2010	<u><u>\$ 40,038</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2010 and the two preceding years follows. Fiscal year ended June 30, 2010 is the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	N/A	N/A	N/A
June 30, 2009	N/A	N/A	N/A
June 30, 2010	\$ 75,043	46.65%	\$ 40,038

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits (Continued)

Funded status and funding progress: As of July 1, 2009, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$566,846 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$566,846. The covered payroll (annual payroll of active employees covered by the plan) was \$2,190,904 and the ratio of the UAAL to the covered payroll was 25.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents only the initial year trend information.

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

In the July 1, 2009 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 4 percent discount rate, salary increases of 3 percent and health care cost trend rates beginning at 10 percent and steadily declining to 5 percent. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at July 1, 2009, was 30 years.

Note 14. Commitments

The City was involved in various construction projects throughout the year. The total cost of these projects is approximately \$7,997,000. The remaining contractual amounts on these projects total approximately \$859,000 as of June 30, 2010.

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 2010, the City paid approximately \$580,000 under these agreements.

Notes to Basic Financial Statements

Note 15. Governmental Accounting Standards Board (GASB) Statements

The City adopted the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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. The effect of the adoption of this Statement to the City was to record a liability of \$40,038 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$566,846 as of the actuarial valuation date of July 1, 2009.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. The adoption of this Statement had no effect on the City in the current year.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of this Statement had no effect on the City in the current year.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this Statement had no effect on the City in the current year.

Notes to Basic Financial Statements

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

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. 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.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the City beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

City of Clear Lake Iowa

**Required Supplementary Information
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7/1/09	\$ -	\$ 566,846	\$ 566,846	- %	\$ 2,190,904	25.9%

Note: Fiscal year 2010 is the transition year for GASB Statement No. 45

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of July 1, 2009. Additional information follows:

- a. The actuarial method used to determine the ARC is the projected unit credit method.
- b. There are no plan assets.
- c. The actuarial assumptions included: (1) a 4 percent discount rate, (2) salary increases of 3 percent and (3) health care cost trend rates beginning at 10 percent and steadily declining to 5 percent.
- d. The amortization method is level dollar amount over 30 years based on an open basis.

City of Clear Lake, Iowa

**Budgetary Comparison Schedule
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2010**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	\$ 5,197,907	\$ -	\$ 5,197,907
Other taxes	1,415,469	-	1,415,469
Special assessments	528,006	-	528,006
Licenses and permits	89,091	-	89,091
Intergovernmental	1,033,335	-	1,033,335
Charges for services	449,556	1,638,298	2,087,854
Fines and forfeitures	45,497	-	45,497
Use of money and property	75,701	8,975	84,676
Miscellaneous	376,857	237,639	614,496
Total revenues	9,211,419	1,884,912	11,096,331
Expenditures/Expenses:			
Public safety	2,607,316	-	2,607,316
Public works	1,382,911	-	1,382,911
Health and social services	1,359	-	1,359
Culture and recreation	952,129	-	952,129
Community and economic development	801,697	-	801,697
General government	643,854	-	643,854
Debt service	1,998,151	-	1,998,151
Capital outlay	1,469,348	-	1,469,348
Business-type	-	1,809,451	1,809,451
Total expenditures/expenses	9,856,765	1,809,451	11,666,216
Excess (deficiency) of revenues over (under) expenditures/expenses	(645,346)	75,461	(569,885)
Other financing sources, net	1,140,760	689,578	1,830,338
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	495,414	765,039	1,260,453
Balances, beginning of year	4,394,559	16,269,307	20,663,866
Balances, end of year	\$ 4,889,973	\$ 17,034,346	\$ 21,924,319

See Note to Required Supplementary Information.

Budgeted Amounts		Final	Final to Actual Variance - Positive (Negative)
Original			
\$ 5,176,308	\$ 5,196,301	\$ 1,606	
1,438,350	1,457,050	(41,581)	
405,000	395,000	133,006	
82,750	85,650	3,441	
761,500	1,121,431	(88,096)	
2,202,166	2,116,566	(28,712)	
49,000	49,942	(4,445)	
178,440	149,553	(64,877)	
365,976	618,900	(4,404)	
10,659,490	11,190,393	(94,062)	
2,742,824	2,679,113	71,797	
1,339,125	1,501,676	118,765	
10,676	4,402	3,043	
1,149,482	1,117,756	165,627	
405,795	821,487	19,790	
646,306	680,187	36,333	
985,933	2,007,287	9,136	
2,932,100	1,878,500	409,152	
3,986,616	3,934,088	2,124,637	
14,198,857	14,624,496	2,958,280	
(3,539,367)	(3,434,103)	2,864,218	
2,675,000	2,228,500	(398,162)	
\$ (864,367)	\$ (1,205,603)	\$ 2,466,056	

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City of Clear Lake, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2010**

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 increased budgeted expenditures by a total of \$425,639. The budget amendment was primarily due to capital projects, bond refunding, and to adjust revenues for revised estimates for investment interest and utility revenue.

City of Clear Lake, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue			
	Firefighter	Library	Lindstrom	Law
	Benefit		Flower	Enforcement State
Assets				
Cash and cash equivalents	\$ 5,023	\$ 29,539	\$ 1,008	\$ 4,180
Certificates of deposit	55,000	65,000	-	-
Investments	-	99,357	-	-
Restricted assets, cash	-	-	-	-
Receivables, other	22	149	5,000	-
Total assets	\$ 60,045	\$ 194,045	\$ 6,008	\$ 4,180
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,915	\$ -
Unearned revenue	-	-	-	-
Total liabilities	-	-	1,915	-
Fund balances:				
Reserved for endowments	-	-	-	-
Unreserved, reported in:				
Special revenue funds	60,045	194,045	4,093	4,180
Permanent fund	-	-	-	-
Total liabilities and fund balances	\$ 60,045	\$ 194,045	\$ 6,008	\$ 4,180

Special Revenue

Economic Development Revolving Loan	Permanent		Total
	Library	Riley	
\$ 781	\$ -	\$ 1,956	\$ 42,487
223,000	-	-	343,000
-	-	-	99,357
-	2,000	348,340	350,340
20,056	-	-	25,227
<u>\$ 243,837</u>	<u>\$ 2,000</u>	<u>\$ 350,296</u>	<u>\$ 860,411</u>

\$ -	\$ -	\$ -	\$ 1,915
20,000	-	-	20,000
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>21,915</u>

-	2,000	348,340	350,340
223,837	-	-	486,200
-	-	1,956	1,956
<u>223,837</u>	<u>2,000</u>	<u>350,296</u>	<u>838,496</u>
<u>\$ 243,837</u>	<u>\$ 2,000</u>	<u>\$ 350,296</u>	<u>\$ 860,411</u>

City of Clear Lake, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue			
	Firefighter Benefit	Library	Lindstrom Flower	Law Enforcement State
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 2,337
Use of money and property	428	10,497	11	13
Miscellaneous	-	15,326	5,000	-
Total revenues	428	25,823	5,011	2,350
Expenditures:				
Current:				
Public safety	-	-	-	94
Culture and recreation	-	16,032	-	-
Community and economic development	-	-	4,288	-
Total expenditures	-	16,032	4,288	94
Excess of revenues over expenditures	428	9,791	723	2,256
Other financing sources, transfers in	2,000	-	-	-
Net change in fund balance	2,428	9,791	723	2,256
Fund balances, beginning of year	57,617	184,254	3,370	1,924
Fund balances, end of year	\$ 60,045	\$ 194,045	\$ 4,093	\$ 4,180

<u>Special Revenue</u>				
Economic Development Revolving Loan	Permanent		Total	
	Library	Riley		
\$ -	\$ -	\$ -	\$	2,337
18,831	-	1,956		31,736
-	-	348,340		368,666
18,831	-	350,296		402,739
-	-	-		94
-	-	-		16,032
8,000	-	-		12,288
8,000	-	-		28,414
10,831	-	350,296		374,325
5,200	-	-		7,200
16,031	-	350,296		381,525
207,806	2,000	-		456,971
\$ 223,837	\$ 2,000	\$ 350,296	\$	838,496

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City of Clear Lake, Iowa
Statistical Section
Contents

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	58
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	70
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	78
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	83
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	87

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 Seven Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005
Governmental activities:		
Invested in capital assets, net of related debt	\$ 12,239,781	\$ 13,132,062
Restricted for:		
Endowments	2,000	2,000
Tax increment financing districts	-	30,998
Capital projects	-	(3,703)
Employee benefits	-	345,599
Debt service	-	69,576
Road use tax	-	797,758
Bond ordinances	39,000	-
Unrestricted	4,154,960	3,039,223
Total governmental activities net assets	\$ 16,435,741	\$ 17,413,513
Business-type activities:		
Invested in capital assets, net of related debt	\$ 10,135,732	\$ 10,792,166
Capital projects	-	-
Unrestricted	1,013,280	740,893
Total business-type activities net assets	\$ 11,149,012	\$ 11,533,059
Primary government:		
Invested in capital assets, net of related debt	\$ 22,375,513	\$ 23,924,228
Restricted for:		
Endowments	2,000	2,000
Tax increment financing districts	-	30,998
Capital projects	-	(3,703)
Employee benefits	-	345,599
Debt service	-	69,576
Road use	-	797,758
Bond ordinances	39,000	-
Unrestricted	5,168,240	3,776,083
Total primary government net assets	\$ 27,584,753	\$ 28,942,539

GASB Statement No. 34 Implemented in Fiscal Year 2004

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

	2006	2007	2008	2009	2010
\$	13,686,281	\$ 14,917,121	\$ 15,938,642	\$ 17,053,088	\$ 18,368,294
	2,000	2,000	2,000	2,000	350,340
	54,488	26,794	4,083	64,034	305,207
	196,157	(102,456)	98,212	2,784	75,964
	373,342	328,207	377,369	315,310	246,571
	57,184	36,724	58,758	120,288	37,090
	551,300	671,956	997,293	580,938	737,026
	-	-	-	-	-
	2,925,926	3,515,923	3,948,779	3,865,625	3,685,603
\$	17,846,678	\$ 19,396,269	\$ 21,425,136	\$ 22,004,067	\$ 23,806,095
\$	11,532,643	\$ 12,505,307	\$ 13,946,243	\$ 14,868,351	\$ 15,849,756
	-	425,000	-	-	-
	1,282,501	1,134,809	1,148,657	1,400,956	1,184,590
\$	12,815,144	\$ 14,065,116	\$ 15,094,900	\$ 16,269,307	\$ 17,034,346
\$	25,218,924	\$ 27,422,427	\$ 29,884,885	\$ 31,921,439	\$ 34,218,050
	2,000	2,000	2,000	2,000	350,340
	54,488	26,794	4,083	64,034	305,207
	196,157	322,544	98,212	2,784	75,964
	373,342	328,207	377,369	315,310	246,571
	57,184	36,724	58,758	120,288	37,090
	551,300	671,956	997,293	580,938	737,026
	-	-	-	-	-
	4,208,427	4,650,733	5,097,436	5,266,581	4,870,193
\$	30,661,822	\$ 33,461,385	\$ 36,520,036	\$ 38,273,374	\$ 40,840,441

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

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

(Continued)

	2006	2007	2008	2009	2010
\$	735,978	\$ 590,868	\$ 601,920	\$ 625,755	\$ 662,464
	1,748,284	2,184,541	2,102,452	2,194,306	2,399,055
	1,789,513	1,713,782	1,514,707	2,631,817	2,170,696
	19,075	753	1,503	1,782	1,359
	777,635	858,868	941,657	996,785	1,045,416
	928,582	560,062	395,959	366,195	794,422
	136,987	202,517	226,978	203,312	180,297
	6,136,054	6,111,391	5,785,176	7,019,952	7,253,709
	682,199	683,728	674,209	727,926	762,104
	229,676	264,105	261,705	281,191	428,176
	132,761	184,625	163,949	177,962	182,559
	371,503	398,848	404,935	430,636	436,612
	1,416,139	1,531,306	1,504,798	1,617,715	1,809,451
	7,552,193	7,642,697	7,289,974	8,637,667	9,063,160
	21,880	18,452	18,666	17,734	17,203
	182,217	356,314	363,815	412,060	383,213
	599,269	586,159	12,531	13,149	7,982
	1,914	440	1,420	1,365	1,990
	113,464	157,360	172,612	166,577	170,640
	51,967	69,796	51,917	41,482	47,612
	2,311	6,375	-	-	-
	14,661	11,035	58,597	42,775	58,348
	682,693	682,845	719,061	699,561	711,322
	47,268	28,818	64,862	131,377	60,355
	600,110	213,077	5,300	9,278	800
	19,692	-	-	-	-
	-	106,344	-	-	-
	-	354,668	1,002,064	692,447	1,002,799
	213,820	534,607	31,562	33,190	348,340
	-	-	-	-	-
	2,551,266	3,126,290	2,502,407	2,260,995	2,810,604

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

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

2006	2007	2008	2009	2010
717,732	744,322	753,638	769,749	763,823
309,394	313,580	311,190	318,707	316,912
76,346	76,803	77,966	88,628	102,315
406,217	420,686	439,507	454,012	456,814
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	30,437	62,070	-	70,287
-	54,448	67,730	-	54,435
206,316	62,227	277,870	185,447	312,755
1,716,005	1,702,503	1,989,971	1,816,543	2,077,341
4,267,271	4,828,793	4,492,378	4,077,538	4,887,945
(3,584,788)	(2,985,101)	(3,282,769)	(4,758,957)	(4,443,105)
299,866	171,197	485,171	198,828	267,890
(3,284,922)	(2,813,904)	(2,797,598)	(4,560,129)	(4,175,215)
3,569,878	3,987,994	4,103,953	4,666,175	5,197,907
1,209,429	1,305,313	1,536,946	1,457,826	1,415,469
-	-	-	-	-
155,920	191,863	163,058	90,011	85,456
6,360	11,240	1,200	1,480	-
-	-	-	70,063	34,475
(923,634)	(961,716)	(493,521)	(947,667)	(488,174)
4,017,953	4,534,694	5,311,636	5,337,888	6,245,133
58,585	52,059	51,092	27,912	8,975
-	65,000	-	-	-
923,634	961,716	493,521	947,667	488,174
982,219	1,078,775	544,613	975,579	497,149
5,000,172	5,613,469	5,856,249	6,313,467	6,742,282
433,165	1,549,593	2,028,867	578,931	1,802,028
1,282,085	1,249,972	1,029,784	1,174,407	765,039
\$ 1,715,250	\$ 2,799,565	\$ 3,058,651	\$ 1,753,338	\$ 2,567,067

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

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

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

					Fiscal Year				
2006		2007		2008		2009		2010	
\$	43,883	\$	24,828	\$	18,666	\$	17,734	\$	17,203
	196,878		473,693		422,412		454,835		441,561
	1,281,962		1,623,672		1,733,656		1,405,157		1,722,103
	1,914		440		1,420		1,365		1,990
	374,552		720,785		269,036		331,144		579,335
	652,077		282,873		57,217		50,760		48,412
	<u>2,551,266</u>		<u>3,126,291</u>		<u>2,502,407</u>		<u>2,260,995</u>		<u>2,810,604</u>
	717,732		774,758		815,708		769,749		834,110
	309,394		433,028		378,920		318,707		371,347
	282,662		139,029		355,834		274,075		415,070
	406,217		420,686		439,507		454,012		456,814
	<u>1,716,005</u>		<u>1,767,501</u>		<u>1,989,969</u>		<u>1,816,543</u>		<u>2,077,341</u>
\$	<u>4,267,271</u>	\$	<u>4,893,792</u>	\$	<u>4,492,376</u>	\$	<u>4,077,538</u>	\$	<u>4,887,945</u>

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

	2001	2002	2003	2004
General Fund:				
Reserved	\$ 5,538	\$ 6,649	\$ 1,823	\$ 53,844
Unreserved	1,491,195	1,708,124	2,430,262	2,083,920
Total General Fund	\$ 1,496,733	\$ 1,714,773	\$ 2,432,085	\$ 2,137,764
All Other Governmental Funds:				
Reserved	\$ 39,000	\$ 39,000	\$ 39,000	\$ 44,370
Unreserved, reported in:				
Special revenue funds	1,252,352	1,311,862	1,084,965	1,330,373
Debt service funds	2,984	9,205	9,899	134,865
Capital Projects Fund	108,519	112,130	21,751	160,154
Permanent Fund	2,000	2,000	2,000	2,000
Total all other government funds	\$ 1,404,855	\$ 1,474,197	\$ 1,157,615	\$ 1,671,762

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

Fiscal Year						
2005	2006	2007	2008	2009	2010	
\$ 1,976	\$ 2,140	\$ -	\$ -	\$ -	\$ -	
2,221,373	1,962,802	2,232,472	2,808,130	2,854,234	2,649,619	
\$ 2,223,349	\$ 1,964,942	\$ 2,232,472	\$ 2,808,130	\$ 2,854,234	\$ 2,649,619	
\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 350,340	
1,597,129	1,367,417	1,403,743	1,755,907	1,415,253	1,775,004	
69,576	57,184	36,724	58,758	120,288	37,090	
(3,703)	196,157	4,947	98,212	2,784	75,964	
-	-	-	-	-	1,956	
\$ 1,665,002	\$ 1,622,758	\$ 1,447,414	\$ 1,914,877	\$ 1,540,325	\$ 2,240,354	

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

	2001	2002	2003	2004
Revenues:				
Taxes	\$ 2,215,812	\$ 2,347,408	\$ 2,620,791	\$ 2,789,357
Special assessments	137,850	105,631	733,831	351,697
Other taxes	1,097,575	1,272,494	1,417,185	1,466,994
Intergovernmental	967,376	1,475,741	999,014	1,236,882
Licenses and permits	119,751	63,723	71,877	73,152
Charges for services	57,639	68,130	64,776	79,738
Fines and forfeitures	30,900	29,831	35,639	40,728
Use of money and property	408,689	96,187	82,455	72,406
Miscellaneous	325,514	311,540	118,697	154,934
Total revenues	5,361,106	5,770,685	6,144,265	6,265,888
Expenditures:				
General government	478,901	583,691	586,441	621,862
Public safety	1,279,940	1,429,589	1,302,038	1,392,137
Public works	1,882,488	3,219,268	827,812	917,542
Health and social services	-	-	18,004	14,412
Culture and recreation	2,436,190	1,993,985	575,603	594,090
Community and economic development	-	-	427,583	349,367
Capital projects	-	-	2,129,756	1,417,538
Debt service:				
Principal	355,000	365,000	335,000	480,000
Bond issuance costs	-	-	-	-
Interest	128,038	107,415	182,208	152,828
Total expenditures	6,560,557	7,698,948	6,384,445	5,939,776
Excess of revenues (under) expenditures	(1,199,451)	(1,928,263)	(240,180)	326,112
Other financing sources (uses):				
Transfers in	1,464,698	1,742,973	630,414	1,107,108
Transfers out	(1,431,700)	(1,777,607)	(570,437)	(1,292,684)
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	4,300	760	2,644	970
Total other financing sources (uses)	37,298	2,232,326	654,121	(184,606)
Net changes in fund balance	\$ (1,162,153)	\$ 304,063	\$ 413,941	\$ 141,506
Debt service as a percentage of noncapital expenditures				
	12.8%	11.9%	12.8%	14.5%

		Fiscal Year									
		2005	2006	2007	2008	2009	2010				
\$	3,186,780	\$	3,569,878	\$	3,987,996	\$	4,103,953	\$	4,666,175	\$	5,197,907
	270,686		397,935		349,713		297,684		292,029		528,006
	1,070,150		1,209,429		1,305,312		1,536,946		1,457,826		1,415,469
	903,733		1,353,832		1,248,161		1,372,237		1,388,871		1,033,335
	86,559		85,640		102,212		84,334		81,328		89,091
	75,545		184,509		391,578		477,503		485,116		449,556
	39,330		45,555		50,471		50,759		51,182		45,497
	103,934		155,920		191,862		163,058		123,033		75,701
	91,005		301,594		569,304		259,394		150,891		376,857
	5,827,722		7,304,292		8,196,609		8,345,868		8,696,451		9,211,419
	566,647		591,050		623,057		587,568		607,479		643,854
	1,430,640		2,268,711		2,083,584		2,049,098		2,256,831		2,607,316
	747,266		1,036,067		889,792		858,248		1,120,156		1,382,911
	19,074		19,075		753		1,503		1,782		1,359
	627,879		678,633		792,342		1,003,306		1,056,240		952,129
	336,317		979,706		558,864		395,327		377,941		801,697
	1,150,076		2,502,231		3,411,103		778,068		2,323,084		1,469,348
	515,000		475,000		685,000		800,000		720,000		1,815,000
	-		10,070		11,279		-		3,950		10,865
	129,899		129,916		193,729		221,707		197,880		172,286
	5,522,798		8,690,459		9,249,503		6,694,825		8,665,343		9,856,765
	304,924		(1,386,167)		(1,052,894)		1,651,043		31,108		(645,346)
	1,172,333		1,089,296		1,671,200		833,353		1,454,837		1,593,287
	(1,398,432)		(2,012,930)		(2,632,916)		(1,326,874)		(2,402,504)		(2,081,461)
	-		2,000,000		2,000,000		-		500,000		1,597,500
	-		(12,000)		(14,850)		-		-		(7,366)
	-		21,150		7,250		-		88,110		38,800
	(226,099)		1,085,516		1,030,684		(493,521)		(359,557)		1,140,760
\$	78,825	\$	(300,651)	\$	(22,210)	\$	1,157,522	\$	(328,449)	\$	495,414
	14.2%		10.4%		14.6%		17.8%		13.4%		24.7%

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

Fiscal Year	Property	Local Option Sales Tax	Utility Replacement Excise Tax	Hotel/Motel Tax	Other Tax	Total
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
2009	4,666,175	1,133,687	46,035	168,049	110,055	6,124,001
2010	5,197,907	1,048,808	44,939	193,830	127,892	6,613,376

Change						
1st to Last year	134.58%	23.60%	4.19%	-5.85%	101.44%	82.69%

Source: City records.

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

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

Valuation Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Railway Property
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
2008	2010	243,056,725	80,791,197	2,469,228	789,159

Source: County Auditor's Office

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

Utility Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Taxable Value as a Percentage of Actual Value
\$ 14,704,592	\$ 247,931,613	175.16%	8.10782	\$ 428,164,692	5790.57%
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
15,528,647	322,409,631	0.75	10.04870	685,463,363	47.04
14,612,499	341,718,808	5.99	10.04870	729,210,007	46.86

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

Tax Valuation Year	Fiscal Year	City Direct Rates					Total Direct
		General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund		
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	
2008	2010	7.71951	0.21216	1.31395	0.80308	10.04870	

Source: City records and County Auditor's office

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

Overlapping Rates				
School District	Cerro Gordo County	North Iowa Area Community College	Clear Lake Sanitary District	Total Rate
\$ 13.33615	\$ 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
11.88147	6.98574	0.66226	1.59050	31.16867
11.88062	6.94683	0.62025	1.49445	30.99085

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

Taxpayer	2010			2001		
	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	\$ 5,840,299	1	1.71%	*	*	*
Interstate Power & Light Co	4,356,619	2	1.27	*	*	*
National Bedding Company LLC	4,036,590	3	1.18	*	*	*
Clear Lake Independent Tele Co	3,432,430	4	1.00	*	*	*
Kingland Properties LC	3,429,630	5	1.00	*	*	*
Apple Valley LLC	2,851,590	6	0.83	*	*	*
New Cole Sewell Corporation	2,740,750	7	0.80	*	*	*
Teamquest Corporation	2,799,540	8	0.82	*	*	*
Petroleum Property MGMT Inc	2,582,310	9	0.76	*	*	*
Clear Lake Bank & Trust Co	2,489,687	10	0.73	*	*	*
Total	\$ 34,559,445			*		

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

* Data for 2001 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
2001	1999	\$ 1,983,690	\$ 1,983,690	10000.00%
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
2009	2007	3,258,064	3,258,064	100.00
2010	2008	3,448,878	3,448,878	100.00

Source: City records

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

* Amount does not include TIF property taxes which were \$1,398,964 during 2009.

Total Collections to Date		
Delinquent Collections	Amount *	Percentage of Levy
\$ 16,195	\$ 1,999,885	10081.64%
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
9,148	3,267,212	100.28
4,678	3,453,556	100.14

City of Clear Lake, Iowa

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

Fiscal Year	Governmental Activities			Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds and Loan Notes	Less Amount Available in Debt Service	Net General Bonded Debt		
2001	\$ 1,140,000	\$ 2,984	\$ 1,137,016	27.00%	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
2009	4,365,000	120,288	4,244,712	0.62	520.12
2010	4,147,500	37,090	4,110,410	0.56	503.66

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

Source: City records

Business-Type Activities				
Loan Payable	General Obligation Bonds and Loan Notes	Total Primary Government	Percentage of Per Capita Income	Per Capita
\$ -	\$ 875,000	\$ 2,012,016	50.00%	\$ 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
263,887	1,100,000	5,608,599	1.88	687.24
120,000	1,595,000	5,825,410	1.89	713.81

City of Clear Lake, Iowa

Computation of Direct and Overlapping Debt
June 30, 2010

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	\$ 5,742,500	100.00%	\$ 5,742,500	\$ 703.65
Indirect:				
Cerro Gordo County	11,711,120	18.38	2,152,504	263.75
Clear Lake School District	7,150,000	71.57	5,117,255	627.04
North Iowa Area Community College	8,095,000	6.55	530,223	64.97
Clear Lake Sanitary District	3,445,000	77.05	2,654,373	325.25
Subtotal, overlapping debt	<u>30,401,120</u>		<u>10,454,354</u>	<u>1,281.01</u>
Total direct and overlapping debt	<u>\$ 36,143,620</u>		<u>\$ 16,196,854</u>	<u>\$ 2,121.59</u>

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City of Clear Lake, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2001	2002	2003	2004
Debt limit	\$ 21,408,235	\$ 23,179,690	\$ 23,993,097	\$ 25,191,552
Total net debt applicable to limit	2,012,016	3,940,795	4,205,101	3,490,135
Legal debt margin	\$ 19,396,219	\$ 19,238,895	\$ 19,787,996	\$ 21,701,417
Total net debt applicable to the limit as a percentage of debt limit	9.40%	17.00%	17.53%	13.85%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	<u>\$ 729,210,007</u>
Debt limit (5% of assessed value)	\$ 36,460,500
Debt applicable to limit, general obligation bonds	<u>5,742,500</u>
Legal debt margin	<u>\$ 30,718,000</u>

	2005	2006	2007	2008	2009	2010
\$	27,706,426	\$ 27,839,182	\$ 29,842,939	\$ 31,644,412	\$ 34,273,168	\$ 36,460,500
	2,930,424	4,405,000	5,600,000	5,870,000	5,465,000	5,742,500
\$	24,776,002	\$ 23,434,182	\$ 24,242,939	\$ 25,774,412	\$ 28,808,168	\$ 30,718,000
	10.58%	15.82%	18.76%	18.55%	15.95%	15.75%

City of Clear Lake, Iowa

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
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
2009	43,786	36,576	42.41	1,386	6.50
2010	43,609	37,680	42.50	1,304	6.70

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	2010			2001*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	386	1	10.29%	425	1	-%
Larson Manufacturing	220	2	5.86	327	2	-
Dean Snyder Construction	175	3	4.66	-	-	-
TeamQuest Corporation	136	4	3.62	77	5	-
Serta Mattress Company	114	5	3.04	90	3	-
Oakwood Care Center	90	6	2.40	85	4	-
Kingland Systems Corporation	65	7	1.73	60	6	-
Clear Lake Bank & Trust	63	8	1.68	-	-	-
Andrews Prestressed Concrete	56	9	1.49	-	-	-
Clear Lake Specialty Products	40	10	1.07	-	-	-

Notes: Remaining 2000 information unavailable

Sources: Employers, US Census Bureau

* Only the top six principal employers are available

City of Clear Lake, Iowa

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

<u>Functions/Program</u>	Full-Time Equivalent Employees as of June 30				
	2010	2009	2008	2007	2006
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	16.0	15.0	15.0	15.0	14.0
Civilian Support Supervisor	1.0	1.0	1.0	1.0	1.0
Dispatchers	5.5	5.5	4.5	4.5	4.5
Fire:					
Volunteers	25.0	25.0	25.0	25.0	22.0
Ambulance	6.0	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
Total	88.0	87.0	86.0	86.0	82.0

Source: City records

Note: Does not include seasonal or temporary employees

Full-Time Equivalent Employees as of June 30

2005	2004	2003	2002	2001
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	4.0	4.0
1.0	1.0	1.0	1.0	1.0
14.0	14.0	14.0	14.0	16.0
1.0	1.0	1.0	1.0	1.0
4.5	4.5	4.5	4.5	5.5
25.0	22.0	23.0	26.0	25.0
-	-	-	-	6.0
1.5	2.0	2.0	2.0	1.5
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	7.0	6.0	7.0
79.0	76.5	77.5	79.5	88.0

City of Clear Lake, Iowa

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

Function/Program	Calendar Year			
	2000	2001	2002	2003
Police:				
Calls for service	9,110	9,097	9,216	9,212
Arrests	388	318	447	454
Traffic citations	781	648	470	495
Parking tickets	444	224	247	434
Fire:				
Calls for service	252	237	256	276
Total Fire Calls	157	146	188	187
Total EMS Calls	95	91	68	89
Property loss	\$ 257,000	\$ 732,000	\$ 1,106,000	\$ 164,000
Building safety:				
Total building permits issued	135	134	245	200
Total value all permits	\$ 9,288,985	\$ 6,668,150	\$ 8,867,706	\$ 9,818,995
New single/multi family dwellings	24	18	22	18
Library: (reported on a fiscal year)				
Registrations	8,467	8,689	9,036	9,282
Total items checked out	91,102	97,774	116,061	123,133
Park & Recreation:				
Program participants	1,392	1,425	1,469	1,565
Shelter reservations	137	130	131	123
Pool Memberships	-	-	-	-
Cemetery:				
Burials	56	69	60	75
Spaces sold (reported on a fiscal year)	55	77	58	79
Public Works:				
New construction or reconstruction (miles)	0.20	0.64	3.08	0.50
Resurface (miles)	-	-	0.24	0.29
Water: (reported on a fiscal year)				
Customers	3,645	3,671	3,711	3,777
Average daily consumption per customer	205	211	204	205
Solid Waste: (reported on a fiscal year)				
Garbage collected (ton)	2,319	2,330	2,339	2,335
Recycle collected (ton)	322	328	328	333
Yard waste collected (ton)	1,350	1,236	1,750	1,367

Source: Department records

Note: ** Indicator not available

Calendar Year						
2004	2005	2006	2007	2008	2009	
8,592	8,318	8,527	9,182	7,491	6,531	
420	533	520	607	468	454	
543	635	704	1,390	1,606	1,943	
446	383	248	686	874	500	
284	674	912	1,095	1,086	923	
186	220	173	158	288	174	
98	454	739	937	798	749	
\$ 554,000	\$ 419,000	\$ 593,000	\$ 340,000	\$ 491,000	\$ 297,500	
140	124	126	161	145	158	
\$ 9,723,483	\$ 13,962,026	\$ 12,913,941	\$ 18,331,333	\$ 10,722,966	\$ 11,110,377	
21	34	26	25	22	15	
9,478	8,884	8,812	9,100	9,552	8,244	
134,546	136,723	140,801	141,341	141,579	145,378	
1,537	1,354	1,629	1,429	1,374	1,974	
124	130	150	170	195	194	
-	-	-	339	340	269	
68	51	42	44	41	44	
69	49	60	32	17	16	
0.40	0.36	1.17	1.11	0.23	0.64	
-	1.76	2.40	2.16	2.56	-	
3,805	3,856	3,885	3,924	3,947	3,956	
188	182	184	180	172	167	
2,335	2,356	2,355	2,396	2,368	2,364	
340	348	339	341	312	284	
1,593	1,453	1,230	1,240	1,709	1,736	

City of Clear Lake, Iowa

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

Function/Program	2001	2002	2003	2004
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	78.8	79.0	79.1	79.3
Traffic Signals	8	8	8	8
Parks & Recreation:				
Acreage	33	33	33	33
Parks	11	11	11	11
Picnic Shelters	6	6	6	6
Library:				
Facilities	1	1	1	1
Volumes	45,144	47,001	48,464	48,101
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	892,000	952,000	931,000	962,000
Peak Consumption	1,353,000	1,621,000	1,534,000	1,350,000
Water Lines (miles)	50.7	51.3	52.0	52.1
Wastewater:				
Sanitary Sewers (miles)	43.5	43.7	44.1	44.4

Source: Department records

2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
1	1	1	1	1	1
79.3	79.3	80.3	80.3	80.4	80.4
9	9	9	9	10	10
33	33	33	52	52	52
11	11	11	11	11	11
6	6	6	6	6	6
1	1	1	1	1	1
49,560	48,830	45,374	51,043	52,785	54,369
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000
889,000	864,000	910,000	854,000	823,000	787,668
1,251,000	1,381,000	1,533,000	1,609,000	1,424,000	1,387,000
52.8	53.5	53.6	54.2	55.0	55.0
44.8	44.8	46.5	46.5	47.2	47.2

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

In connection with our audit of the financial statements of the City of Clear Lake, Iowa as of and for the year ended June 30, 2010, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We have separately communicated, to you and the City Council, identified deficiencies that we determined to be significant deficiencies. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following is a description of another identified control deficiency that we determined did not constitute a significant deficiency or material weakness:

The Finance Officer has the ability to make unauthorized entries to the general ledger. Transaction errors or fraud could occur and not be detected in a timely manner. The City has taken steps to mitigate the risk of error or misappropriation of cash. One of the key controls in preventing unauthorized journal entries is the City Administrator, Department Heads and the City Council's review of monthly financial statements. We recommend the City continue these reviews and maintain an adequate level of professional skepticism and precision when performing this review of financial statements.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 1, 2010