

# **City of Clear Lake, Iowa**

Financial and Compliance Report  
Year Ended June 30, 2011



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**City of Clear Lake, Iowa**

**City Officials  
June 30, 2011**

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		<u>Term Expiration Date Of Elected Officials</u>
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
Terry Unsworth	At Large City Council Member	11-1-11

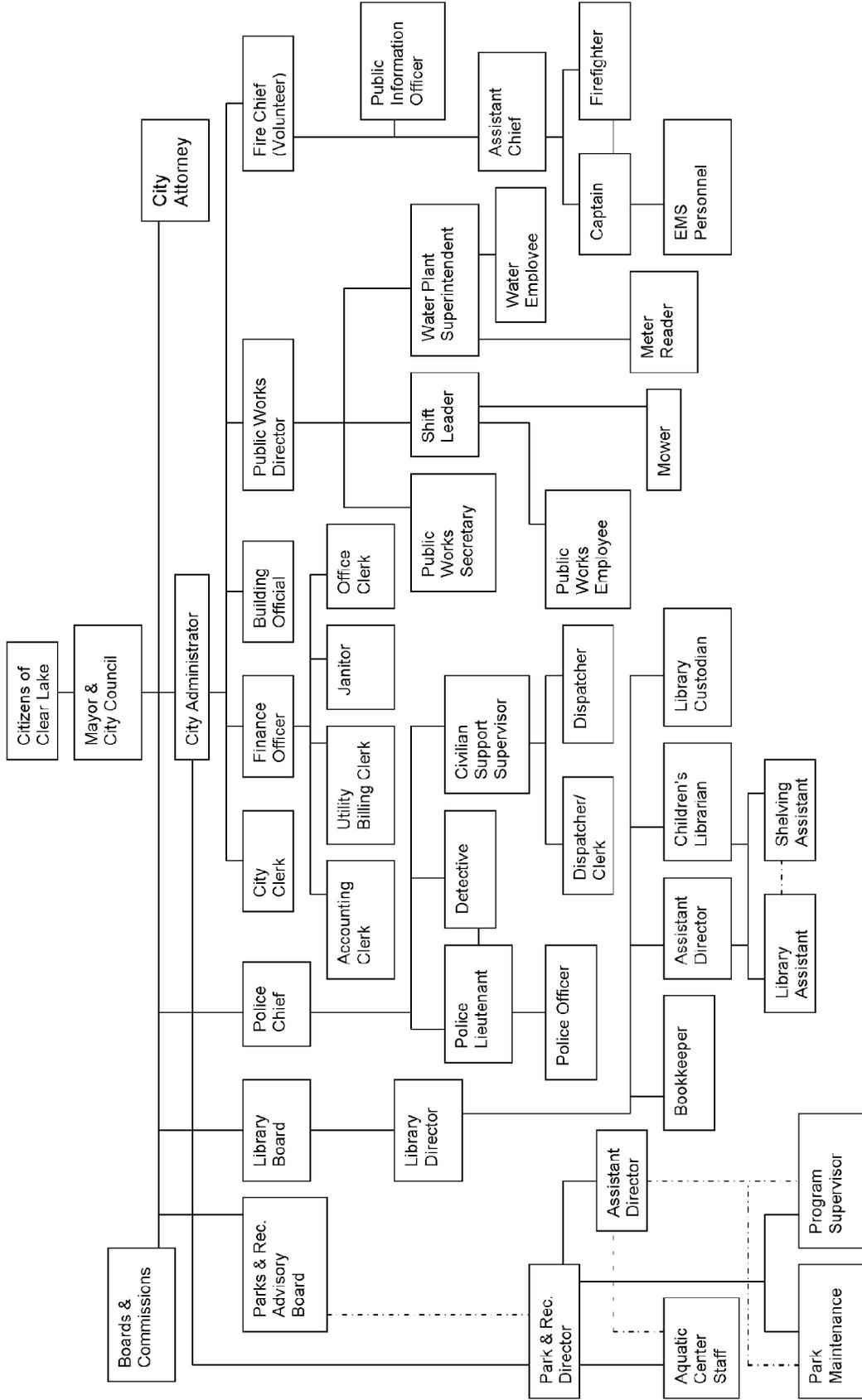
**Park and Recreation Board**

Jim Finstad  
Chyrl Bergvig  
Brenda Anderson  
Amanda Korenberg  
Darron Jones  
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  
Scott Johnson  
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, 2011, 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, 2011, 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 15 to the basic financial statements, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed its method of accounting for governmental funds' fund balance classifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, 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 on 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 51 and budgetary comparison schedule on pages 52 through 54 are not a required part of the basic financial statements but are supplementary information required by 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 listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
November 28, 2011

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2011

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It is an honor to present to you the financial picture of the City of Clear Lake, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clear Lake, Iowa for the fiscal year ended June 30, 2011.

#### Financial Highlights

The assets of the City of Clear Lake exceeded its liabilities at the close of the most recent fiscal year by \$44,280,092 (net assets). Of this amount, \$5,046,750 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2010, assets exceeded liabilities by \$40,840,441. Of this amount, \$4,870,193 was unrestricted.

The City's total net assets increased by \$3,439,651 during the fiscal year ended June 30, 2011. Governmental activities increased \$2,040,767 and business-type activities increased \$1,398,884. For fiscal year ended June 30, 2010, total net assets increased \$2,567,067. Governmental activities increased \$1,802,028 and business-type activities increased \$765,039.

As of the close of the current fiscal year, the City of Clear Lake's governmental funds reported combined ending fund balances of \$6,402,935, an increase of \$1,512,962 in comparison with the prior year. Approximately 44.7 percent of this total amount, \$2,861,372, is unassigned fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2010, governmental funds reported combined ending fund balances of \$4,889,973, of which \$2,284,619 or 46.7 percent is unassigned.

At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$2,861,372 or 60.1 percent of total General Fund expenditures. The unassigned fund balance for the General Fund as of June 30, 2010 was \$2,284,619 or 43.7 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, 2011

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

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

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

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

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

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

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

The City of Clear Lake, Iowa maintains 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, 2011

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The City adopts an annual appropriated budget which includes all of its funds. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget on pages 52 through 54.

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 \$44,280,092, which represents an increase of \$3,439,651 from 2010.

**City of Clear Lake, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2011**

Of the City of Clear Lake's net assets, 82.0 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	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and other assets	\$ 14,076,408	\$ 12,086,504	\$ 1,976,181	\$ 1,590,570	\$ 16,052,589	\$ 13,677,074
Capital assets net of depreciation	24,850,694	22,500,442	18,646,312	17,564,756	43,497,066	40,065,198
<b>Total assets</b>	<b>38,927,102</b>	<b>34,586,946</b>	<b>20,622,493</b>	<b>19,155,326</b>	<b>59,549,595</b>	<b>53,742,272</b>
<b>Liabilities</b>						
Current liabilities	8,247,683	7,338,568	852,457	592,077	9,100,140	7,930,645
Long-term liabilities	4,832,557	3,442,283	1,336,806	1,528,903	6,169,363	4,971,186
<b>Total liabilities</b>	<b>13,080,240</b>	<b>10,780,851</b>	<b>2,189,263</b>	<b>2,120,980</b>	<b>15,269,503</b>	<b>12,901,831</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	19,167,407	18,368,294	17,122,312	15,849,756	36,289,719	34,218,050
Restricted	2,943,623	1,752,198	-	-	2,943,623	1,752,198
Unrestricted	3,735,832	3,685,603	1,310,918	1,184,590	5,046,750	4,870,193
<b>Total net assets</b>	<b>\$ 25,846,862</b>	<b>\$ 23,806,095</b>	<b>\$ 18,433,230</b>	<b>\$ 17,034,346</b>	<b>\$ 44,280,092</b>	<b>\$ 40,840,441</b>

A restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$5,046,750, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net assets increased by \$3,439,651 during the current fiscal year. The governmental activities' net assets increased by \$2,040,767. The total business-type activities' net assets increased by \$1,398,884. 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, 2011. 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, 2011

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			
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 730,580	\$ 628,640	\$ 1,684,173	\$ 1,639,864	\$ 2,414,753	\$ 2,268,504
Operating grants and contributions	874,432	830,825	-	-	874,432	830,825
Capital grants and contributions	924,878	1,351,139	194,395	437,477	1,119,273	1,788,616
General revenues:						
Property taxes	5,607,336	5,197,907	-	-	5,607,336	5,197,907
Other taxes	1,528,131	1,415,469	-	-	1,528,131	1,415,469
Investment earnings	46,693	85,456	5,530	8,975	52,223	94,431
Gain on disposal of capital assets	-	34,475	-	-	-	34,475
<b>Total revenues</b>	<b>9,712,050</b>	<b>9,543,911</b>	<b>1,884,098</b>	<b>2,086,316</b>	<b>11,596,148</b>	<b>11,630,227</b>
<b>Expenses:</b>						
General government	671,301	662,464	-	-	671,301	662,464
Public safety	2,451,105	2,399,055	-	-	2,451,105	2,399,055
Public works	1,604,354	2,170,696	-	-	1,604,354	2,170,696
Health and social services	7,021	1,359	-	-	7,021	1,359
Culture and recreation	1,059,851	1,045,416	-	-	1,059,851	1,045,416
Community and economic development	483,492	794,422	-	-	483,492	794,422
Interest on long-term debt	133,701	180,297	-	-	133,701	180,297
Water	-	-	814,039	762,104	814,039	762,104
Sewer rental	-	-	262,301	428,176	262,301	428,176
Storm water	-	-	216,995	182,559	216,995	182,559
Solid waste	-	-	452,337	436,612	452,337	436,612
<b>Total expenses</b>	<b>6,410,825</b>	<b>7,253,709</b>	<b>1,745,672</b>	<b>1,809,451</b>	<b>8,156,497</b>	<b>9,063,160</b>
<b>Excess of revenues over expenses before transfers</b>	<b>3,301,225</b>	<b>2,290,202</b>	<b>138,426</b>	<b>276,865</b>	<b>3,439,651</b>	<b>2,567,067</b>
Transfers	(1,260,458)	(488,174)	1,260,458	488,174	-	-
Change in net assets	2,040,767	1,802,028	1,398,884	765,039	3,439,651	2,567,067
Net assets, beginning of year	23,806,095	22,004,067	17,034,346	16,269,307	40,840,441	38,273,374
Net assets, end of year	\$ 25,846,862	\$ 23,806,095	\$ 18,433,230	\$ 17,034,346	\$ 44,280,092	\$ 40,840,441

City of Clear Lake, Iowa

Management’s Discussion and Analysis  
Year Ended June 30, 2011

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.

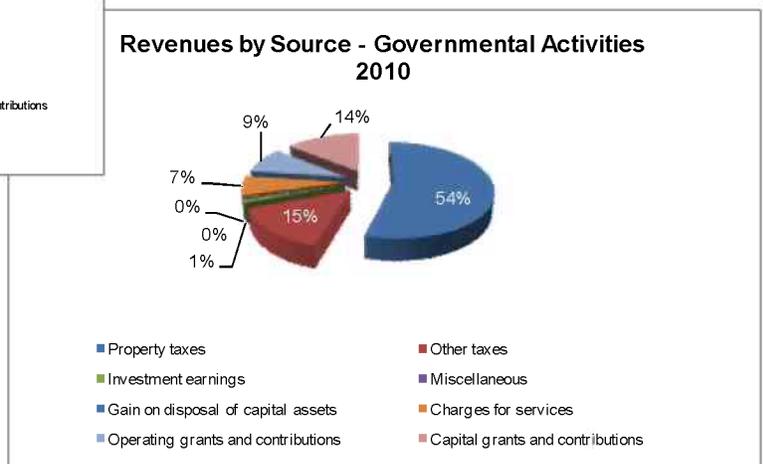
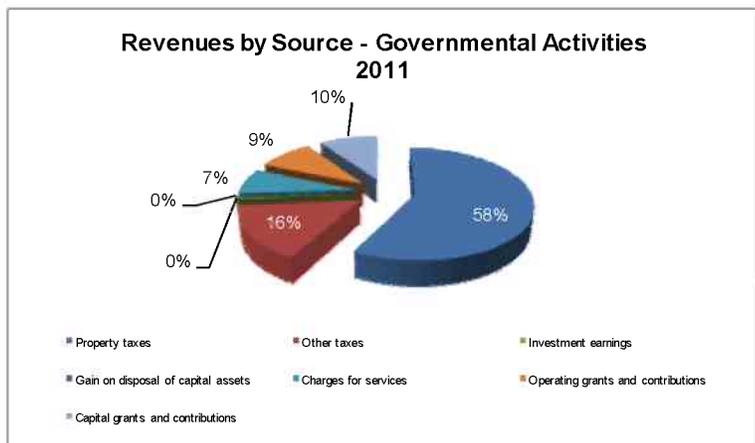
Table 3 - Governmental Activities

Programs	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Public safety	\$ 2,451,105	\$ (1,890,783)	\$ 2,399,055	\$ (1,957,494)
Public works	1,604,354	16,152	2,170,696	(448,593)
Health and social services	7,021	(4,751)	1,359	631
Culture and recreation	1,059,851	(775,190)	1,045,416	(466,081)
Community and economic development	483,492	(438,681)	794,422	(746,010)
General government	671,301	(653,981)	662,464	(645,261)
Interest on long-term debt	133,701	(133,701)	180,297	(180,297)
<b>Total</b>	<b>\$ 6,410,825</b>	<b>\$ (3,880,935)</b>	<b>\$ 7,253,709</b>	<b>\$ (4,443,105)</b>

Net cost of services is 60.5 percent of total cost of services in 2011 as compared to 61.3 percent in 2010. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Governmental Activities

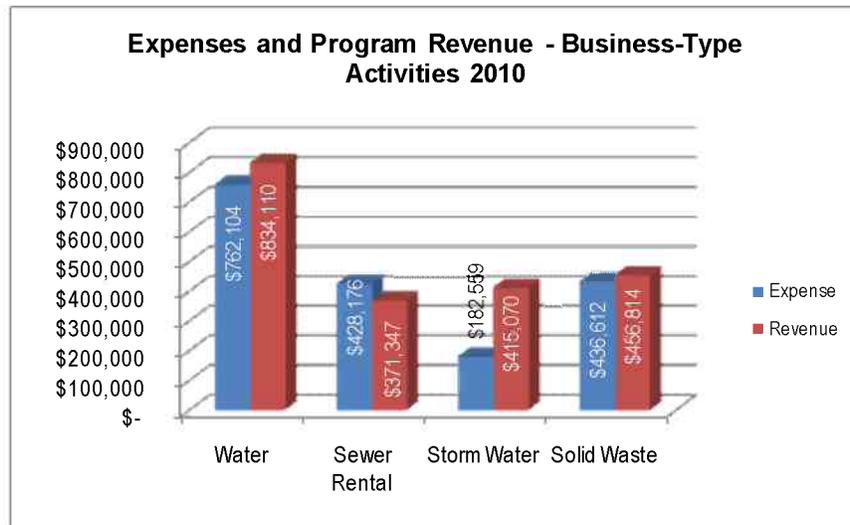
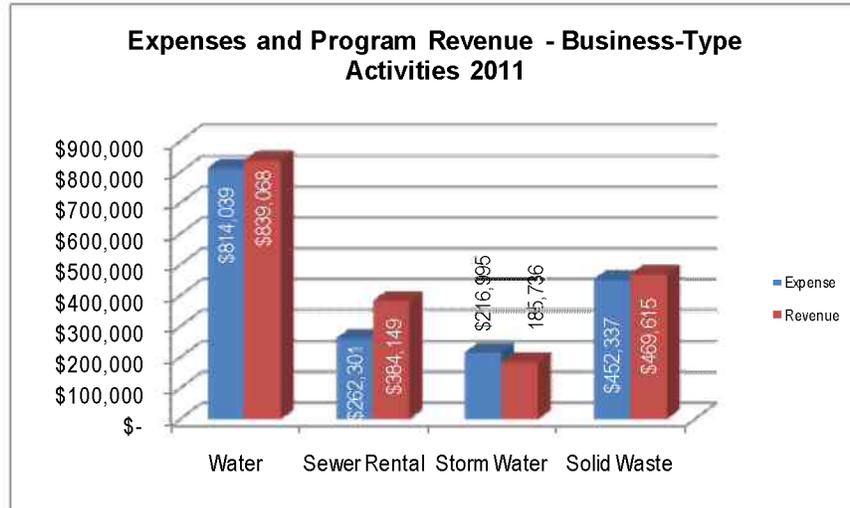
The graph below shows the percentage of the total governmental activities revenues allocated by each revenue type:



City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2011

Total business-type activities' revenue, excluding interfund transfers, for the fiscal year was \$1,884,098. All but \$5,530 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:

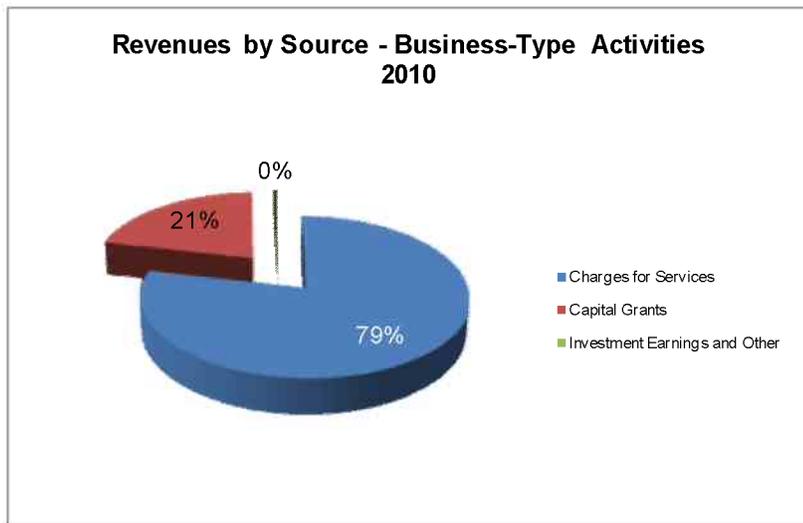
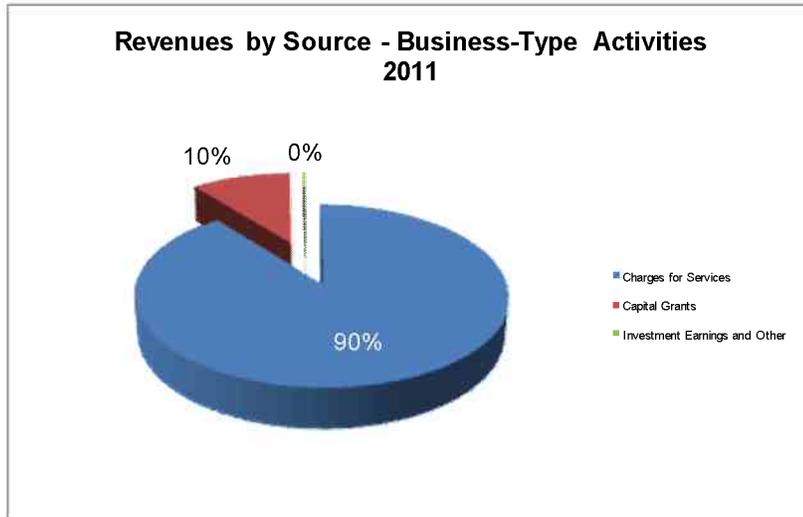


City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2011

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



**Business-Type Activities**

Business-type activities increased the City of Clear Lake's net assets by \$1,398,884 accounting for 41 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, 2011

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**Governmental funds:** The focus of the City of Clear Lake, Iowa's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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 \$6,402,935, an increase of \$1,512,962 in comparison with the prior year. Approximately 44.7 percent of this total amount, \$2,861,372, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is committed to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,861,372. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to fund expenditures. Unassigned fund balance represents 60.1 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$725,553 during the current fiscal year. This was due to revenues over estimates, accumulation of reserves for future public safety equipment purchases and expenditures under estimates.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance decreased \$132,604 from \$305,207 in 2010 to \$172,603 in 2011 primarily due to completion of capital projects.

The Road Use Tax Fund is to maintain and improve City streets. Fund balance increased \$539,040 from \$737,026 in 2010 to \$1,276,066 in 2011 primarily due to overlay project not completed as of June 30, 2011.

The Employee Benefits Fund accounts for the employees' group life and health insurance. Fund balance increased by \$23,111 from \$246,571 in 2010 to \$269,682 in 2011. This increase was due to actual rate increase less than anticipated.

The Capital Projects Fund balance increased \$372,996 from \$75,964 in 2010 to \$448,960 in 2011. 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 \$25,681 from \$37,090 in 2010 to \$11,409 in 2011. 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 know as functions, not by fund or fund type.

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

- The total original revenue budget of \$12,602,403 was decreased to \$11,643,159 (a decrease of \$959,244) mainly due to revised estimates for capital project grants and bequest.

**City of Clear Lake, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2011**

- The total original expenditure budget of \$12,425,440 was increased to \$14,152,467 (an increase of \$1,727,027) mainly for revised costs for capital projects.
- The total original budget for other financing sources of \$0 was increased to \$2,300,000 (an increase of \$2,300,000) mainly due to bond proceeds.
- 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, 2011, amounted to \$43,497,006 (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 8.6 percent (a 10.4 percent increase for governmental activities and a 6.2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included 2<sup>nd</sup> Avenue North Project, Water Distribution System Improvement Project, Fire Station, and CDBG 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,004,621	\$ 2,944,612	\$ 331,716	\$ 331,716	\$ 3,336,337	\$ 3,276,328
Construction-in-progress	2,615,332	488,855	791,973	695,079	3,407,305	1,183,934
Buildings and improvements	6,901,385	6,402,203	1,509,204	1,476,720	8,410,589	7,878,923
Infrastructure	22,315,033	21,758,565	23,226,054	21,817,897	45,541,087	43,576,462
Machinery and equipment	4,528,262	4,438,302	962,834	931,668	5,491,096	5,369,970
Accumulated depreciation	(14,513,939)	(13,532,095)	(8,175,469)	(7,688,324)	(22,689,408)	(21,220,419)
<b>Total</b>	<b>\$ 24,850,694</b>	<b>\$ 22,500,442</b>	<b>\$ 18,646,312</b>	<b>\$ 17,564,756</b>	<b>\$ 43,497,006</b>	<b>\$ 40,065,198</b>

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2011

**Debt:** As of June 30, 2011, the City of Clear Lake, Iowa had general obligation bonds and loan notes outstanding totaling \$7,126,500 and notes payable outstanding of \$120,000. In the current year, the City paid \$916,000 in principal and \$165,724 in interest on outstanding debt.

Table 5 - Outstanding Debt, June 30

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 4,450,000	\$ 2,740,000	\$ 885,000	\$ 995,000	\$ 5,335,000	\$ 3,735,000
General obligation loan notes	1,272,500	1,407,500	519,000	600,000	1,791,500	2,007,500
Notes payable	-	-	120,000	120,000	120,000	120,000
	<u>\$ 5,722,500</u>	<u>\$ 4,147,500</u>	<u>\$ 1,524,000</u>	<u>\$ 1,715,000</u>	<u>\$ 7,246,500</u>	<u>\$ 5,862,500</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 2011 at \$747,349,306.

The unemployment rate for Cerro Gordo County is 6.2 percent. The rate for Cerro Gordo County decreased from last year's rate of 7.6 percent. The rate is higher than the state's average unemployment rate of 6.0 percent.

### Requests for Information

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

City of Clear Lake, Iowa

Statement of Net Assets  
June 30, 2011

<b>Assets</b>	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 2,072,274	\$ 635,671	\$ 2,707,945
Certificates of deposit	4,315,660	656,000	4,971,660
Investments	110,374	-	110,374
Restricted assets, cash	350,340	-	350,340
Receivables, net of allowances for uncollectible amounts:			
Property taxes	6,218,406	-	6,218,406
Assessments	502,753	-	502,753
Accounts, consumers	174,010	170,865	344,875
Unbilled usage	-	36,064	36,064
Other	27,788	-	27,788
Due from other governments	684,938	-	684,938
Internal balances	(406,409)	406,409	-
Inventories	-	64,863	64,863
<b>Total current assets</b>	<b>14,050,134</b>	<b>1,969,872</b>	<b>16,020,006</b>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	3,004,621	331,716	3,336,337
Construction-in-progress	2,615,332	791,973	3,407,305
Depreciable:			
Buildings and land improvements	6,901,385	1,509,204	8,410,589
Infrastructure	22,315,033	23,226,054	45,541,087
Machinery and equipment	4,528,262	962,834	5,491,096
Accumulated depreciation	(14,513,939)	(8,175,469)	(22,689,408)
<b>Total capital assets, net of depreciation</b>	<b>24,850,694</b>	<b>18,646,312</b>	<b>43,497,006</b>
Bond issuance costs, net	26,274	6,309	32,583
<b>Total noncurrent assets</b>	<b>24,876,968</b>	<b>18,652,621</b>	<b>43,529,589</b>
<b>Total assets</b>	<b>\$ 38,927,102</b>	<b>\$ 20,622,493</b>	<b>\$ 59,549,595</b>

See Notes to Basic Financial Statements.

<b>Liabilities</b>	Governmental Activities	Business-Type Activities	Total
Current:			
Accounts and contracts payable	\$ 789,923	\$ 527,434	\$ 1,317,357
Accrued liabilities	164,491	54,241	218,732
Deposits	-	52,570	52,570
Compensated absences	168,492	21,212	189,704
Unearned revenue	6,203,777	-	6,203,777
Current maturities of long-term debt	921,000	197,000	1,118,000
<b>Total current liabilities</b>	<b>8,247,683</b>	<b>852,457</b>	<b>9,100,140</b>
Noncurrent:			
Other postemployment benefits obligation	70,270	9,806	80,076
Long-term debt, net of current maturities	4,801,500	1,327,000	6,128,500
Bond discounts	(39,213)	-	(39,213)
<b>Total noncurrent liabilities</b>	<b>4,832,557</b>	<b>1,336,806</b>	<b>6,169,363</b>
<b>Total liabilities</b>	<b>13,080,240</b>	<b>2,189,263</b>	<b>15,269,503</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	19,167,407	17,122,312	36,289,719
Restricted for:			
Endowments/permanently restricted trust corpus	350,340	-	350,340
Capital projects	425,156	-	425,156
Tax increment financing districts	172,603	-	172,603
Road use	1,276,066	-	1,276,066
Employee benefits	269,682	-	269,682
Debt service	11,409	-	11,409
Other	438,367	-	438,367
Unrestricted	3,735,832	1,310,918	5,046,750
<b>Total net assets</b>	<b>25,846,862</b>	<b>18,433,230</b>	<b>44,280,092</b>
<b>Total liabilities and net assets</b>	<b>\$ 38,927,102</b>	<b>\$ 20,622,493</b>	<b>\$ 59,549,595</b>

City of Clear Lake, Iowa

Statement of Activities  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Public safety	\$ 2,451,105	\$ 502,376	\$ 57,946	\$ -
Public works	1,604,354	6,594	747,740	866,172
Health and social services	7,021	2,270	-	-
Culture and recreation	1,059,851	167,209	68,746	48,706
Community and economic development	483,492	34,811	-	10,000
General government	671,301	17,320	-	-
Interest on long-term debt	133,701	-	-	-
<b>Total governmental activities</b>	<b>6,410,825</b>	<b>730,580</b>	<b>874,432</b>	<b>924,878</b>
Business-type activities:				
Water	814,039	778,764	-	60,304
Sewer rental	262,301	325,171	-	58,978
Storm water	216,995	110,623	-	75,113
Solid waste	452,337	469,615	-	-
<b>Total business-type activities</b>	<b>1,745,672</b>	<b>1,684,173</b>	<b>-</b>	<b>194,395</b>
<b>Total primary government</b>	<b>\$ 8,156,497</b>	<b>\$ 2,414,753</b>	<b>\$ 874,432</b>	<b>\$ 1,119,273</b>

General revenues:  
 Taxes:  
   Property taxes  
   Other taxes  
 Investment earnings  
 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
\$ (1,890,783)	\$ -	\$ (1,890,783)
16,152	-	16,152
(4,751)	-	(4,751)
(775,190)	-	(775,190)
(438,681)	-	(438,681)
(653,981)	-	(653,981)
(133,701)	-	(133,701)
(3,880,935)	-	(3,880,935)
-	25,029	25,029
-	121,848	121,848
-	(31,259)	(31,259)
-	17,278	17,278
-	132,896	132,896
(3,880,935)	132,896	(3,748,039)
5,607,336	-	5,607,336
1,528,131	-	1,528,131
46,693	5,530	52,223
(1,260,458)	1,260,458	-
5,921,702	1,265,988	7,187,690
2,040,767	1,398,884	3,439,651
23,806,095	17,034,346	40,840,441
\$ 25,846,862	\$ 18,433,230	\$ 44,280,092

City of Clear Lake, Iowa

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

<b>Assets</b>	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Cash and cash equivalents	\$ 1,193,824	\$ 195,410	\$ 196,026	\$ 63,356
Certificates of deposit	2,177,000	140,000	1,050,000	200,000
Investments	-	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, net of allowances for uncollectible amounts:				
Property taxes	2,838,656	2,188,906	-	602,277
Special assessments	502,753	-	-	-
Accounts, consumers	173,586	-	-	-
Other	57	14,182	-	264
Due from other governments	326,227	-	60,435	-
Due from other funds	18,810	-	-	-
<b>Total assets</b>	<b>\$ 7,230,913</b>	<b>\$ 2,538,498</b>	<b>\$ 1,306,461</b>	<b>\$ 865,897</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 297,761	\$ -	\$ 19,615	\$ -
Accrued liabilities	131,049	-	5,780	860
Due to other funds	18,398	192,481	5,000	-
Unearned revenue	3,348,197	2,173,414	-	595,355
<b>Total liabilities</b>	<b>3,795,405</b>	<b>2,365,895</b>	<b>30,395</b>	<b>596,215</b>
<b>Fund balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	172,603	1,276,066	269,682
Committed	574,136	-	-	-
Unassigned	2,861,372	-	-	-
<b>Total fund balances</b>	<b>3,435,508</b>	<b>172,603</b>	<b>1,276,066</b>	<b>269,682</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,230,913</b>	<b>\$ 2,538,498</b>	<b>\$ 1,306,461</b>	<b>\$ 865,897</b>

See Notes to Basic Financial Statements.

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	Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
\$	349,297	\$ -	\$ 74,361	\$ 2,072,274
	500,000	-	248,660	4,315,660
	-	-	110,374	110,374
	-	-	350,340	350,340
	-	588,567	-	6,218,406
	-	-	-	502,753
	424	-	-	174,010
	-	-	13,285	27,788
	298,276	-	-	684,938
	5,000	18,399	-	42,209
<u>\$</u>	<u>1,152,997</u>	<u>\$ 606,966</u>	<u>\$ 797,020</u>	<u>\$ 14,498,752</u>

\$	472,237	\$ -	\$ 310	\$ 789,923
	10,391	-	-	148,080
	221,409	11,327	3	448,618
	-	584,230	8,000	6,709,196
	704,037	595,557	8,313	8,095,817

	-	-	350,340	350,340
	425,156	11,409	438,367	2,593,283
	23,804	-	-	597,940
	-	-	-	2,861,372
	448,960	11,409	788,707	6,402,935

<u>\$</u>	<u>1,152,997</u>	<u>\$ 606,966</u>	<u>\$ 797,020</u>	<u>\$ 14,498,752</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, 2011

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Total governmental fund balances \$ 6,402,935

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	\$ 3,004,621	
Buildings and land improvements	6,901,385	
Infrastructure	22,315,033	
Machinery and equipment	4,528,262	
Construction-in-progress	2,615,332	
Accumulated depreciation	<u>(14,513,939)</u>	24,850,694

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds 505,419

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

Compensated absences, current	(168,492)	
Other postemployment benefits obligation	(70,270)	
Bond discount	39,213	
Bond issuance costs	26,274	
Accrued interest payable	(16,411)	
General obligation bonds and loan notes, current	(921,000)	
General obligation bonds and loan notes, noncurrent	<u>(4,801,500)</u>	<u>(5,912,186)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 25,846,862</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, 2011

	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Revenues:				
Property taxes	\$ 2,642,199	\$ 2,061,652	\$ -	\$ 561,058
Special assessments	358,120	-	-	-
Other taxes	1,518,464	-	-	6,417
Licenses and permits	74,974	-	-	-
Intergovernmental	239,216	-	747,740	-
Charges for services	554,409	-	-	-
Fines and forfeitures	54,057	-	-	-
Use of money and property	30,789	3,103	-	935
Miscellaneous	18,636	14,167	-	-
<b>Total revenue</b>	<b>5,490,864</b>	<b>2,078,922</b>	<b>747,740</b>	<b>568,410</b>
Expenditures:				
Current:				
Public safety	2,017,413	-	-	320,105
Public works	627,782	-	144,293	119,656
Health and social services	7,020	-	-	1
Culture and recreation	1,220,221	-	-	54,494
Community and economic development	283,642	184,920	-	7,567
General government	603,839	-	-	48,876
Capital projects	-	-	24,407	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>4,759,917</b>	<b>184,920</b>	<b>168,700</b>	<b>550,699</b>
<b>Excess of revenue over (under) expenditures</b>	<b>730,947</b>	<b>1,894,002</b>	<b>579,040</b>	<b>17,711</b>
Other financing sources (uses):				
Proceeds from sale of capital assets	2,000	-	-	-
Issuance of debt	-	-	-	-
Discount on debt issuance	-	-	-	-
Transfers in	507,681	-	-	5,400
Transfers out	(514,784)	(2,026,606)	(40,000)	-
<b>Total other financing sources (uses)</b>	<b>(5,103)</b>	<b>(2,026,606)</b>	<b>(40,000)</b>	<b>5,400</b>
<b>Net change in fund balances</b>	<b>725,844</b>	<b>(132,604)</b>	<b>539,040</b>	<b>23,111</b>
Fund balances, beginning of year	2,709,664	305,207	737,026	246,571
Fund balances, end of year	\$ 3,435,508	\$ 172,603	\$ 1,276,066	\$ 269,682

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total
\$ -	\$ 342,427	\$ -	\$ 5,607,336
-	-	-	358,120
-	3,250	-	1,528,131
-	-	-	74,974
526,978	-	-	1,513,934
-	-	-	554,409
-	-	785	54,842
2,841	814	19,032	57,514
8,500	-	17,273	58,576
538,319	346,491	37,090	9,807,836
-	-	3,720	2,341,238
-	-	-	891,731
-	-	-	7,021
-	-	18,703	1,293,418
-	-	4,411	480,540
-	-	-	652,715
2,764,389	-	-	2,788,796
-	725,000	-	725,000
-	116,650	-	116,650
10,557	-	-	10,557
2,774,946	841,650	26,834	9,307,666
(2,236,627)	(495,159)	10,256	500,170
-	-	-	2,000
2,300,000	-	-	2,300,000
(28,750)	-	-	(28,750)
686,978	469,478	-	1,669,537
(348,605)	-	-	(2,929,995)
2,609,623	469,478	-	1,012,792
372,996	(25,681)	10,256	1,512,962
75,964	37,090	778,451	4,889,973
\$ 448,960	\$ 11,409	\$ 788,707	\$ 6,402,935

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, 2011**

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Net change in fund balances - governmental funds \$ 1,512,962

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:

Capital outlays	3,212,684
Depreciation	(995,425)

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	135,702
Proceeds from sale of capital assets	(2,000)
Loss from the disposal of capital assets	(709)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (231,488)

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	(3,080)
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	(2,300,000)
Bond issuance costs	10,557
Discount on debt issuance	28,750
Repayment of bond principal	725,000
Interest	(6,672)
Amortization of discount on bonds	(4,889)
Amortization of issuance costs on bonds	(5,490)
<b>Change in net assets of governmental activities</b>	<u>\$ 2,040,767</u>

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2011

	Water	Sewer Rental	Storm Water	Solid Waste	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 242,761	\$ 267,695	\$ 106,505	\$ 18,710	\$ 635,671
Certificates of deposit	471,000	25,000	75,000	85,000	656,000
Receivables, net of allowances for uncollectible amounts:					
Accounts, consumers	83,439	35,915	9,790	41,721	170,865
Unbilled usage	17,197	6,957	2,308	9,602	36,064
Due from other funds	68,000	295,409	43,000		406,409
Inventories	64,863	-	-	-	64,863
<b>Total current assets</b>	<b>947,260</b>	<b>630,976</b>	<b>236,603</b>	<b>155,033</b>	<b>1,969,872</b>
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	65,026	-	266,690	-	331,716
Construction-in-progress	158,650	560,193	73,130	-	791,973
Depreciable:					
Buildings and land improvements	1,132,527	319,193	25,000	32,484	1,509,204
Infrastructure	10,388,623	5,379,611	7,457,820	-	23,226,054
Machinery and equipment	668,197	288,752	-	5,885	962,834
Accumulated depreciation	(4,031,587)	(1,777,477)	(2,365,299)	(1,106)	(8,175,469)
<b>Total capital assets, net of depreciation</b>	<b>8,381,436</b>	<b>4,770,272</b>	<b>5,457,341</b>	<b>37,263</b>	<b>18,646,312</b>
Bond issuance costs, net	6,309	-	-	-	6,309
<b>Total noncurrent assets</b>	<b>8,387,745</b>	<b>4,770,272</b>	<b>5,457,341</b>	<b>37,263</b>	<b>18,652,621</b>
<b>Total assets</b>	<b>\$ 9,335,005</b>	<b>\$ 5,401,248</b>	<b>\$ 5,693,944</b>	<b>\$ 192,296</b>	<b>\$ 20,622,493</b>

See Notes to Basic Financial Statements.

	Water	Sewer Rental	Storm Water	Solid Waste	Total
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts and contracts payable	\$ 115,919	\$ 300,233	\$ 71,327	\$ 39,955	\$ 527,434
Accrued liabilities	23,870	25,166	4,058	1,147	54,241
Deposits	52,570	-	-	-	52,570
Compensated absences	16,095	4,321	-	796	21,212
Bonds and loan notes payable	197,000	-	-	-	197,000
<b>Total current liabilities</b>	<b>405,454</b>	<b>329,720</b>	<b>75,385</b>	<b>41,898</b>	<b>852,457</b>
Noncurrent liabilities:					
Other postemployment benefits obligation	6,668	3,138	-	-	9,806
Bonds payable	1,207,000	-	-	-	1,207,000
Notes payable	-	120,000	-	-	120,000
<b>Total liabilities</b>	<b>1,619,122</b>	<b>452,858</b>	<b>75,385</b>	<b>41,898</b>	<b>2,189,263</b>
Net assets:					
Invested in capital assets, net of related debt	6,977,436	4,650,272	5,457,341	37,263	17,122,312
Unrestricted	738,447	298,118	161,218	113,135	1,310,918
<b>Total net assets</b>	<b>7,715,883</b>	<b>4,948,390</b>	<b>5,618,559</b>	<b>150,398</b>	<b>18,433,230</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,335,005</b>	<b>\$ 5,401,248</b>	<b>\$ 5,693,944</b>	<b>\$ 192,296</b>	<b>\$ 20,622,493</b>

City of Clear Lake, Iowa

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2011**

	Water	Sewer Rental	Storm Water	Solid Waste	Total
Operating revenues:					
Charges for services	\$ 778,286	\$ 325,171	\$ 110,623	\$ 469,615	\$ 1,683,695
Miscellaneous	478	-	-	-	478
	<u>778,764</u>	<u>325,171</u>	<u>110,623</u>	<u>469,615</u>	<u>1,684,173</u>
Operating expenses:					
Personal services	307,600	104,827	22,941	33,593	468,961
Contractual services	171,555	18,458	17,201	415,029	622,243
Commodities	64,557	4,549	28,186	2,609	99,901
Depreciation	235,096	129,667	148,667	1,106	514,536
<b>Total operating expenses</b>	<u>778,808</u>	<u>257,501</u>	<u>216,995</u>	<u>452,337</u>	<u>1,705,641</u>
<b>Operating income (loss)</b>	<u>(44)</u>	<u>67,670</u>	<u>(106,372)</u>	<u>17,278</u>	<u>(21,468)</u>
Nonoperating income (expense):					
Investment earnings	3,399	1,206	421	504	5,530
Donations	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Loss on sale of capital assets	(1,009)	-	-	-	(1,009)
Interest expense	(34,222)	(4,800)	-	-	(39,022)
<b>Total nonoperating income (expense)</b>	<u>(31,832)</u>	<u>(3,594)</u>	<u>421</u>	<u>504</u>	<u>(34,501)</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(31,876)</u>	<u>64,076</u>	<u>(105,951)</u>	<u>17,782</u>	<u>(55,969)</u>
Capital contributions	60,304	58,978	75,113	-	194,395
Transfers in	574,067	522,694	177,697	-	1,274,458
Transfers out	-	-	-	(14,000)	(14,000)
<b>Change in net assets</b>	<u>602,495</u>	<u>645,748</u>	<u>146,859</u>	<u>3,782</u>	<u>1,398,884</u>
Total net assets, beginning of year	7,113,388	4,302,642	5,471,700	146,616	17,034,346
Total net assets, end of year	<u>\$ 7,715,883</u>	<u>\$ 4,948,390</u>	<u>\$ 5,618,559</u>	<u>\$ 150,398</u>	<u>\$ 18,433,230</u>

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

	Water	Sewer Rental	Storm Water	Solid Waste	Total Enterprise
Cash flows from operating activities:					
Receipts from customers and users	\$ 773,378	\$ 321,982	\$ 125,391	\$ 467,041	\$ 1,687,792
Receipts from other	478	-	-	-	478
Payments to suppliers	(368,698)	(90,278)	(50,266)	(411,673)	(920,915)
Payments to employees	(303,514)	(103,020)	(22,941)	(33,549)	(463,024)
<b>Net cash provided by operating activities</b>	<b>101,644</b>	<b>128,684</b>	<b>52,184</b>	<b>21,819</b>	<b>304,331</b>
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(14,000)	(14,000)
Transfers in	574,067	522,694	177,697	-	1,274,458
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>574,067</b>	<b>522,694</b>	<b>177,697</b>	<b>(14,000)</b>	<b>1,260,458</b>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(527,586)	(280,533)	(81,508)	(38,369)	(927,996)
Payment on debt	(191,000)	-	-	-	(191,000)
Payments to from other funds	(68,000)	(295,409)	(43,000)	-	(406,409)
Interest paid on debt	(47,064)	(4,800)	-	-	(51,864)
<b>Net cash (used in) capital and related financing activities</b>	<b>(833,650)</b>	<b>(580,742)</b>	<b>(124,508)</b>	<b>(38,369)</b>	<b>(1,577,269)</b>
Cash flows from investing activities:					
Proceeds from sale and maturities of investments	1,916,000	680,000	135,000	315,000	3,046,000
Purchase of investments	(1,716,000)	(545,000)	(210,000)	(280,000)	(2,751,000)
Interest received	3,399	1,206	421	504	5,530
<b>Net cash provided by (used in) investing activities</b>	<b>203,399</b>	<b>136,206</b>	<b>(74,579)</b>	<b>35,504</b>	<b>300,530</b>
<b>Increase in cash and cash equivalents</b>	<b>45,460</b>	<b>206,842</b>	<b>30,794</b>	<b>4,954</b>	<b>288,050</b>
Cash and cash equivalents, beginning of year	197,301	60,853	75,711	13,756	347,621
Cash and cash equivalents, end of year	\$ 242,761	\$ 267,695	\$ 106,505	\$ 18,710	\$ 635,671

(Continued)

City of Clear Lake, Iowa

**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended June 30, 2011**

	Water	Sewer Rental	Storm Water	Solid Waste	Total Enterprise
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (44)	\$ 67,670	\$ (106,372)	\$ 17,278	\$ (21,468)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities, depreciation	235,096	129,667	148,667	1,106	514,536
Change in assets and liabilities:					
Receivables	(8,321)	(3,189)	14,768	(2,574)	684
Inventories	11,495	-	-	-	11,495
Deposits	3,413	-	-	-	3,413
Accounts payable and accrued liabilities	(144,081)	(67,271)	(4,879)	5,965	(210,266)
Compensated absences	752	238	-	44	1,034
Other postemployment benefits obligation	3,334	1,569	-	-	4,903
<b>Net cash provided by operating activities</b>	<b>\$ 101,644</b>	<b>\$ 128,684</b>	<b>\$ 52,184</b>	<b>\$ 21,819</b>	<b>\$ 304,331</b>
Schedule of noncash items:					
Capital and related financing activities:					
Acquisition of capital assets through contracts payable	\$ 101,260	\$ 303,260	\$ 55,679	\$ -	\$ 460,199
Capitalized interest	14,511	-	-	-	14,511
Capital contributions	60,304	58,978	75,113	-	201,404

See Notes to Basic Financial Statements.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

##### **Nature of operations:**

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

##### **Reporting entity:**

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

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

##### **Basis of presentation:**

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

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

**Notes to Basic Financial Statements**

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

Separate financial statements are provided for governmental funds 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, Employee Benefits Fund and Debt Service Fund are presented as major funds for public interest purposes.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

The 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.

*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

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

The following are the City's major enterprise funds:

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

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

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

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

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

#### Measurement focus and basis of accounting:

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

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

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

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

**Notes to Basic Financial Statements**

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

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 2011 based on the 2010 assessed valuations. These taxes are due in two installments, on September 1, 2011 and the following March 1, 2012 with a 1.5 percent per month penalty for delinquent payment. Since the 2011 tax levy is budgeted and levied for the fiscal year 2012, the revenue from this tax levy has been deferred. Revenue has been recognized for those taxes receivable which represent the prior year's delinquent taxes and which are expected to be collected within 60 days after year-end.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Summary of significant accounting policies:**

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

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. \$14,511 in interest was capitalized in the current fiscal year.

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

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

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

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

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

**Notes to Basic Financial Statements**

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

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

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

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

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

Fund balance: In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

**Notes to Basic Financial Statements**

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

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 \$453,695 for tax levy purposes and \$1,276,066 for road use.

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

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

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

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

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### Note 2. Cash and Investments

As of June 30, 2011, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$ 7,936,122
Cash and investments held by the Clear Lake Library Foundation	204,197
	<u>\$ 8,140,319</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	\$ 25,544
Mutual fund - Capital World Growth & Income	N/A	15,766
Mutual fund - American High Income Trust	N/A	10,810
Mutual fund - Oppenheimer Sr Floating Rate	N/A	16,291
Corporate Bond - Hydro Quebec	01/15/2027	13,326
Government securities - Franklin US Government Bonds	N/A	28,637

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

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

As of June 30, 2011, 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
Mutual fund - American High Income Trust		Not Rated
Mutual fund - Oppenheimer Sr Floating Rate		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 \$13,326.

**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, 2011, 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, 2011, 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, 2011:

	Beginning Balance June 30, 2010	Additions	Deletions	Ending Balance June 30, 2011
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,944,612	\$ 60,009	\$ -	\$ 3,004,621
Construction-in-progress	488,855	2,345,920	219,443	2,615,332
<b>Total capital assets, not being depreciated</b>	<b>3,433,467</b>	<b>2,405,929</b>	<b>219,443</b>	<b>5,619,953</b>
Capital assets, being depreciated:				
Buildings and land improvements	6,402,203	499,182	-	6,901,385
Infrastructure	21,758,565	564,635	8,167	22,315,033
Machinery and equipment	4,438,302	98,083	8,123	4,528,262
<b>Total capital assets, being depreciated</b>	<b>32,599,070</b>	<b>1,161,900</b>	<b>16,290</b>	<b>33,744,680</b>
Less accumulated depreciation for:				
Buildings and land improvements	1,508,195	171,300	-	1,679,495
Infrastructure	9,330,826	508,281	8,166	9,830,941
Machinery and equipment	2,693,074	315,844	5,415	3,003,503
<b>Total accumulated depreciation</b>	<b>13,532,095</b>	<b>995,425</b>	<b>13,581</b>	<b>14,513,939</b>
<b>Total capital assets, being depreciated, net</b>	<b>19,066,975</b>	<b>166,475</b>	<b>2,709</b>	<b>19,230,741</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 22,500,442</b>	<b>\$ 2,572,404</b>	<b>\$ 222,152</b>	<b>\$ 24,850,694</b>

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Beginning Balance June 30, 2010	Additions	Deletions	Ending Balance June 30, 2011
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 331,716	\$ -	\$ -	\$ 331,716
Construction-in-progress	695,079	788,739	691,845	791,973
<b>Total capital assets, not being depreciated</b>	<b>1,026,795</b>	<b>788,739</b>	<b>691,845</b>	<b>1,123,689</b>
Capital assets, being depreciated:				
Buildings and land improvements	1,476,720	32,484	-	1,509,204
Infrastructure	21,817,897	1,436,557	28,400	23,226,054
Machinery and equipment	931,668	31,166	-	962,834
<b>Total capital assets, being depreciated</b>	<b>24,226,285</b>	<b>1,500,207</b>	<b>28,400</b>	<b>25,698,092</b>
Less accumulated depreciation for:				
Buildings and land improvements	881,434	35,715	-	917,149
Infrastructure	6,481,112	426,474	27,391	6,880,195
Machinery and equipment	325,778	52,347	-	378,125
<b>Total accumulated depreciation</b>	<b>7,688,324</b>	<b>514,536</b>	<b>27,391</b>	<b>8,175,469</b>
<b>Total capital assets, being depreciated, net</b>	<b>16,537,961</b>	<b>985,671</b>	<b>1,009</b>	<b>17,522,623</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 17,564,756</b>	<b>\$ 1,774,410</b>	<b>\$ 692,854</b>	<b>\$ 18,646,312</b>

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

**Governmental Activities**

General government	\$ 14,435
Culture and recreation	171,950
Public safety	146,600
Public works	662,440
	<u>\$ 995,425</u>

**Business-Type Activities**

Water	\$ 235,096
Sewer rental	129,667
Storm water	148,667
Solid Waste	1,106
	<u>\$ 514,536</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, 2011:

	June 30, 2010	Increases and Issues	Decreases and Retirements	June 30, 2011	Due Within One Year
<b>Governmental activities:</b>					
General obligation loan notes	\$ 1,407,500	\$ -	\$ 135,000	\$ 1,272,500	\$ 136,000
General obligation bonds	2,740,000	2,300,000	590,000	4,450,000	785,000
Compensated absences	165,412	168,492	165,412	168,492	168,492
<b>Total governmental activities</b>	<b>4,312,912</b>	<b>2,468,492</b>	<b>890,412</b>	<b>5,890,992</b>	<b>1,089,492</b>
<b>Business-type activities:</b>					
General obligation loan notes	600,000	-	81,000	519,000	82,000
General obligation bonds	995,000	-	110,000	885,000	115,000
Notes payable	120,000	-	-	120,000	-
Compensated absences	20,178	21,212	20,178	21,212	21,212
<b>Total business-type activities</b>	<b>1,735,178</b>	<b>21,212</b>	<b>211,178</b>	<b>1,545,212</b>	<b>218,212</b>
<b>Total long-term debt</b>	<b>\$ 6,048,090</b>	<b>\$ 2,489,704</b>	<b>\$ 1,101,590</b>	<b>\$ 7,436,204</b>	<b>\$ 1,307,704</b>

**General obligation bonds and loan notes:**

On January 11, 2011, the City issued General Obligation Fire Station Bonds, Series 2011, in the amount of \$2,300,000 to pay the cost of constructing, furnishing and equipping a new fire station. These bonds are due in annual installments ranging from \$190,000 to \$255,000 through 2021 at an interest rate ranging from 1.10 to 3.5 percent per annum.

Four issues of general obligation loan notes totaling \$1,791,500 are outstanding as of June 30, 2011. These notes bear interest with rates ranging from 1.25 percent to 4.40 percent and mature in varying annual amounts ranging from \$21,000 to \$93,000 through July 1, 2029.

Five issues of general obligation bonds totaling \$5,335,000 are outstanding as of June 30, 2011. These bonds bear interest with rates ranging from 1.10 percent to 4.15 percent and mature in varying annual amounts ranging from \$40,000 to \$370,000 through June 1, 2021.

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

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**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, 2011 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,118,000	\$ 220,545	\$ 1,338,545
2013	1,079,000	173,115	1,252,115
2014	896,000	145,319	1,041,319
2015	868,000	118,965	986,965
2016	855,000	91,925	946,925
2017 - 2021	1,951,000	175,822	2,126,822
2022 - 2026	239,000	16,519	255,519
2027 - 2031	120,500	2,706	123,206
	<u>\$ 7,126,500</u>	<u>\$ 944,916</u>	<u>\$ 8,071,416</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, 2011, if no revenue was generated to reduce the initial principal payment, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,000	\$ 37,912	\$ 157,912

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**

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

**Legal debt margin:**

As of June 30, 2011, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Total assessed valuation *	<u>\$ 747,349,306</u>
Debt limit, 5% of total actual valuation	\$ 37,367,465
Debt applicable to debt limit, debt service general obligation loan notes and bonds	<u>7,126,500</u>
<b>Legal debt margin</b>	<u><u>\$ 30,240,965</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, 2011, there was one series of industrial revenue bonds outstanding with a principal amount payable of \$3,205,000.

**Note 6. Interfund Receivables and Payables**

Individual interfund receivables and payables balances as of June 30, 2011 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental, major funds:		
General	\$ 18,810	\$ 18,398
Tax Increment Financing	-	192,481
Road Use Tax	-	5,000
Capital Projects	5,000	221,409
Debt Service	18,399	11,327
Nonmajor governmental funds	-	3
Enterprise, major funds:		
Water	68,000	-
Sewer Rental	295,409	-
Storm Water	43,000	-
<b>Total</b>	<u><u>\$ 448,618</u></u>	<u><u>\$ 448,618</u></u>

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### Note 7. Interfund Transfers

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.

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	\$ 507,681	\$ 514,784
Debt Service	469,478	-
Tax Incremental Financing	-	2,026,606
Road Use Tax	-	40,000
Employee Benefits	5,400	-
Capital Projects	686,978	348,605
<b>Total governmental activities</b>	<u>1,669,537</u>	<u>2,929,995</u>
Business-type activities, major funds:		
Water	574,067	-
Sewer Rental	522,694	-
Storm Water	177,697	-
Solid Waste	-	14,000
<b>Total business-type activities</b>	<u>1,274,458</u>	<u>14,000</u>
<b>Total</b>	<u>\$ 2,943,995</u>	<u>\$ 2,943,995</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 Employees 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 4.50 percent of their annual covered salary and the City is required to contribute 6.95 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 6.64 percent of their annual covered salary and the City is required to contribute 9.95 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$218,970, \$198,176 and \$175,473, respectively, equal to the required contributions for each year.

**Notes to Basic Financial Statements**

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**Note 9. Vacation and Sick Leave**

City employees accumulate vacation and sick leave hours for subsequent use. For proprietary fund types and the government-wide statements, vacations are recorded as expenses and liabilities of the appropriate fund and activity in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation, which is payable from available resources, is recorded as a liability of the respective fund if they have matured; for example, as a result of employee retirements and resignations. The accumulated sick leave hours do not vest and, therefore, are not recognized as a liability of the City until used or paid. The City's contingent liability as of June 30, 2011 for the unvested employee sick leave hours totals approximately \$718,000.

**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 claims as they occur. Retirees are responsible for the full portion of premium rates.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2011, the City's contributions were \$35,005, which related to the City's implicit subsidy for including the retirees in the plan. The City's monthly premiums effective July 1, 2010 were as follows:

	Single	Family
Traditional	\$ 580.55	\$ 1,451.38
HSA	495.83	1,065.35

Annual OPEB cost and net OPEB obligation: The City's annual other postemployment 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, 2010	40,038
Net OPEB obligation - June 30, 2011	<u><u>\$ 80,076</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2011 and the two preceding years follows. Fiscal year ended June 30, 2010 was the adoption year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	N/A	N/A	N/A
June 30, 2010	\$ 75,043	46.65%	\$ 40,038
June 30, 2011	75,043	46.65	80,076

Notes to Basic Financial Statements

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**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 \$2,231,665 and the ratio of the UAAL to the covered payroll was 25.4 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 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 \$8,020,000. The remaining contractual amounts on these projects total approximately \$1,671,000 as of June 30, 2011.

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 2011, the City paid approximately \$275,000 under these agreements.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

**Note 14. Commitments (Continued)**

On March 7, 2011, the City purchased a golf course for approximately \$230,000. Simultaneously, the City entered into an operating agreement with a not-for-profit foundation, (the Foundation), to manage and operate the golf course. The agreement has a term of two years, with the option to renew for another two years, and the Foundation is to pay rent of one dollar per month to the City. On an annual basis, excess funds from each year's operating budget shall be deposited into a "Golf Course Capital Improvement Trust Fund" (the Fund), an account of the Foundation, and shall be used exclusively for capital improvements to preserve the golf course property and buildings. Excess funds will consist of the excess of revenues over expenditures, net of an operating expense allowance agreed upon by both parties. In the event the golf course's expenditures exceed revenues, the City will be responsible to cover any net losses. At June 30, 2011, there were no such losses. At the end of the agreement, the Foundation is to return the golf course property to the City in at least as good condition as it was delivered at the commencement of the term with reasonable wear and tear accepted and remit any monies remaining in the Fund to the City.

**Note 15. Fund Balances**

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The adoption increased beginning general fund balance by \$60,336 and decreased the beginning nonmajor governmental fund by \$60,336. With respect to the other funds, only the categories of fund balance were affected. The details for the City's fund balance are the following:

Fund Balances:	Tax							Total
	General	Increment Financing	Road Use Tax	Employee Benefits	Capital Projects	Debt Service	Nonmajor Governmental	
Nonspendable:								
Endowment Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,340	\$ 350,340
Restricted:								
Library Foundation	-	-	-	-	-	-	206,015	206,015
Road Use Tax	-	-	1,276,066	-	-	-	-	1,276,066
Tax levy purposes	-	172,603	-	269,682	-	11,409	-	453,694
Law Enforcement Forfeiture	-	-	-	-	-	-	1,259	1,259
Grant Purposes	-	-	-	-	-	-	4,687	4,687
Revolving Loan Fund	-	-	-	-	-	-	226,406	226,406
Capital improvements -								
Bond Proceeds	-	-	-	-	425,156	-	-	425,156
Total Restricted	-	172,603	1,276,066	269,682	425,156	11,409	438,367	2,593,283
Committed:								
Firefighter Incentive Program	60,336	-	-	-	-	-	-	60,336
Capital Improvement Reserve	513,800	-	-	-	23,804	-	-	537,604
Total Committed	574,136	-	-	-	23,804	-	-	597,940
Unassigned:								
	2,861,372	-	-	-	-	-	-	2,861,372
Total fund balances	\$ 3,435,508	\$ 172,603	\$ 1,276,066	\$ 269,682	\$ 448,960	\$ 11,409	\$ 788,707	\$ 6,402,935

**Notes to Basic Financial Statements**

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**Note 16. Governmental Accounting Standards Board (GASB) Statements**

The City adopted the following statements during the year ended June 30, 2011:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. As described in Note 15 to the basic financial statements, the City reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. 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 adoption of this Statement had no effect on the City in the current year.

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

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement Nos. 43 and 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

Notes to Basic Financial Statements

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**Note 16. Governmental Accounting Standards Board (GASB) Statements (Continued)**

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

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**

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SCHEDULE OF FUNDING PROGRESS

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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]
2011	7/1/09	\$ -	\$ 566,846	\$ 566,846	- %	\$ 2,231,665	25.4%
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, 2011**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
<b>Revenues:</b>			
Property tax	\$ 5,607,336	\$ -	\$ 5,607,336
Other taxes	1,528,131	-	1,528,131
Special assessments	358,120	-	358,120
Licenses and permits	74,974	-	74,974
Intergovernmental	1,513,934	-	1,513,934
Charges for services	554,409	1,683,695	2,238,104
Fines and forfeitures	54,842	-	54,842
Use of money and property	57,514	5,530	63,044
Miscellaneous	58,576	478	59,054
<b>Total revenues</b>	<b>9,807,836</b>	<b>1,689,703</b>	<b>11,497,539</b>
<b>Expenditures/Expenses:</b>			
Public safety	2,341,238	-	2,341,238
Public works	891,731	-	891,731
Health and social services	7,021	-	7,021
Culture and recreation	1,293,418	-	1,293,418
Community and economic development	480,540	-	480,540
General government	652,715	-	652,715
Debt service	852,207	-	852,207
Capital outlay	2,788,796	-	2,788,796
Business-type	-	1,745,672	1,745,672
<b>Total expenditures/expenses</b>	<b>9,307,666</b>	<b>1,745,672</b>	<b>11,053,338</b>
<b>Excess (deficiency) of revenues over expenditures/expenses</b>	<b>500,170</b>	<b>(55,969)</b>	<b>444,201</b>
Other financing sources, net	1,012,792	1,454,853	2,467,645
<b>Excess (deficiency) of revenues and other financing sources over expenditures/expenses and other financing uses</b>	<b>1,512,962</b>	<b>1,398,884</b>	<b>2,911,846</b>
Balances, beginning of year	4,889,973	17,034,346	21,924,319
Balances, end of year	<b>\$ 6,402,935</b>	<b>\$ 18,433,230</b>	<b>\$ 24,836,165</b>

See Note to Required Supplementary Information.

Budgeted Amounts		Final	Final to Actual Variance - Over (Under)
Original			
\$ 5,477,766	\$ 5,583,679	\$ 23,657	
1,436,776	1,477,776	50,355	
175,000	300,000	58,120	
85,650	88,150	(13,176)	
3,030,300	1,835,300	(321,366)	
2,172,086	2,170,086	68,018	
49,000	46,285	8,557	
132,575	76,843	(13,799)	
43,250	65,040	(5,986)	
<u>12,602,403</u>	<u>11,643,159</u>	<u>(145,620)</u>	
2,475,593	2,405,847	(64,609)	
1,120,486	1,190,137	(298,406)	
10,560	8,824	(1,803)	
1,160,401	1,549,636	(256,218)	
429,810	521,763	(41,223)	
695,558	690,228	(37,513)	
838,190	881,651	(29,444)	
3,275,500	3,339,000	(550,204)	
2,419,342	3,565,381	(1,819,709)	
<u>12,425,440</u>	<u>14,152,467</u>	<u>(3,099,129)</u>	
176,963	(2,509,308)	2,953,509	
-	2,300,000	167,645	
<u>\$ 176,963</u>	<u>\$ (209,308)</u>	<u>\$ 3,121,154</u>	

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**City of Clear Lake, Iowa**

**Note to Required Supplementary Information – Budgetary Reporting  
Year Ended June 30, 2011**

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, two budget amendments increased budgeted expenditures by a total of \$1,727,027. The budget amendments were primarily due to revising revenues and expenditures for capital projects costs, grant revenues and bond issues. Adjusted revenues for revised estimates for utility revenue, hotel/motel tax, local option tax and tax increment financing revenues.

City of Clear Lake, Iowa

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue			
	Library	Lindstrom Flower	Law Enforcement State	Economic Development Revolving Loan
<b>Assets</b>				
Cash and cash equivalents	\$ 71,823	\$ -	\$ 1,259	\$ 294
Certificates of deposit	20,000	-	-	226,000
Investments	110,374	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, other	-	5,000	-	8,112
<b>Total assets</b>	<b>\$ 202,197</b>	<b>\$ 5,000</b>	<b>\$ 1,259</b>	<b>\$ 234,406</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 310	\$ -	\$ -
Due to other funds	-	3	-	-
Unearned revenue	-	-	-	8,000
<b>Total liabilities</b>	<b>-</b>	<b>313</b>	<b>-</b>	<b>8,000</b>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	202,197	4,687	1,259	226,406
Committed	-	-	-	-
	202,197	4,687	1,259	226,406
<b>Total liabilities and fund balances</b>	<b>\$ 202,197</b>	<b>\$ 5,000</b>	<b>\$ 1,259</b>	<b>\$ 234,406</b>

Permanent			
Library	Riley		Total
\$ -	\$ 985	\$	74,361
-	2,660		248,660
-	-		110,374
2,000	348,340		350,340
-	173		13,285
<u>\$ 2,000</u>	<u>\$ 352,158</u>	<u>\$</u>	<u>797,020</u>

\$ -	\$ -	\$	310
-	-		3
-	-		8,000
<u>-</u>	<u>-</u>		<u>8,313</u>

2,000	348,340		350,340
-	3,818		438,367
-	-		-
<u>2,000</u>	<u>352,158</u>		<u>788,707</u>
<u>\$ 2,000</u>	<u>\$ 352,158</u>	<u>\$</u>	<u>797,020</u>

City of Clear Lake, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2011**

	Special Revenue			
	Library	Lindstrom Flower	Law Enforcement State	Economic Development Revolving Loan
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 785	\$ -
Use of money and property	14,582	5	14	2,569
Miscellaneous	12,273	5,000	-	-
<b>Total revenues</b>	<b>26,855</b>	<b>5,005</b>	<b>799</b>	<b>2,569</b>
Expenditures:				
Current:				
Public safety	-	-	3,720	-
Culture and recreation	18,703	-	-	-
Community and economic development	-	4,411	-	-
<b>Total expenditures</b>	<b>18,703</b>	<b>4,411</b>	<b>3,720</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>8,152</b>	<b>594</b>	<b>(2,921)</b>	<b>2,569</b>
Other financing sources, transfers in	-	-	-	-
<b>Net change in fund balance</b>	<b>8,152</b>	<b>594</b>	<b>(2,921)</b>	<b>2,569</b>
Fund balances, beginning of year	194,045	4,093	4,180	223,837
Fund balances, end of year	\$ 202,197	\$ 4,687	\$ 1,259	\$ 226,406

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		Permanent		
Library		Riley		Total
\$	-	\$	-	\$ 785
	-		1,862	19,032
	-		-	17,273
	-		1,862	37,090
	-		-	3,720
	-		-	18,703
	-		-	4,411
	-		-	26,834
	-		1,862	10,256
	-		-	-
	-		1,862	10,256
	2,000		350,296	778,451
\$	2,000	\$	352,158	\$ 788,707

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

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

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Contents	Page
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	60
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	72
<b>Debt Capacity</b>	
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.	80
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	85
<b>Operating Information</b>	
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.	89

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

GASB Statement No. 34 Implemented in Fiscal Year 2004

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

	2006	2007	2008	2009	2010	2011
\$	13,686,281	\$ 14,917,121	\$ 15,938,642	\$ 17,053,088	\$ 18,368,294	\$ 19,167,407
	2,000	2,000	2,000	2,000	350,340	350,340
	54,488	26,794	4,083	64,034	305,207	172,603
	196,157	(102,456)	98,212	2,784	75,964	425,156
	373,342	328,207	377,369	315,310	246,571	269,682
	57,184	36,724	58,758	120,288	37,090	11,409
	551,300	671,956	997,293	580,938	737,026	1,276,066
	-	-	-	-	-	438,367
	-	-	-	-	-	-
	2,925,926	3,515,923	3,948,779	3,865,625	3,685,603	3,735,832
\$	17,846,678	\$ 19,396,269	\$ 21,425,136	\$ 22,004,067	\$ 23,806,095	\$ 25,846,862
\$	11,532,643	\$ 12,505,307	\$ 13,946,243	\$ 14,868,351	\$ 15,849,756	\$ 17,122,312
	-	425,000	-	-	-	-
	1,282,501	1,134,809	1,148,657	1,400,956	1,184,590	1,310,918
\$	12,815,144	\$ 14,065,116	\$ 15,094,900	\$ 16,269,307	\$ 17,034,346	\$ 18,433,230
\$	25,218,924	\$ 27,422,427	\$ 29,884,885	\$ 31,921,439	\$ 34,218,050	\$ 36,289,719
	2,000	2,000	2,000	2,000	350,340	350,340
	54,488	26,794	4,083	64,034	305,207	172,603
	196,157	322,544	98,212	2,784	75,964	425,156
	373,342	328,207	377,369	315,310	246,571	269,682
	57,184	36,724	58,758	120,288	37,090	11,409
	551,300	671,956	997,293	580,938	737,026	1,276,066
	-	-	-	-	-	438,367
	-	-	-	-	-	-
	4,208,427	4,650,733	5,097,436	5,266,581	4,870,193	5,046,750
\$	30,661,822	\$ 33,461,385	\$ 36,520,036	\$ 38,273,374	\$ 40,840,441	\$ 44,280,092

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

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

(Continued)

	2006	2007	2008	2009	2010	2011
\$	735,978	\$ 590,868	\$ 601,920	\$ 625,755	\$ 662,464	\$ 671,301
	1,748,284	2,184,541	2,102,452	2,194,306	2,399,055	2,451,105
	1,789,513	1,713,782	1,514,707	2,631,817	2,170,696	1,604,354
	19,075	753	1,503	1,782	1,359	7,021
	777,635	858,868	941,657	996,785	1,045,416	1,059,851
	928,582	560,062	395,959	366,195	794,422	483,492
	136,987	202,517	226,978	203,312	180,297	133,701
	6,136,054	6,111,391	5,785,176	7,019,952	7,253,709	6,410,825
	682,199	683,728	674,209	727,926	762,104	814,039
	229,676	264,105	261,705	281,191	428,176	262,301
	132,761	184,625	163,949	177,962	182,559	216,995
	371,503	398,848	404,935	430,636	436,612	452,337
	1,416,139	1,531,306	1,504,798	1,617,715	1,809,451	1,745,672
	7,552,193	7,642,697	7,289,974	8,637,667	9,063,160	8,156,497
	21,880	18,452	18,666	17,734	17,203	17,320
	182,217	356,314	363,815	412,060	383,213	502,376
	599,269	586,159	12,531	13,149	7,982	6,594
	1,914	440	1,420	1,365	1,990	2,270
	113,464	157,360	172,612	166,577	170,640	167,209
	51,967	69,796	51,917	41,482	47,612	34,811
	2,311	6,375	-	-	-	-
	14,661	11,035	58,597	42,775	58,348	57,946
	682,693	682,845	719,061	699,561	711,322	747,740
	47,268	28,818	64,862	131,377	60,355	68,746
	600,110	213,077	5,300	9,278	800	-
	19,692	-	-	-	-	-
	-	106,344	-	-	-	-
	-	354,668	1,002,064	692,447	1,002,799	866,172
	213,820	534,607	31,562	33,190	348,340	48,706
	-	-	-	-	-	10,000
	2,551,266	3,126,290	2,502,407	2,260,995	2,810,604	2,529,890

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

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

2006	2007	2008	2009	2010	2011
717,732	744,322	753,638	769,749	763,823	<b>778,764</b>
309,394	313,580	311,190	318,707	316,912	<b>325,171</b>
76,346	76,803	77,966	88,628	102,315	<b>110,623</b>
406,217	420,686	439,507	454,012	456,814	<b>469,615</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	30,437	62,070	-	70,287	<b>60,304</b>
-	54,448	67,730	-	54,435	<b>58,978</b>
206,316	62,227	277,870	185,447	312,755	<b>75,113</b>
1,716,005	1,702,503	1,989,971	1,816,543	2,077,341	<b>1,878,568</b>
4,267,271	4,828,793	4,492,378	4,077,538	4,887,945	<b>4,408,458</b>
(3,584,788)	(2,985,101)	(3,282,769)	(4,758,957)	(4,443,105)	<b>(3,880,935)</b>
299,866	171,197	485,171	198,828	267,890	<b>132,896</b>
(3,284,922)	(2,813,904)	(2,797,598)	(4,560,129)	(4,175,215)	<b>(3,748,039)</b>
3,569,878	3,987,994	4,103,953	4,666,175	5,197,907	<b>5,607,336</b>
1,209,429	1,305,313	1,536,946	1,457,826	1,415,469	<b>1,528,131</b>
-	-	-	-	-	-
155,920	191,863	163,058	90,011	85,456	<b>46,693</b>
6,360	11,240	1,200	1,480	-	-
-	-	-	70,063	34,475	-
(923,634)	(961,716)	(493,521)	(947,667)	(488,174)	<b>(1,260,458)</b>
4,017,953	4,534,694	5,311,636	5,337,888	6,245,133	<b>5,921,702</b>
58,585	52,059	51,092	27,912	8,975	<b>5,530</b>
-	65,000	-	-	-	-
923,634	961,716	493,521	947,667	488,174	<b>1,260,458</b>
982,219	1,078,775	544,613	975,579	497,149	<b>1,265,988</b>
5,000,172	5,613,469	5,856,249	6,313,467	6,742,282	<b>7,187,690</b>
433,165	1,549,593	2,028,867	578,931	1,802,028	<b>2,040,767</b>
1,282,085	1,249,972	1,029,784	1,174,407	765,039	<b>1,398,884</b>
\$ 1,715,250	\$ 2,799,565	\$ 3,058,651	\$ 1,753,338	\$ 2,567,067	<b>\$ 3,439,651</b>

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

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

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 43,883	\$ 24,828	\$ 18,666	\$ 17,734	\$ 17,203	\$ 17,320	
196,878	473,693	422,412	454,835	441,561	560,322	
1,281,962	1,623,672	1,733,656	1,405,157	1,722,103	1,620,506	
1,914	440	1,420	1,365	1,990	2,270	
374,552	720,785	269,036	331,144	579,335	284,661	
652,077	282,873	57,217	50,760	48,412	44,811	
2,551,266	3,126,291	2,502,407	2,260,995	2,810,604	2,529,890	
717,732	774,758	815,708	769,749	834,110	839,068	
309,394	433,028	378,920	318,707	371,347	384,149	
282,662	139,029	355,834	274,075	415,070	185,736	
406,217	420,686	439,507	454,012	456,814	469,615	
1,716,005	1,767,501	1,989,969	1,816,543	2,077,341	1,878,568	
\$ 4,267,271	\$ 4,893,792	\$ 4,492,376	\$ 4,077,538	\$ 4,887,945	\$ 4,408,458	

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

	2002	2003	2004	2005
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	6,649	1,823	53,844	1,976
Unreserved	1,708,124	2,430,262	2,083,920	2,221,373
<b>Total General Fund</b>	<b>\$ 1,714,773</b>	<b>\$ 2,432,085</b>	<b>\$ 2,137,764</b>	<b>\$ 2,223,349</b>
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	39,000	39,000	44,370	2,000
Unreserved, reported in:				
Special revenue funds	1,311,862	1,084,965	1,330,373	1,597,129
Debt service funds	9,205	9,899	134,865	69,576
Capital Projects Fund	112,130	21,751	160,154	(3,703)
Permanent Fund	2,000	2,000	2,000	-
<b>Total all other government funds</b>	<b>\$ 1,474,197</b>	<b>\$ 1,157,615</b>	<b>\$ 1,671,762</b>	<b>\$ 1,665,002</b>

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented in fiscal year 2011.

Source: City Records

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	574,136
-	-	-	-	-	-	2,861,372
2,140	-	-	-	-	-	-
1,962,802	2,232,472	2,808,130	2,854,234	2,649,619	-	-
<b>\$ 1,964,942</b>	<b>\$ 2,232,472</b>	<b>\$ 2,808,130</b>	<b>\$ 2,854,234</b>	<b>\$ 2,649,619</b>	<b>\$</b>	<b>\$ 3,435,508</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,340
-	-	-	-	-	-	2,593,283
-	-	-	-	-	-	23,804
-	-	-	-	-	-	-
2,000	2,000	2,000	2,000	350,340	-	-
1,367,417	1,403,743	1,755,907	1,415,253	1,775,004	-	-
57,184	36,724	58,758	120,288	37,090	-	-
196,157	4,947	98,212	2,784	75,964	-	-
-	-	-	-	1,956.00	-	-
<b>\$ 1,622,758</b>	<b>\$ 1,447,414</b>	<b>\$ 1,914,877</b>	<b>\$ 1,540,325</b>	<b>\$ 2,240,354</b>	<b>\$</b>	<b>\$ 2,967,427</b>

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

	2002	2003	2004	2005
<b>Revenues:</b>				
Taxes	\$ 2,347,408	\$ 2,620,791	\$ 2,789,357	\$ 3,186,780
Special assessments	105,631	733,831	351,697	270,686
Other taxes	1,272,494	1,417,185	1,466,994	1,070,150
Intergovernmental	1,475,741	999,014	1,236,882	903,733
Licenses and permits	63,723	71,877	73,152	86,559
Charges for services	68,130	64,776	79,738	75,545
Fines and forfeitures	29,831	35,639	40,728	39,330
Use of money and property	96,187	82,455	72,406	103,934
Miscellaneous	311,540	118,697	154,934	91,005
<b>Total revenues</b>	<b>5,770,685</b>	<b>6,144,265</b>	<b>6,265,888</b>	<b>5,827,722</b>
<b>Expenditures:</b>				
General government	583,691	586,441	621,862	566,647
Public safety	1,429,589	1,302,038	1,392,137	1,430,640
Public works	3,219,268	827,812	917,542	747,266
Health and social services	-	18,004	14,412	19,074
Culture and recreation	1,993,985	575,603	594,090	627,879
Community and economic development	-	427,583	349,367	336,317
Capital projects	-	2,129,756	1,417,538	1,150,076
<b>Debt service:</b>				
Principal	365,000	335,000	480,000	515,000
Bond issuance costs	-	-	-	-
Interest	107,415	182,208	152,828	129,899
<b>Total expenditures</b>	<b>7,698,948</b>	<b>6,384,445</b>	<b>5,939,776</b>	<b>5,522,798</b>
<b>Excess of revenues (under) expenditures</b>	<b>(1,928,263)</b>	<b>(240,180)</b>	<b>326,112</b>	<b>304,924</b>
<b>Other financing sources (uses):</b>				
Transfers in	1,742,973	630,414	1,107,108	1,172,333
Transfers out	(1,777,607)	(570,437)	(1,292,684)	(1,398,432)
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	760	2,644	970	-
<b>Total other financing sources (uses)</b>	<b>2,232,326</b>	<b>654,121</b>	<b>(184,606)</b>	<b>(226,099)</b>
<b>Net changes in fund balance</b>	<b>\$ 304,063</b>	<b>\$ 413,941</b>	<b>\$ 141,506</b>	<b>\$ 78,825</b>
<b>Debt service as a percentage of noncapital expenditures</b>				
	11.9%	12.8%	14.5%	14.2%

Fiscal Year						
	2006	2007	2008	2009	2010	2011
\$	3,569,878	\$ 3,987,996	\$ 4,103,953	\$ 4,666,175	\$ 5,197,907	\$ 5,607,336
	397,935	349,713	297,684	292,029	528,006	358,120
	1,209,429	1,305,312	1,536,946	1,457,826	1,415,469	1,528,131
	1,353,832	1,248,161	1,372,237	1,388,871	1,033,335	1,513,934
	85,640	102,212	84,334	81,328	89,091	74,974
	184,509	391,578	477,503	485,116	449,556	554,409
	45,555	50,471	50,759	51,182	45,497	54,842
	155,920	191,862	163,058	123,033	75,701	57,514
	301,594	569,304	259,394	150,891	376,857	58,576
	7,304,292	8,196,609	8,345,868	8,696,451	9,211,419	9,807,836
	591,050	623,057	587,568	607,479	643,854	652,715
	2,268,711	2,083,584	2,049,098	2,256,831	2,607,316	2,341,238
	1,036,067	889,792	858,248	1,120,156	1,382,911	891,731
	19,075	753	1,503	1,782	1,359	7,021
	678,633	792,342	1,003,306	1,056,240	952,129	1,293,418
	979,706	558,864	395,327	377,941	801,697	480,540
	2,502,231	3,411,103	778,068	2,323,084	1,469,348	2,788,796
	475,000	685,000	800,000	720,000	1,815,000	725,000
	10,070	11,279	-	3,950	10,865	10,557
	129,916	193,729	221,707	197,880	172,286	116,650
	8,690,459	9,249,503	6,694,825	8,665,343	9,856,765	9,307,666
	(1,386,167)	(1,052,894)	1,651,043	31,108	(645,346)	500,170
	1,089,296	1,671,200	833,353	1,454,837	1,593,287	1,669,537
	(2,012,930)	(2,632,916)	(1,326,874)	(2,402,504)	(2,081,461)	(2,929,995)
	2,000,000	2,000,000	-	500,000	1,597,500	2,300,000
	(12,000)	(14,850)	-	-	(7,366)	(28,750)
	21,150	7,250	-	88,110	38,800	2,000
	1,085,516	1,030,684	(493,521)	(359,557)	1,140,760	1,012,792
\$	(300,651)	\$ (22,210)	\$ 1,157,522	\$ (328,449)	\$ 495,414	\$ 1,512,962
	10.4%	14.6%	17.8%	13.4%	24.7%	14.0%

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

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Fiscal Year	Property	Local Option Sales Tax	Utility Replacement Excise Tax	Hotel/Motel Tax	Other Tax	Total
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
<b>2011</b>	<b>5,607,336</b>	<b>1,214,955</b>	<b>39,806</b>	<b>157,131</b>	<b>116,239</b>	<b>7,135,467</b>
Change 1st to Last year	143.31%	21.22%	-7.04%	-23.98%	83.09%	97.12%

**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

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

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Valuation Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Railway Property
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
<b>2009</b>	<b>2011</b>	<b>252,207,210</b>	<b>80,735,873</b>	<b>2,461,998</b>	<b>773,533</b>

**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.

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Utility Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Taxable Value as a Percentage of Actual Value
\$ 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
<b>13,427,933</b>	<b>349,606,547</b>	<b>2.31</b>	<b>10.04870</b>	<b>747,349,306</b>	<b>46.78</b>

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

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Tax Valuation Year	Fiscal Year	City Direct Rates					Total Direct
		General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund		
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	
<b>2009</b>	<b>2011</b>	<b>7.38828</b>	<b>0.22025</b>	<b>1.61982</b>	<b>0.82035</b>	<b>10.04870</b>	

**Source:** City records and County Auditor's office

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

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Overlapping Rates				
School District	Cerro Gordo County	North Iowa Area Community College	Clear Lake Sanitary District	Total Rate
\$ 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
<b>12.94152</b>	<b>6.90305</b>	<b>0.65707</b>	<b>1.45557</b>	<b>32.00591</b>

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

Taxpayer	2011			2002		
	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	\$ 5,160,438	1	1.48%	*	*	*
National Bedding Company LLC	3,953,120	2	1.13	*	*	*
Interstate Power & Light Co	3,840,188	3	1.10	*	*	*
Kingland Properties LC	3,362,000	4	0.96	*	*	*
Clear Lake Independent Tele Co	3,246,854	5	0.93	*	*	*
Apple Valley LLC	2,822,790	6	0.81	*	*	*
Teamquest Corporation	2,806,550	7	0.80	*	*	*
New Cole Sewell Corporation	2,698,270	8	0.77	*	*	*
Petroleum Property Mgmt Inc	2,568,000	9	0.73	*	*	*
Clear Lake Bank & Trust	2,479,277	10	0.71	*	*	*
<b>Total</b>	<b>\$ 32,937,487</b>			<b>*</b>		

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

\* Data for 2002 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
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
<b>2011</b>	<b>2009</b>	<b>3,537,879</b>	<b>3,537,879</b>	<b>100.00</b>

**Source:** City records

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

\* Amount does not include TIF property taxes which were \$2,154,800 during 2011.

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Total Collections to Date			
Delinquent Collections		Amount *	Percentage of Levy
\$ 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
<b>7,805</b>		<b>3,545,684</b>	<b>100.22</b>

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		
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
<b>2011</b>	<b>5,722,500</b>	<b>11,409</b>	<b>5,711,091</b>	<b>0.76</b>	<b>734.36</b>

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

**Source:** City records

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Business-Type Activities				
Loan Payable	General Obligation Bonds and Loan Notes	Total Primary Government	Percentage of Per Capita Income	Per Capita
\$ -	\$ 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
<b>120,000</b>	<b>1,404,000</b>	<b>7,235,091</b>	<b>2.54</b>	<b>930.32</b>

City of Clear Lake, Iowa

Computation of Direct and Overlapping Debt

June 30, 2011

(Unaudited)

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	\$ 7,126,500	100.00%	\$ 7,126,500	\$ 916.36
Indirect:				
Cerro Gordo County	11,000,000	18.38	2,021,800	259.97
Clear Lake School District	7,150,000	71.57	5,117,255	658.00
North Iowa Area Community College	8,095,000	6.55	530,223	68.18
Clear Lake Sanitary District	3,065,000	77.05	2,361,583	303.66
<b>Subtotal, overlapping debt</b>	<u>29,310,000</u>		<u>10,030,860</u>	<u>1,289.81</u>
<b>Total direct and overlapping debt</b>	<u>\$ 36,436,500</u>		<u>\$ 17,157,360</u>	<u>\$ 2,206.17</u>

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City of Clear Lake, Iowa

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

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	2002	2003	2004	2005
Debt limit	\$ 23,179,690	\$ 23,993,097	\$ 25,191,552	\$ 27,706,426
Total net debt applicable to limit	3,940,795	4,205,101	3,490,135	2,930,424
Legal debt margin	\$ 19,238,895	\$ 19,787,996	\$ 21,701,417	\$ 24,776,002
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	17.00%	17.53%	13.85%	10.58%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 747,349,306
Debt limit (5% of assessed value)	\$ 37,367,465
Debt applicable to limit, general obligation bonds	7,126,500
Legal debt margin	<u>\$ 30,240,965</u>

2006	2007	2008	2009	2010	2011
\$ 27,839,182	\$ 29,842,939	\$ 31,644,412	\$ 34,273,168	\$ 36,460,500	\$ <b>37,367,465</b>
4,405,000	5,600,000	5,870,000	5,465,000	5,742,500	<b>7,126,500</b>
<u>\$ 23,434,182</u>	<u>\$ 24,242,939</u>	<u>\$ 25,774,412</u>	<u>\$ 28,808,168</u>	<u>\$ 30,718,000</u>	<u>\$ <b>30,240,965</b></u>
15.82%	18.76%	18.55%	15.95%	15.75%	<b>19.07%</b>

City of Clear Lake, Iowa

Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

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Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
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
<b>2011</b>	<b>44,151</b>	<b>36,640</b>	<b>42.83</b>	<b>1,288</b>	<b>6.20</b>

**Sources:**

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

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

\*\* For Cerro Gordo County

**City of Clear Lake, Iowa**

**Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

Employer	2011			2002*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	373	1	10.38%	500	1	
Larson Manufacturing	293	2	8.15	327	2	
Dean Snyder Construction	140	3	3.90	-	-	
Kingland Systems Corporation	120	4	3.34	60	6	
TeamQuest Corporation	102	5	2.84	91	5	
Serta Mattress Company	85	6	2.37	90	3	
Oakwood Care Center	52	7	1.45	90	3	
Clear Lake Bank & Trust	51	8	1.42	-	-	
Andrews Prestressed Concrete	40	9	1.11	-	-	
Clear Lake Specialty Products	28	10	0.78	-	-	

**Notes:** Remaining 2001 information unavailable

**Sources:** Clear Lake Chamber of Commerce, 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				
	<b>2011</b>	2010	2009	2008	2007
General Government:					
Mayor/Council	<b>6.0</b>	6.0	6.0	6.0	6.0
City Administrator	<b>1.0</b>	1.0	1.0	1.0	1.0
City Clerk/Deputy City Clerk	<b>1.0</b>	1.0	1.0	1.0	1.0
Finance/Utilities/Janitor	<b>4.0</b>	4.0	4.0	4.0	4.0
Building & Zoning Official	<b>1.0</b>	1.0	1.0	1.0	1.0
Police:					
Officers	<b>16.0</b>	16.0	15.0	15.0	15.0
Civilian Support Supervisor	<b>1.0</b>	1.0	1.0	1.0	1.0
Dispatchers	<b>5.5</b>	5.5	5.5	4.5	4.5
Fire:					
Volunteers	<b>25.0</b>	25.0	25.0	25.0	25.0
Ambulance	<b>6.0</b>	6.0	6.0	6.0	6.0
Public Works:					
Administration	<b>1.5</b>	1.5	1.5	1.5	1.5
Vehicle Maintenance	<b>1.0</b>	1.0	1.0	1.0	1.0
Laborers	<b>7.0</b>	7.0	7.0	7.0	7.0
Water:					
Water plant superintendent	<b>1.0</b>	1.0	1.0	1.0	1.0
Laborers	<b>2.0</b>	2.0	2.0	2.0	2.0
Other Programs/Functions:					
Park & Recreation	<b>2.0</b>	2.0	2.0	2.0	2.0
Library	<b>7.0</b>	7.0	7.0	7.0	7.0
<b>Total</b>	<b>88.0</b>	88.0	87.0	86.0	86.0

**Source:** City records

**Note:** Does not include seasonal or temporary employees

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Full-Time Equivalent Employees as of June 30

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2006	2005	2004	2003	2002
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	14.0
1.0	1.0	1.0	1.0	1.0
4.5	4.5	4.5	4.5	4.5
22.0	25.0	22.0	23.0	26.0
6.0	-	-	-	-
1.5	1.5	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0
7.0	7.0	7.0	7.0	7.0
1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0
7.0	7.0	7.0	7.0	6.0
82.0	79.0	76.5	77.5	79.5

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**City of Clear Lake, Iowa**

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

Function/Program	2001	2002	2003	2004
<b>Police:</b>				
Calls for service	9,097	9,216	9,212	8,592
Arrests	318	447	454	420
Traffic citations	648	470	495	543
Parking tickets	224	247	434	446
<b>Fire:</b>				
Calls for service	237	256	276	284
Total Fire Calls	146	188	187	186
Total EMS Calls	91	68	89	98
Property loss	\$ 732,000	\$ 1,106,000	\$ 164,000	\$ 554,000
<b>Building safety:</b>				
Total building permits issued	134	245	200	140
Total value all permits	\$ 6,668,150	\$ 8,867,706	\$ 9,818,995	\$ 9,723,483
New single/multi family dwellings	18	22	18	21
<b>Library: (reported on a fiscal year)</b>				
Registrations	8,689	9,036	9,282	9,478
Total items checked out	97,774	116,061	123,133	134,546
<b>Park &amp; Recreation:</b>				
Program participants	1,425	1,469	1,565	1,537
Shelter reservations	130	131	123	124
Pool Memberships	-	-	-	-
<b>Cemetery:</b>				
Burials	69	60	75	68
Spaces sold (reported on a fiscal year)	77	58	79	69
<b>Public Works:</b>				
New construction or reconstruction (miles)	0.64	3.08	0.50	0.40
Resurface (miles)	-	0.24	0.29	-
<b>Water: (reported on a fiscal year)</b>				
Customers	3,671	3,711	3,777	3,805
Average daily consumption per customer	211	204	205	188
<b>Solid Waste: (reported on a fiscal year)</b>				
Garbage collected (ton)	2,330	2,339	2,335	2,335
Recycle collected (ton)	328	328	333	340
Yard waste collected (ton)	1,236	1,750	1,367	1,593

**Source:** Department records

**Note:** \*\* Indicator not available

Calendar Year						
2005	2006	2007	2008	2009	2010	
8,318	8,527	9,182	7,491	6,531	<b>8,755</b>	
533	520	607	468	454	<b>383</b>	
635	704	1,390	1,606	1,943	<b>1,038</b>	
383	248	686	874	500	<b>505</b>	
674	912	1,095	1,086	923	<b>1,096</b>	
220	173	158	288	174	<b>214</b>	
454	739	937	798	749	<b>882</b>	
\$ 419,000	\$ 593,000	\$ 340,000	\$ 491,000	\$ 297,500	\$ <b>348,750</b>	
124	126	161	145	158	<b>144</b>	
\$ 13,962,026	\$ 12,913,941	\$ 18,331,333	\$ 10,722,966	\$ 11,110,377	\$ <b>6,801,839</b>	
34	26	25	22	15	<b>11</b>	
8,884	8,812	9,100	9,552	8,244	<b>8,579</b>	
136,723	140,801	141,341	141,579	145,378	<b>144,934</b>	
1,354	1,629	1,429	1,374	1,974	<b>1,801</b>	
130	150	170	195	194	<b>210</b>	
-	-	339	340	269	<b>190</b>	
51	42	44	41	44	<b>48</b>	
49	60	32	17	16	<b>16</b>	
0.36	1.17	1.11	0.23	0.64	<b>0.16</b>	
1.76	2.40	2.16	2.56	-	<b>-</b>	
3,856	3,885	3,924	3,947	3,956	<b>3,965</b>	
182	184	180	172	167	<b>159</b>	
2,356	2,355	2,396	2,368	2,364	<b>2,372</b>	
348	339	341	312	284	<b>280</b>	
1,453	1,230	1,240	1,709	1,736	<b>1,487</b>	

**City of Clear Lake, Iowa**

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

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Function/Program	2002	2003	2004	2005
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	79.0	79.1	79.3	79.3
Traffic Signals	8	8	8	9
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	47,001	48,464	48,101	49,560
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	952,000	931,000	962,000	889,000
Peak Consumption	1,621,000	1,534,000	1,350,000	1,251,000
Water Lines (miles)	51.3	52.0	52.1	52.8
Wastewater:				
Sanitary Sewers (miles)	43.7	44.1	44.4	44.8

**Source:** Department records

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2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
1	1	1	1	1	1
79.3	80.3	80.3	80.4	80.4	<b>80.4</b>
9	9	9	10	10	<b>10</b>
33	33	52	52	52	<b>52</b>
11	11	11	11	11	<b>11</b>
6	6	6	6	6	<b>6</b>
1	1	1	1	1	1
48,830	45,374	51,043	52,785	54,369	<b>55,086</b>
1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	<b>2,000,000</b>
864,000	910,000	854,000	823,000	787,668	<b>854,992</b>
1,381,000	1,533,000	1,609,000	1,424,000	1,387,000	<b>1,293,000</b>
53.5	53.6	54.2	55.0	55.0	<b>58.6</b>
44.8	46.5	46.5	47.2	47.2	<b>47.2</b>

**City of Clear Lake, Iowa**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through the Iowa Department of Economic Development:			
Community Development Block Grant	14.228	08-DRI-241	\$ 526,978
<b>Total for U.S. Housing and Urban Development</b>			<u>526,978</u>
<b>U.S. Department of Justice:</b>			
Edward Byrne Memorial Justice Assistance Grant - ARRA			
	16.803		46,452
<b>Total for U.S. Department of Justice</b>			<u>46,452</u>
<b>U.S. Department of Transportation:</b>			
Alcohol Impaired Driving Countermeasures Incentive Grants I			
	20.601		8,923
<b>Total for U.S. Department of Transportation</b>			<u>8,923</u>
<b>Total expenditures of federal awards</b>			<u>\$ 582,353</u>

See Note to Schedule of Expenditures of Federal Awards.

## City of Clear Lake, Iowa

### Note to Schedule of Expenditures of Federal Awards

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#### Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes all significant federal grant activity of the City of Clear Lake, Iowa under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operation of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

#### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**City of Clear Lake, Iowa**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2011**

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	Comment	Status	Corrective Action or Other Explanation
<b>Significant Deficiency</b>			
10-II-A	Inadequate segregation of duties over cash receipts.	Not corrected	Repeat finding at 11-II-A



**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
Government Auditing Standards**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Clear Lake, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City of Clear Lake, Iowa's basic financial statements, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 11-II-A, that we consider to be a significant deficiency in internal control over financial reporting. 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clear Lake, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City of Clear Lake, Iowa's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City of Clear Lake, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

The City of Clear Lake, Iowa's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Clear Lake, Iowa's response and, accordingly, we express no opinion on it.

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
November 28, 2011



**Independent Auditor's Report on Compliance With  
Requirements That Could Have a Direct and Material  
Effect on Each Major Program and on  
Internal Control Over Compliance in Accordance  
With OMB Circular A-133**

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

**Compliance**

We have audited the City of Clear Lake, Iowa's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Clear Lake, Iowa's major federal programs for the year ended June 30, 2011. The City of Clear Lake, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility the City of Clear Lake, Iowa's management. Our responsibility is to express an opinion on the City of Clear Lake, Iowa's compliance based on our audit.

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

In our opinion, the City of Clear Lake, Iowa complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the City of Clear Lake, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Clear Lake, Iowa's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Clear Lake, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
November 28, 2011

**City of Clear Lake, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**I. Summary of the Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

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

**Identification of major programs:**

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant Program

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

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**II. Financial Statement Findings**

**A. Internal Control Over Financial Reporting**

**11-II-A**

Criteria: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. There is a lack of segregation of duties in the cash receipts transaction cycle.

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

Context: Pervasive to cash receipts transactions.

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

Cause: The City does not have adequate segregation of duties over cash receipts.

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

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

**B. Compliance Findings**

None

**III. Federal Award Findings and Questioned Costs**

**A. Internal Control Over Compliance**

None

**B. Compliance Findings**

None

**City of Clear Lake, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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

**11-IV-A** – Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

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

**11-IV-C** – Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**11-IV-D** – Business Transactions – No business transactions between the City and City officials or employees were noted.

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

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

**11-IV-G** – Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**11-IV-H** – Revenue Notes – Currently, the City does not have revenue notes.

**11-IV-I** – Payment of General Obligation Bonds – The City appears to be in compliance with Chapter 384.4 of the Code of Iowa

**City of Clear Lake, Iowa**

**Corrective Action Plan  
Year Ended June 30, 2011**

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<b>Current Number</b>	<b>Comment</b>	<b>Corrective Action Plan</b>	<b>Anticipated Date of Completion</b>	<b>Contact Person</b>
<b>Significant Deficiency:</b>				
11-II-A	Inadequate segregation of duties over cash receipts.	See corrective action plan at 11-II-A	June 2012	Linda Nelson, Finance Director