

City of Clear Lake, Iowa

Financial and Compliance Report
Year Ended June 30, 2012

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City of Clear Lake, Iowa

**City Officials
June 30, 2012**

		Term Expiration Date Of Elected Officials
Nelson Crabb	Mayor	12-31-13
Dana Brant	1st Ward City Council Member	12-31-15
Tony Nelson	2nd Ward City Council Member	12-31-13
Jim Boehnke	3rd Ward City Council Member	12-31-15
Mike Callanan	At Large City Council Member	12-31-15
Terry Unsworth	At Large City Council Member	12-31-13

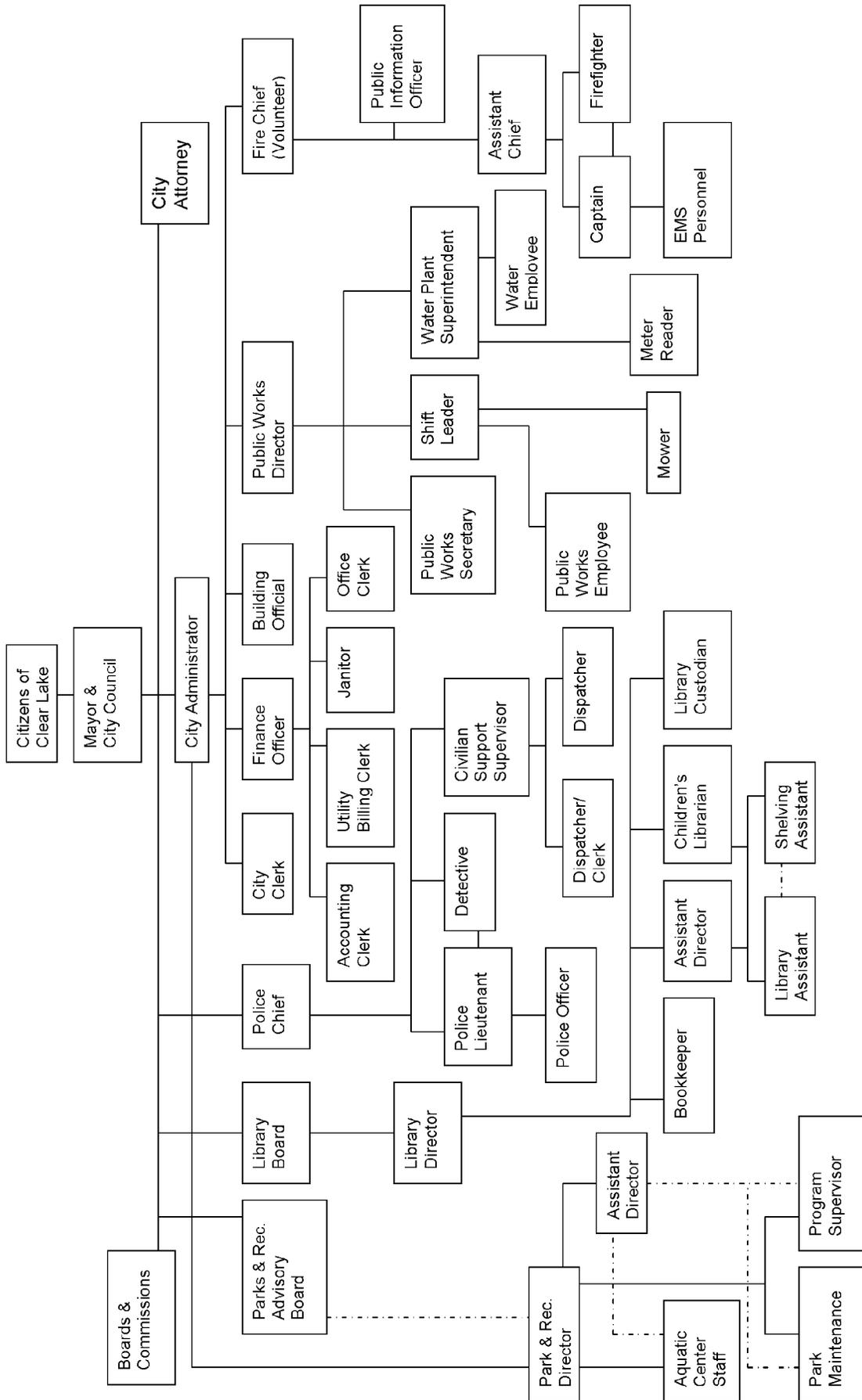
Park and Recreation Board

Jim Finstad
Chyrl Bergvig
Brenda Anderson
Amanda Korenberg
Darron Jones
Hal Berding
David Blaha
Randy Miller - Director
Steven Story - Assistant Director

Library Board

Diane Glynn
Dave Suntken
Tom Arndorfer
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, 2012, 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, 2012, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, other postemployment benefit plan schedule of funding progress on page 50 and budgetary comparison schedule on pages 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and schedule of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Clear Lake, Iowa's basic financial statements. 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. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

Des Moines, Iowa
November 26, 2012

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2012

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, 2012.

Financial Highlights

The assets of the City of Clear Lake exceeded its liabilities at the close of the most recent fiscal year by \$48,336,064 (net assets). Of this amount, \$5,240,992 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2011, assets exceeded liabilities by \$44,280,092. Of this amount, \$5,046,750 was unrestricted.

The City's total net assets increased by \$4,055,972 during the fiscal year ended June 30, 2012. Governmental activities increased \$2,264,087 and business-type activities increased \$1,791,885. For fiscal year ended June 30, 2011, total net assets increased \$3,439,651. Governmental activities increased \$2,040,767 and business-type activities increased \$1,398,884.

As of the close of the current fiscal year, the City of Clear Lake's governmental funds reported combined ending fund balances of \$6,517,722, an increase of \$114,787 in comparison with the prior year. Approximately 45.9 percent of this total amount, \$2,994,690, is unassigned fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2011, governmental funds reported combined ending fund balances of \$6,402,935, of which \$2,861,372 or 44.7 percent is unassigned.

At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$2,994,690 or 60.7 percent of total General Fund expenditures. The unassigned fund balance for the General Fund as of June 30, 2011 was \$2,861,372 or 60.1 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, 2012

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

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

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

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

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

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

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

The City of Clear Lake, Iowa maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Tax Increment Financing Fund, Road Use Tax Fund, Employee Benefits Fund, the Capital Projects Fund and the Debt Service Fund which are considered to be major funds. Data from the other six 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, 2012

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 51 through 53.

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 \$48,336,064, which represents an increase of \$4,055,972 from 2011.

City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2012**

Of the City of Clear Lake's net assets, 83.2 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		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 14,505,639	\$ 14,076,408	\$ 1,673,468	\$ 1,976,181	\$ 16,179,107	\$ 16,052,589
Capital assets net of depreciation	26,037,263	24,850,694	20,256,539	18,646,312	46,293,802	43,497,006
Total assets	40,542,902	38,927,102	21,930,007	20,622,493	62,472,909	59,549,595
Liabilities						
Current liabilities	8,435,623	8,247,683	561,183	852,457	8,996,806	9,100,140
Long-term liabilities	3,996,330	4,832,557	1,143,709	1,336,806	5,140,039	6,169,363
Total liabilities	12,431,953	13,080,240	1,704,892	2,189,263	14,136,845	15,269,503
Net Assets						
Invested in capital assets, net of related debt	21,265,338	19,167,407	18,929,539	17,122,312	40,194,877	36,289,719
Restricted	2,900,195	2,943,623	-	-	2,900,195	2,943,623
Unrestricted	3,945,416	3,735,832	1,295,576	1,310,918	5,240,992	5,046,750
Total net assets	\$ 28,110,949	\$ 25,846,862	\$ 20,225,115	\$ 18,433,230	\$ 48,336,064	\$ 44,280,092

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, \$5,240,992, 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 \$4,055,972 during the current fiscal year. The governmental activities' net assets increased by \$2,264,087. The total business-type activities' net assets increased by \$1,791,885. 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, 2012. 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, 2012

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			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 889,283	\$ 730,580	\$ 1,780,990	\$ 1,684,173	\$ 2,670,273	\$ 2,414,753
Operating grants and contributions	814,049	874,432	-	-	814,049	874,432
Capital grants and contributions	1,716,968	924,878	246,465	194,395	1,963,433	1,119,273
General revenues:						
Property taxes	6,116,647	5,607,336	-	-	6,116,647	5,607,336
Other taxes	1,614,904	1,528,131	-	-	1,614,904	1,528,131
Investment earnings	38,278	46,693	2,969	5,530	41,247	52,223
Gain on disposal of capital assets	19,863	-	-	-	19,863	-
Total revenues	11,209,992	9,712,050	2,030,424	1,884,098	13,240,416	11,596,148
Expenses:						
General government	801,774	671,301	-	-	801,774	671,301
Public safety	2,648,820	2,451,105	-	-	2,648,820	2,451,105
Public works	2,165,434	1,604,354	-	-	2,165,434	1,604,354
Health and social services	558	7,021	-	-	558	7,021
Culture and recreation	1,141,986	1,059,851	-	-	1,141,986	1,059,851
Community and economic development	401,268	483,492	-	-	401,268	483,492
Interest on long-term debt	186,496	133,701	-	-	186,496	133,701
Water	-	-	860,874	814,039	860,874	814,039
Sewer rental	-	-	302,830	262,301	302,830	262,301
Storm water	-	-	211,204	216,995	211,204	216,995
Solid waste	-	-	463,200	452,337	463,200	452,337
Total expenses	7,346,336	6,410,825	1,838,108	1,745,672	9,184,444	8,156,497
Excess of revenues over expenses before transfers	3,863,656	3,301,225	192,316	138,426	4,055,972	3,439,651
Transfers	(1,599,569)	(1,260,458)	1,599,569	1,260,458	-	-
Change in net assets	2,264,087	2,040,767	1,791,885	1,398,884	4,055,972	3,439,651
Net assets, beginning of year	25,846,862	23,806,095	18,433,230	17,034,346	44,280,092	40,840,441
Net assets, end of year	\$ 28,110,949	\$ 25,846,862	\$ 20,225,115	\$ 18,433,230	\$ 48,336,064	\$ 44,280,092

City of Clear Lake, Iowa

**Management’s Discussion and Analysis
Year Ended June 30, 2012**

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.

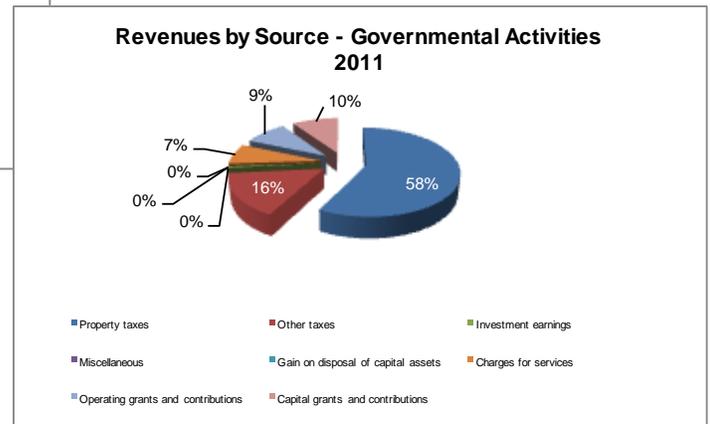
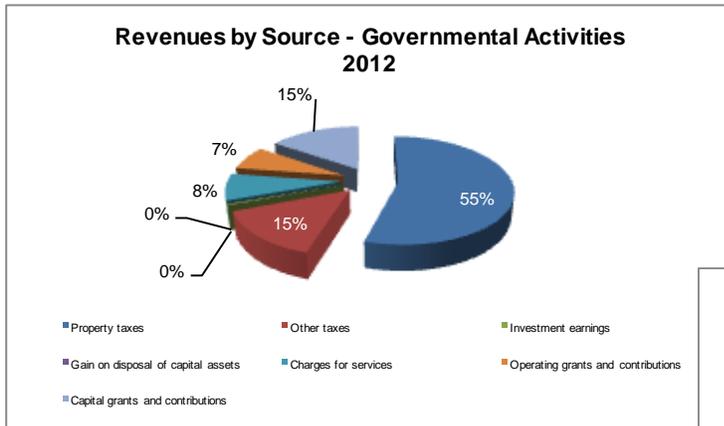
Table 3 - Governmental Activities

Programs	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Public safety	\$ 2,648,820	\$ (2,072,585)	\$ 2,451,105	\$ (1,890,783)
Public works	2,165,434	372,073	1,604,354	16,152
Health and social services	558	957	7,021	(4,751)
Culture and recreation	1,141,986	(905,083)	1,059,851	(775,190)
Community and economic development	401,268	(352,853)	483,492	(438,681)
General government	801,774	(782,049)	671,301	(653,981)
Interest on long-term debt	186,496	(186,496)	133,701	(133,701)
Total	\$ 7,346,336	\$ (3,926,036)	\$ 6,410,825	\$ (3,880,935)

Net cost of services is 53.4 percent of total cost of services in 2012 as compared to 60.5 percent in 2011. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Governmental Activities

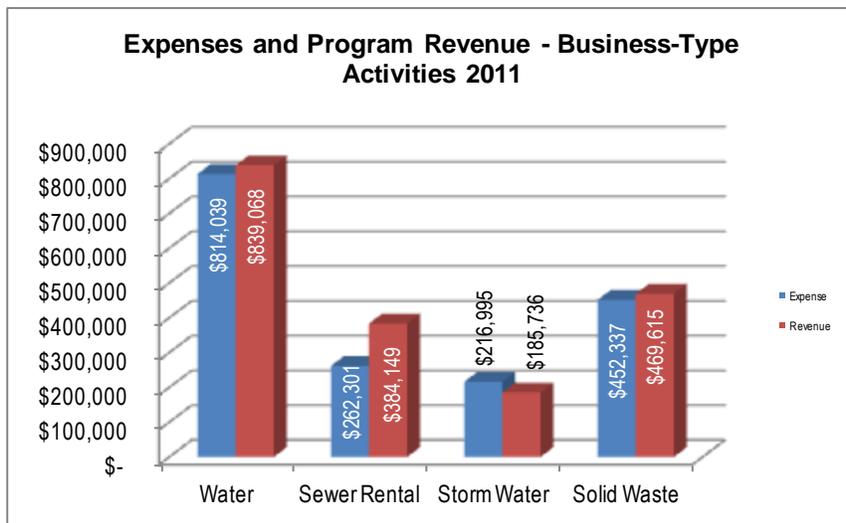
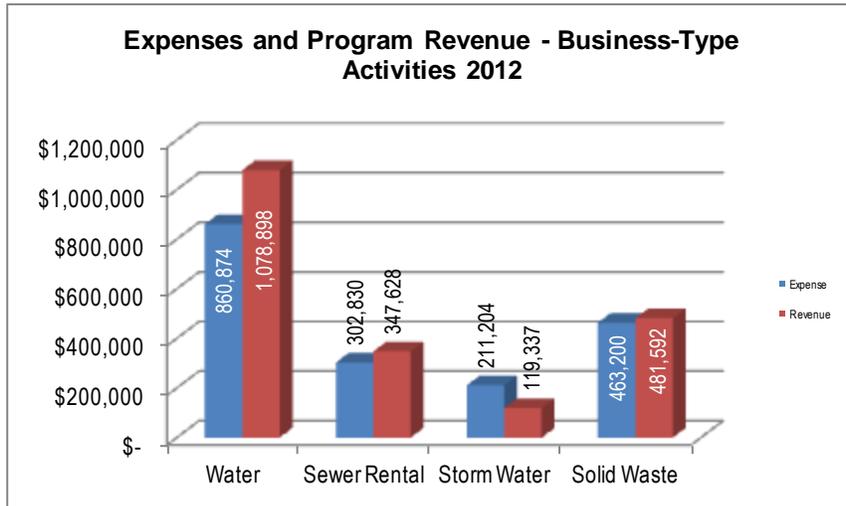
The graph below shows the percentage of the total governmental activities revenues allocated by each revenue type:



City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2012

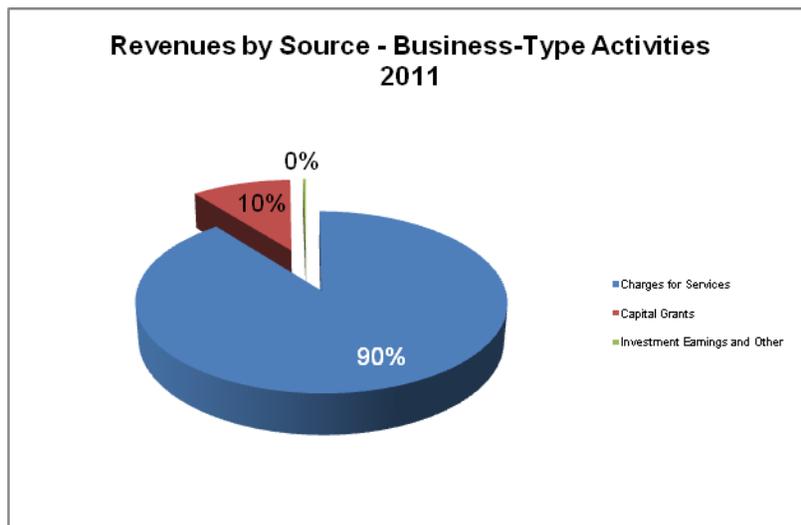
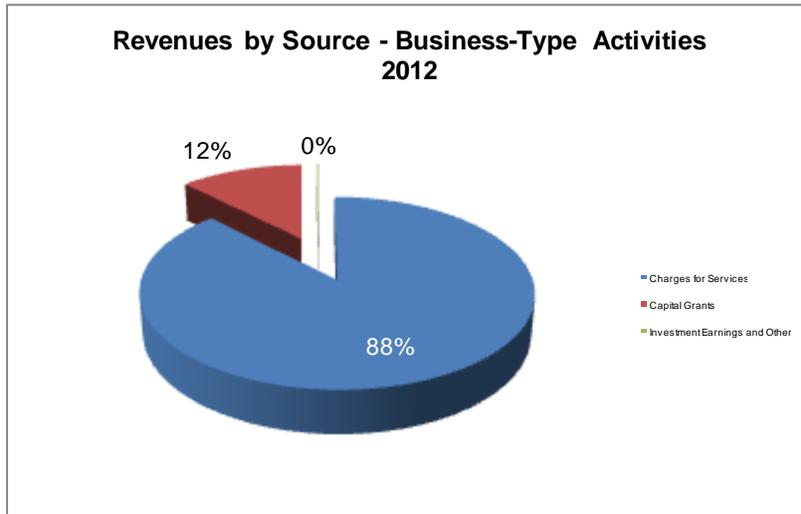
Total business-type activities' revenue, excluding interfund transfers, for the fiscal year was \$2,030,424. All but \$2,969 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenditures and program revenues:



City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2012**

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 \$1,791,885 accounting for 44 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, 2012

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 \$6,517,722, an increase of \$114,787 in comparison with the prior year. Approximately 45.9 percent of this total amount, \$2,994,690, 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 \$2,994,690. 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 60.7 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$149,768 during the current fiscal year. This was due to revenues over estimates and expenditures under estimates.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance increased \$523,918 from \$172,603 in 2011 to \$696,521 in 2012 primarily due to timing issues relating to capital projects.

The Road Use Tax Fund is to maintain and improve City streets. Fund balance decreased \$416,077 from \$1,276,066 in 2011 to \$859,989 in 2012 primarily due to street overlay project completed in fiscal year 2012.

The Employee Benefits Fund accounts for the employees' group life and health insurance. Fund balance increased by \$44,041 from \$269,682 in 2011 to \$313,723 in 2012. This increase was due to actual rate increase less than anticipated.

The Capital Projects Fund balance decreased \$208,484 from \$448,960 in 2011 to \$240,476 in 2012. This decrease was due to timing issues related to capital project expenditures and the related revenues (donations and grants).

The Debt Service Fund balance increased \$5,849 from \$11,409 in 2011 to \$17,258 in 2012. This increase was due to planned increase of accumulated reserves.

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

Budgetary Highlights

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

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

- The total original revenue budget of \$13,203,567 was increased to \$13,392,888 (an increase of \$219,321) mainly due to TIF Revenue, Utility Revenue, Local Option Sales Tax and Grant Revenue.

City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2012**

- The total original expenditure budget of \$14,334,153 was increased to \$15,344,344 (an increase of \$1,010,191) mainly for revised costs for capital projects.
- The total original budget for other financing sources of \$0 was increased to \$37,000 (an increase of \$37,000) mainly due to sale of capital assets.
- 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, 2012, amounted to \$46,293,802 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, infrastructure, and machinery and equipment. The total increase in capital assets for the current year was 6.4 percent (a 4.8 percent increase for governmental activities and a 8.6 percent increase for business-type activities).

Major capital asset events during the current fiscal year included CDBG Project, 10th Ave. N. VFW Parking Lot, Lincoln Village and 7th Ave. N. Storm Sewer.

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	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,003,621	\$ 3,004,621	\$ 331,716	\$ 331,716	\$ 3,335,337	\$ 3,336,337
Construction-in-progress	1,430,176	2,615,332	1,110	791,973	1,431,286	3,407,305
Buildings and improvements	8,977,665	6,901,385	1,509,204	1,509,204	10,486,869	8,410,589
Infrastructure	23,162,428	22,315,033	26,078,496	23,226,054	49,240,924	45,541,087
Machinery and equipment	4,779,951	4,528,262	962,834	962,834	5,742,785	5,491,096
Accumulated depreciation	(15,316,578)	(14,513,939)	(8,626,821)	(8,175,469)	(23,943,399)	(22,689,408)
Total	\$ 26,037,263	\$ 24,850,694	\$ 20,256,539	\$ 18,646,312	\$ 46,293,802	\$ 43,497,006

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2012

Debt: As of June 30, 2012, the City of Clear Lake, Iowa had general obligation bonds and loan notes outstanding totaling \$6,008,500 and notes payable outstanding of \$120,000. In the current year, the City paid \$1,118,000 in principal and \$224,935 in interest on outstanding debt.

Table 5 - Outstanding Debt, June 30

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 3,665,000	\$ 4,450,000	\$ 770,000	\$ 885,000	\$ 4,435,000	\$ 5,335,000
General obligation loan notes	1,136,500	1,272,500	437,000	519,000	1,573,500	1,791,500
Notes payable	-	-	120,000	120,000	120,000	120,000
	<u>\$ 4,801,500</u>	<u>\$ 5,722,500</u>	<u>\$ 1,327,000</u>	<u>\$ 1,524,000</u>	<u>\$ 6,128,500</u>	<u>\$ 7,246,500</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 2012 at \$775,770,670.

The unemployment rate for Cerro Gordo County at June 30, 2012 is 5.6 percent. The rate for Cerro Gordo County decreased from last year's rate of 6.2 percent. The rate is higher than the state's average unemployment rate of 5.1 percent.

Requests for Information

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

City of Clear Lake, Iowa

Statement of Net Assets
June 30, 2012

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 2,042,985	\$ 552,284	\$ 2,595,269
Certificates of deposit	3,976,660	795,000	4,771,660
Investments	163,459	-	163,459
Restricted assets, cash	350,340	-	350,340
Receivables, net of allowances for uncollectible amounts:			
Property taxes	6,502,610	-	6,502,610
Special assessments	417,564	-	417,564
Accounts, consumers	167,768	177,943	345,711
Unbilled usage	-	47,424	47,424
Other	17,398	-	17,398
Due from other governments	880,439	-	880,439
Internal balances	(33,256)	33,256	-
Inventories	-	62,801	62,801
Total current assets	14,485,967	1,668,708	16,154,675
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	3,003,621	331,716	3,335,337
Construction-in-progress	1,430,176	1,110	1,431,286
Depreciable:			
Buildings and land improvements	8,977,665	1,509,204	10,486,869
Infrastructure	23,162,428	26,078,496	49,240,924
Machinery and equipment	4,779,951	962,834	5,742,785
Accumulated depreciation	(15,316,578)	(8,626,821)	(23,943,399)
Total capital assets, net of depreciation	26,037,263	20,256,539	46,293,802
Bond issuance costs, net	19,672	4,760	24,432
Total noncurrent assets	26,056,935	20,261,299	46,318,234
Total assets	\$ 40,542,902	\$ 21,930,007	\$ 62,472,909

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current:			
Accounts and contracts payable	\$ 693,598	\$ 231,438	\$ 925,036
Accrued liabilities	220,411	50,543	270,954
Deposits	-	55,145	55,145
Compensated absences	162,423	26,057	188,480
Unearned revenue	6,478,191	-	6,478,191
Current maturities of long-term debt	881,000	198,000	1,079,000
Total current liabilities	8,435,623	561,183	8,996,806
Noncurrent:			
Other postemployment benefits obligation	105,405	14,709	120,114
Long-term debt, net of current maturities	3,920,500	1,129,000	5,049,500
Bond discounts	(29,575)	-	(29,575)
Total noncurrent liabilities	3,996,330	1,143,709	5,140,039
Total liabilities	12,431,953	1,704,892	14,136,845
Net assets			
Invested in capital assets, net of related debt	21,265,338	18,929,539	40,194,877
Restricted for:			
Endowments/permanently restricted trust corpus	350,340	-	350,340
Tax increment financing districts	696,521	-	696,521
Road use	859,989	-	859,989
Employee benefits	313,723	-	313,723
Capital projects	208,225	-	208,225
Debt service	17,258	-	17,258
Other	454,139	-	454,139
Unrestricted	3,945,416	1,295,576	5,240,992
Total net assets	28,110,949	20,225,115	48,336,064
Total liabilities and net assets	\$ 40,542,902	\$ 21,930,007	\$ 62,472,909

City of Clear Lake, Iowa

Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	\$ 2,648,820	\$ 512,210	\$ 64,025	\$ -
Public works	2,165,434	103,173	731,630	1,702,704
Health and social services	558	1,515	-	-
Culture and recreation	1,141,986	208,656	13,983	14,264
Community and economic development	401,268	44,004	4,411	-
General government	801,774	19,725	-	-
Interest on long-term debt	186,496	-	-	-
Total governmental activities	7,346,336	889,283	814,049	1,716,968
Business-type activities:				
Water	860,874	832,433	-	246,465
Sewer rental	302,830	347,628	-	-
Storm water	211,204	119,337	-	-
Solid waste	463,200	481,592	-	-
Total business-type activities	1,838,108	1,780,990	-	246,465
Total primary government	\$ 9,184,444	\$ 2,670,273	\$ 814,049	\$ 1,963,433

General revenues:

Taxes:

Property taxes

Other taxes

Investment earnings

Gain on disposal of capital assets

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year

Net assets end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,072,585)	\$ -	\$ (2,072,585)
372,073	-	372,073
957	-	957
(905,083)	-	(905,083)
(352,853)	-	(352,853)
(782,049)	-	(782,049)
(186,496)	-	(186,496)
(3,926,036)	-	(3,926,036)
-	218,024	218,024
-	44,798	44,798
-	(91,867)	(91,867)
-	18,392	18,392
-	189,347	189,347
(3,926,036)	189,347	(3,736,689)
6,116,647	-	6,116,647
1,614,904	-	1,614,904
38,278	2,969	41,247
19,863	-	19,863
(1,599,569)	1,599,569	-
6,190,123	1,602,538	7,792,661
2,264,087	1,791,885	4,055,972
25,846,862	18,433,230	44,280,092
\$ 28,110,949	\$ 20,225,115	\$ 48,336,064

City of Clear Lake, Iowa

Balance Sheet
Governmental Funds
June 30, 2012

Assets	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Cash and cash equivalents	\$ 1,166,983	\$ 307,134	\$ 90,072	\$ 75,248
Certificates of deposit	2,358,000	350,000	775,000	240,000
Investments	-	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, net of allowances for uncollectible amounts:				
Property taxes	3,044,132	2,314,021	-	591,107
Special assessments	417,564	-	-	-
Accounts, consumers	167,768	-	-	-
Other	3	163	-	100
Due from other governments	310,160	-	54,407	-
Due from other funds	1,008	-	-	-
Total assets	\$ 7,465,618	\$ 2,971,318	\$ 919,479	\$ 906,455
Liabilities and fund balances				
Liabilities:				
Accounts and contracts payable	\$ 238,017	\$ -	\$ 52,994	\$ 7,078
Accrued liabilities	155,948	-	6,496	956
Due to other funds	-	-	-	-
Unearned revenue	3,486,377	2,274,797	-	584,698
Total liabilities	3,880,342	2,274,797	59,490	592,732
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	696,521	859,989	313,723
Committed	590,586	-	-	-
Unassigned	2,994,690	-	-	-
Total fund balances	3,585,276	696,521	859,989	313,723
Total liabilities and fund balances	\$ 7,465,618	\$ 2,971,318	\$ 919,479	\$ 906,455

See Notes to Basic Financial Statements.

	Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
\$	360,420	\$ 10,128	\$ 33,000	\$ 2,042,985
	-	-	253,660	3,976,660
	-	-	163,459	163,459
	-	-	350,340	350,340
	-	553,350	-	6,502,610
	-	-	-	417,564
	-	-	-	167,768
	6,484	87	10,561	17,398
	515,872	-	-	880,439
	-	-	-	1,008
<u>\$</u>	<u>882,776</u>	<u>\$ 563,565</u>	<u>\$ 811,020</u>	<u>\$ 14,520,231</u>

\$	395,509	\$ -	\$ -	\$ 693,598
	13,909	-	-	177,309
	33,256	-	1,008	34,264
	199,626	546,307	5,533	7,097,338
	642,300	546,307	6,541	8,002,509

	-	-	350,340	350,340
	208,225	17,258	454,139	2,549,855
	32,251	-	-	622,837
	-	-	-	2,994,690
	240,476	17,258	804,479	6,517,722

<u>\$</u>	<u>882,776</u>	<u>\$ 563,565</u>	<u>\$ 811,020</u>	<u>\$ 14,520,231</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, 2012

Total governmental fund balances \$ 6,517,722

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	\$ 3,003,621	
Buildings and land improvements	8,977,665	
Infrastructure	23,162,428	
Machinery and equipment	4,779,951	
Construction-in-progress	1,430,176	
Accumulated depreciation	<u>(15,316,578)</u>	26,037,263

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds 619,147

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

Compensated absences, current	(162,423)	
Other postemployment benefits obligation	(105,405)	
Bond discount	29,575	
Bond issuance costs	19,672	
Accrued interest payable	(11,090)	
Other accrued liabilities	(32,012)	
General obligation bonds and loan notes, current	(881,000)	
General obligation bonds and loan notes, noncurrent	<u>(3,920,500)</u>	<u>(5,063,183)</u>
Net assets of governmental activities		<u><u>\$ 28,110,949</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, 2012

	General	Tax Increment Financing	Road Use Tax	Employee Benefits
Revenues:				
Property taxes	\$ 2,780,539	\$ 2,166,371	\$ -	\$ 589,919
Special assessments	164,142	-	-	-
Other taxes	1,602,928	-	-	6,614
Licenses and permits	83,560	-	-	-
Intergovernmental	156,195	-	731,630	-
Charges for services	541,709	-	-	-
Fines and forfeitures	57,259	-	-	-
Use of money and property	30,906	3,088	-	856
Miscellaneous	28,837	14,169	-	-
Total revenue	5,446,075	2,183,628	731,630	597,389
Expenditures:				
Current:				
Public safety	2,247,392	-	-	321,490
Public works	837,893	-	232,127	123,207
Health and social services	558	-	-	-
Culture and recreation	926,648	-	-	56,475
Community and economic development	185,128	204,214	-	7,420
General government	737,691	-	-	50,056
Capital projects	-	-	408,160	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	4,935,310	204,214	640,287	558,648
Excess of revenue over (under) expenditures	510,765	1,979,414	91,343	38,741
Other financing sources (uses):				
Proceeds from sale of capital assets	40,263	-	-	-
Transfers in	191,940	-	-	5,300
Transfers out	(593,200)	(1,455,496)	(507,420)	-
Total other financing sources (uses)	(360,997)	(1,455,496)	(507,420)	5,300
Net change in fund balances	149,768	523,918	(416,077)	44,041
Fund balances, beginning of year	3,435,508	172,603	1,276,066	269,682
Fund balances, end of year	\$ 3,585,276	\$ 696,521	\$ 859,989	\$ 313,723

See Notes to Basic Financial Statements.

Capital Projects	Debt Service	Other Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 579,818	\$ -	\$ 6,116,647
-	-	-	164,142
-	5,362	-	1,614,904
-	-	-	83,560
1,409,960	-	-	2,297,785
-	-	-	541,709
-	-	8,953	66,212
1,368	940	17,660	54,818
4,037	-	14,583	61,626
1,415,365	586,120	41,196	11,001,403
-	-	177	2,569,059
-	-	-	1,193,227
-	-	-	558
-	-	20,140	1,003,263
-	-	5,107	401,869
-	-	-	787,747
1,866,849	-	-	2,275,009
-	921,000	-	921,000
-	175,578	-	175,578
1,866,849	1,096,578	25,424	9,327,310
(451,484)	(510,458)	15,772	1,674,093
-	-	-	40,263
869,000	516,307	-	1,582,547
(626,000)	-	-	(3,182,116)
243,000	516,307	-	(1,559,306)
(208,484)	5,849	15,772	114,787
448,960	11,409	788,707	6,402,935
\$ 240,476	\$ 17,258	\$ 804,479	\$ 6,517,722

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, 2012**

Net change in fund balances - governmental funds \$ 114,787

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	2,187,342
Depreciation	(1,055,373)

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	75,000
Proceeds from sale of capital assets	(40,263)
Gain from the disposal of capital assets	19,863

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 113,728

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	6,069
Change in other postemployment benefits obligation	(35,135)
Change in installment liability for capital assets purchases	(32,012)

The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of bond principal	921,000
Interest	5,321
Amortization of discount on bonds	(9,638)
Amortization of issuance costs on bonds	(6,602)
Change in net assets of governmental activities	\$ 2,264,087

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

**Statement of Net Assets
Proprietary Funds
June 30, 2012**

	Water	Sewer Rental	Storm Water	Solid Waste	Total Proprietary Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 146,141	\$ 114,376	\$ 280,359	\$ 11,408	\$ 552,284
Certificates of deposit	500,000	225,000	-	70,000	795,000
Receivables, net of allowances for uncollectible amounts:					
Accounts, consumers	86,120	38,885	10,228	42,710	177,943
Unbilled usage	25,675	9,275	2,399	10,075	47,424
Due from other funds	-	33,256	-	-	33,256
Inventories	62,801	-	-	-	62,801
Total current assets	820,737	420,792	292,986	134,193	1,668,708
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	65,026	-	266,690	-	331,716
Construction-in-progress	-	-	1,110	-	1,110
Depreciable:					
Buildings and land improvements	1,132,527	319,193	25,000	32,484	1,509,204
Infrastructure	11,301,232	6,809,010	7,968,254	-	26,078,496
Machinery and equipment	668,197	288,752	-	5,885	962,834
Accumulated depreciation	(4,273,958)	(1,906,161)	(2,443,383)	(3,319)	(8,626,821)
Total capital assets, net of depreciation	8,893,024	5,510,794	5,817,671	35,050	20,256,539
Bond issuance costs, net	4,760	-	-	-	4,760
Total noncurrent assets	8,897,784	5,510,794	5,817,671	35,050	20,261,299
Total assets	\$ 9,718,521	\$ 5,931,586	\$ 6,110,657	\$ 169,243	\$ 21,930,007

See Notes to Basic Financial Statements.

	Water	Sewer Rental	Storm Water	Solid Waste	Total Proprietary Funds
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	\$ 96,262	\$ 65,950	\$ 33,896	\$ 35,330	\$ 231,438
Accrued liabilities	24,751	24,448	295	1,049	50,543
Deposits	55,145	-	-	-	55,145
Compensated absences	20,240	4,912	-	905	26,057
Bonds and loan notes payable	198,000	-	-	-	198,000
Total current liabilities	394,398	95,310	34,191	37,284	561,183
Noncurrent liabilities:					
Other postemployment benefits obligation	10,002	4,707	-	-	14,709
Bonds payable	1,009,000	-	-	-	1,009,000
Notes payable	-	120,000	-	-	120,000
Total liabilities	1,413,400	220,017	34,191	37,284	1,704,892
Net assets:					
Invested in capital assets, net of related debt	7,686,024	5,390,794	5,817,671	35,050	18,929,539
Unrestricted	619,097	320,775	258,795	96,909	1,295,576
Total net assets	8,305,121	5,711,569	6,076,466	131,959	20,225,115
Total liabilities and net assets	\$ 9,718,521	\$ 5,931,586	\$ 6,110,657	\$ 169,243	\$ 21,930,007

City of Clear Lake, Iowa

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012**

	Water	Sewer Rental	Storm Water	Solid Waste	Total Proprietary Funds
Operating revenues:					
Charges for services	\$ 831,674	\$ 347,628	\$ 119,337	\$ 481,592	\$ 1,780,231
Miscellaneous	759	-	-	-	759
	<u>832,433</u>	<u>347,628</u>	<u>119,337</u>	<u>481,592</u>	<u>1,780,990</u>
Operating expenses:					
Personal services	330,961	111,175	15,391	33,602	491,129
Contractual services	154,134	20,200	15,540	422,879	612,753
Commodities	65,501	24,111	4,189	4,506	98,307
Depreciation	258,870	141,302	155,084	2,213	557,469
Total operating expenses	<u>809,466</u>	<u>296,788</u>	<u>190,204</u>	<u>463,200</u>	<u>1,759,658</u>
Operating income (loss)	<u>22,967</u>	<u>50,840</u>	<u>(70,867)</u>	<u>18,392</u>	<u>21,332</u>
Nonoperating income (expense):					
Investment earnings	2,144	301	155	369	2,969
Loss on sale of capital assets	(6,851)	(1,242)	(21,000)	-	(29,093)
Interest expense	(44,557)	(4,800)	-	-	(49,357)
Total nonoperating income (expense)	<u>(49,264)</u>	<u>(5,741)</u>	<u>(20,845)</u>	<u>369</u>	<u>(75,481)</u>
Income (loss) before capital contributions and transfers	<u>(26,297)</u>	<u>45,099</u>	<u>(91,712)</u>	<u>18,761</u>	<u>(54,149)</u>
Capital contributions	246,465	-	-	-	246,465
Transfers in	375,470	720,000	549,619	-	1,645,089
Transfers out	(6,400)	(1,920)	-	(37,200)	(45,520)
Change in net assets	<u>589,238</u>	<u>763,179</u>	<u>457,907</u>	<u>(18,439)</u>	<u>1,791,885</u>
Total net assets, beginning of year	7,715,883	4,948,390	5,618,559	150,398	18,433,230
Total net assets, end of year	<u>\$ 8,305,121</u>	<u>\$ 5,711,569</u>	<u>\$ 6,076,466</u>	<u>\$ 131,959</u>	<u>\$ 20,225,115</u>

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012**

	Water	Sewer Rental	Storm Water	Solid Waste	Total Proprietary Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 823,090	\$ 342,340	\$ 118,808	\$ 480,130	\$ 1,764,368
Receipts from other	759	-	-	-	759
Payments to suppliers	(251,822)	(288,595)	(71,153)	(432,108)	(1,043,678)
Payments to employees	(323,482)	(109,015)	(15,391)	(33,493)	(481,381)
Net cash provided by (used in) operating activities	248,545	(55,270)	32,264	14,529	240,068
Cash flows from noncapital financing activities:					
Transfers out	(6,400)	(1,920)	-	(37,200)	(45,520)
Transfers in	375,470	720,000	549,619	-	1,645,089
Net cash provided by (used in) noncapital financing activities	369,070	718,080	549,619	(37,200)	1,599,569
Cash flows from capital and related financing activities:					
Purchase of capital assets	(515,371)	(873,783)	(526,184)	-	(1,915,338)
Payment on debt	(197,000)	-	-	-	(197,000)
Payments to from other funds	68,000	262,153	43,000	-	373,153
Interest paid on debt	(43,008)	(4,800)	-	-	(47,808)
Net cash (used in) capital and related financing activities	(687,379)	(616,430)	(483,184)	-	(1,786,993)
Cash flows from investing activities:					
Proceeds from sale and maturities of investments	1,615,000	125,000	380,000	15,000	2,135,000
Purchase of investments	(1,644,000)	(325,000)	(305,000)	-	(2,274,000)
Interest received	2,144	301	155	369	2,969
Net cash provided by (used in) investing activities	(26,856)	(199,699)	75,155	15,369	(136,031)
Increase (decrease) in cash and cash equivalents	(96,620)	(153,319)	173,854	(7,302)	(83,387)
Cash and cash equivalents, beginning of year	242,761	267,695	106,505	18,710	635,671
Cash and cash equivalents, end of year	\$ 146,141	\$ 114,376	\$ 280,359	\$ 11,408	\$ 552,284

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2012

	Water	Sewer Rental	Storm Water	Solid Waste	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 22,967	\$ 50,840	\$ (70,867)	\$ 18,392	\$ 21,332
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities, depreciation	258,870	141,302	155,084	2,213	557,469
Change in assets and liabilities:					
Receivables	(11,159)	(5,288)	(529)	(1,462)	(18,438)
Inventories	2,062	-	-	-	2,062
Deposits	2,575	-	-	-	2,575
Accounts payable and accrued liabilities	(34,249)	(244,284)	(51,424)	(4,723)	(334,680)
Compensated absences	4,145	591	-	109	4,845
Other postemployment benefits obligation	3,334	1,569	-	-	4,903
Net cash provided by (used in) operating activities	\$ 248,545	\$ (55,270)	\$ 32,264	\$ 14,529	\$ 240,068
Schedule of noncash items:					
Capital and related financing activities:					
Acquisition of capital assets through contracts payable	\$ 15,473	\$ 9,283	\$ 10,230	\$ -	\$ 34,986
Capital contributions	246,465	-	-	-	246,465

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

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

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

Basis of presentation:

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

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

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

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

Riley Trust: Endowment from Riley Trust.

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

Enterprise Funds: Are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The City has elected not to apply FASB guidance subsequent to November 30, 1989.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

The following are the City's major enterprise funds:

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

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

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

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

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

Measurement focus and basis of accounting:

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

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

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

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

Notes to Basic Financial Statements

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2012 based on the 2011 assessed valuations. These taxes are due in two installments, on September 1, 2012 and the following March 1, 2013 with a 1.5 percent per month penalty for delinquent payment. Since the 2012 tax levy is budgeted and levied for the fiscal year 2013, the revenue from this tax levy has been deferred. Revenue has been recognized for those taxes receivable which represent the prior year's delinquent taxes and which are expected to be collected within 60 days after year-end.

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

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

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

Summary of significant accounting policies:

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

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

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

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

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

Fund balance: 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. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Unspent debt proceeds in the Capital Projects Fund were \$208,225. 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 \$1,027,502 for tax levy purposes and \$859,989 for road use.

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

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

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

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

Note 2. Cash and Investments

As of June 30, 2012, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$ 7,674,230
Cash and investments held by the Clear Lake Library Foundation	206,498
	<u>\$ 7,880,728</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 A rated or better by Standards and Poor's; and equity securities.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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 funds:		
Income Fund of America	N/A	\$ 41,515
Franklin Utilities	N/A	32,021
Lord Abbett Core Fixed Inc	N/A	27,733
Corporate Bond - Hydro Quebec	01/15/2027	13,994

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.

As of June 30, 2012, the City's investments were rated as follows:

Investment Type	Moody's Investor Services	Standard & Poor's
Mutual funds:		
Income Fund of America	Not Rated	
Franklin Utilities	Not Rated	
Lord Abbett Core Fixed Inc	Not Rated	
Corporate Bond - Hydro Quebec	Aa2	A+
Equities	Not Rated	

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 include Hydro-Quebec, corporate bond, with a fair value of \$13,994; Abbott Laboratories, equity, with a fair value of \$11,991; Coca-Cola Co., equity, with a fair value of \$11,103; General Mills Inc., equity, with a fair value of \$9,943; and Proctor & Gamble Co., equity, with a fair value of \$9,310.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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, 2012, 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, 2012, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Ending Balance June 30, 2011	Additions	Deletions	Ending Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,004,621	\$ -	\$ 1,000	\$ 3,003,621
Construction-in-progress	2,615,332	1,039,817	2,224,973	1,430,176
Total capital assets, not being depreciated	5,619,953	1,039,817	2,225,973	4,433,797
Capital assets, being depreciated:				
Buildings and land improvements	6,901,385	2,076,280	-	8,977,665
Infrastructure	22,315,033	877,495	30,100	23,162,428
Machinery and equipment	4,528,262	493,723	242,034	4,779,951
Total capital assets, being depreciated	33,744,680	3,447,498	272,134	36,920,044
Less accumulated depreciation for:				
Buildings and land improvements	1,679,495	201,724	-	1,881,219
Infrastructure	9,830,941	519,527	24,500	10,325,968
Machinery and equipment	3,003,503	334,122	228,234	3,109,391
Total accumulated depreciation	14,513,939	1,055,373	252,734	15,316,578
Total capital assets, being depreciated, net	19,230,741	2,392,125	19,400	21,603,466
Governmental activities capital assets, net	\$ 24,850,694	\$ 3,431,942	\$ 2,245,373	\$ 26,037,263

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2011	Additions	Deletions	Ending Balance June 30, 2012
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 331,716	\$ -	\$ -	\$ 331,716
Construction-in-progress	791,973	-	790,863	1,110
Total capital assets, not being depreciated	1,123,689	-	790,863	332,826
Capital assets, being depreciated:				
Buildings and land improvements	1,509,204	-	-	1,509,204
Infrastructure	23,226,054	2,987,652	135,210	26,078,496
Machinery and equipment	962,834	-	-	962,834
Total capital assets, being depreciated	25,698,092	2,987,652	135,210	28,550,534
Less accumulated depreciation for:				
Buildings and land improvements	917,149	36,527	-	953,676
Infrastructure	6,880,195	465,773	106,117	7,239,851
Machinery and equipment	378,125	55,169	-	433,294
Total accumulated depreciation	8,175,469	557,469	106,117	8,626,821
Total capital assets, being depreciated, net	17,522,623	2,430,183	29,093	19,923,713
Business-type activities capital assets, net	\$ 18,646,312	\$ 2,430,183	\$ 819,956	\$ 20,256,539

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

Governmental Activities	
General government	\$ 15,488
Culture and recreation	190,192
Public safety	171,393
Public works	678,300
	<u>\$ 1,055,373</u>
Business-Type Activities	
Water	\$ 258,870
Sewer rental	141,302
Storm water	155,084
Solid Waste	2,213
	<u>\$ 557,469</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, 2012:

	June 30, 2011	Increases and Issues	Decreases and Retirements	June 30, 2012	Due Within One Year
Governmental activities:					
General obligation loan notes	\$ 1,272,500	\$ -	\$ 136,000	\$ 1,136,500	\$ 136,000
General obligation bonds	4,450,000	-	785,000	3,665,000	745,000
Compensated absences	168,492	162,423	168,492	162,423	162,423
Total governmental activities	5,890,992	162,423	1,089,492	4,963,923	1,043,423
Business-type activities:					
General obligation loan notes	519,000	-	82,000	437,000	83,000
General obligation bonds	885,000	-	115,000	770,000	115,000
Notes payable	120,000	-	-	120,000	-
Compensated absences	21,212	26,057	21,212	26,057	26,057
Total business-type activities	1,545,212	26,057	218,212	1,353,057	224,057
Total long-term debt	\$ 7,436,204	\$ 188,480	\$ 1,307,704	\$ 6,316,980	\$ 1,267,480

General obligation bonds and loan notes:

Four issues of general obligation loan notes totaling \$1,573,500 are outstanding as of June 30, 2012. 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 \$4,435,000 are outstanding as of June 30, 2012. These bonds bear interest with rates ranging from 1.30 percent to 4.15 percent and mature in varying annual amounts ranging from \$40,000 to \$290,000 through June 1, 2021.

Annual debt service requirements to service the City's general obligation bonds and loan notes outstanding as of June 30, 2012 are as follows:

<u>Year ending June 30:</u>	Principal	Interest	Total
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	634,000	63,879	697,879
2018 - 2022	1,364,000	116,436	1,480,436
2023 - 2027	240,000	13,531	253,531
2028 - 2029	72,500	1,200	73,700
	\$ 6,008,500	\$ 724,370	\$ 6,732,870

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

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, 2012, 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.

Legal debt margin:

As of June 30, 2012, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Total assessed valuation *	\$ 775,770,670
Debt limit, 5% of total actual valuation	\$ 38,788,534
Debt applicable to debt limit, debt service general obligation loan notes and bonds	6,008,500
Legal debt margin	\$ 32,780,034

* 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, 2012, there was one series of industrial revenue bonds outstanding with a principal amount payable of \$3,110,000.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 6. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2012 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental, major funds:		
General	\$ 1,008	\$ -
Capital Projects	-	33,256
Nonmajor governmental funds	-	1,008
Enterprise, major fund, Sewer Rental	33,256	-
Total	\$ 34,264	\$ 34,264

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	\$ 191,940	\$ 593,200
Debt Service	516,307	-
Tax Incremental Financing	-	1,455,496
Road Use Tax	-	507,420
Employee Benefits	5,300	-
Capital Projects	869,000	626,000
Total governmental activities	1,582,547	3,182,116
Business-type activities, major funds:		
Water	375,470	6,400
Sewer Rental	720,000	1,920
Storm Water	549,619	-
Solid Waste	-	37,200
Total business-type activities	1,645,089	45,520
Total	\$ 3,227,636	\$ 3,227,636

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.

Notes to Basic Financial Statements

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 5.68 percent of their annual covered salary and the City is required to contribute 8.07 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 6.65 percent of their annual covered salary and the City is required to contribute 9.97 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$245,887, \$218,970 and \$198,176, respectively, equal to the required contributions for each year.

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, 2012 for the unvested employee sick leave hours totals approximately \$704,000.

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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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.

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 2012, 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, 2011 were as follows:

	Single	Family
Traditional	\$ 678.25	\$ 1,695.63
HSA	588.14	1,289.08

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, 2011	<u>80,076</u>
Net OPEB obligation - June 30, 2012	<u><u>\$ 120,114</u></u>

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2012 and the two preceding years follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 75,043	46.65%	\$ 40,038
June 30, 2011	75,043	46.65	80,076
June 30, 2012	75,043	46.65	120,114

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 \$2,892,493 and the ratio of the UAAL to the covered payroll was 19.6 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 \$6,395,000. The remaining contractual amounts on these projects total approximately \$248,000 as of June 30, 2012.

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 2012, the City paid approximately \$186,000 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 Golf Course 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 Golf Course 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 Golf Course 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. As of June 30, 2012, there were no such losses. At the end of the agreement, the Golf Course 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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the City's fund balance are the following:

	General	Tax Increment Financing	Road Use Tax	Employee Benefits	Capital Projects	Debt Service	Nonmajor Governmental	Total
Fund Balances:								
Nonspendable:								
Endowment Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,340	\$ 350,340
Restricted:								
Library Foundation	-	-	-	-	-	-	210,223	210,223
Road Use Tax	-	-	859,989	-	-	-	-	859,989
Tax levy purposes	-	696,521	-	313,723	-	17,258	-	1,027,502
Law Enforcement Forfeiture	-	-	-	-	-	-	10,046	10,046
Grant Purposes	-	-	-	-	-	-	3,992	3,992
Revolving Loan Fund	-	-	-	-	-	-	229,878	229,878
Capital improvements -								
Bond Proceeds	-	-	-	-	208,225	-	-	208,225
Total Restricted	-	696,521	859,989	313,723	208,225	17,258	454,139	2,549,855
Committed:								
Firefighter Incentive Program	60,586	-	-	-	-	-	-	60,586
Capital Improvement Reserve	530,000	-	-	-	32,251	-	-	562,251
Total Committed	590,586	-	-	-	32,251	-	-	622,837
Unassigned:	2,994,690	-	-	-	-	-	-	2,994,690
Total fund balances	\$ 3,585,276	\$ 696,521	\$ 859,989	\$ 313,723	\$ 240,476	\$ 17,258	\$ 804,479	\$ 6,517,722

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 16. Governmental Accounting Standards Board (GASB) Statements

The City adopted the following statements during the year ended June 30, 2012:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement Nos. 43 and 45. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The adoption of this Statement had no effect on the City in the current year.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*. 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 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. 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.
- 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.

Notes to Basic Financial Statements

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

- 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. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

Notes to Basic Financial Statements

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

- GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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

City of Clear Lake Iowa

**Required Supplementary Information
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2012	7/1/09	\$ -	\$ 566,846	\$ 566,846	- %	\$ 2,892,493	19.6%
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

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.

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City of Clear Lake, Iowa

**Budgetary Comparison Schedule
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2012**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	\$ 6,116,647	\$ -	\$ 6,116,647
Other taxes	1,614,904	-	1,614,904
Special assessments	164,142	-	164,142
Licenses and permits	83,560	-	83,560
Intergovernmental	2,297,785	-	2,297,785
Charges for services	541,709	1,780,231	2,321,940
Fines and forfeitures	66,212	-	66,212
Use of money and property	54,818	2,969	57,787
Miscellaneous	61,626	759	62,385
Total revenues	11,001,403	1,783,959	12,785,362
Expenditures/Expenses:			
Public safety	2,569,059	-	2,569,059
Public works	1,193,227	-	1,193,227
Health and social services	558	-	558
Culture and recreation	1,003,263	-	1,003,263
Community and economic development	401,869	-	401,869
General government	787,747	-	787,747
Debt service	1,096,578	-	1,096,578
Capital outlay	2,275,009	-	2,275,009
Business-type	-	1,838,108	1,838,108
Total expenditures/expenses	9,327,310	1,838,108	11,165,418
Excess (deficiency) of revenues over expenditures/expenses	1,674,093	(54,149)	1,619,944
Other financing sources, net	(1,559,306)	1,846,034	286,728
Excess of revenues and other financing sources over expenditures/expenses and other financing uses	114,787	1,791,885	1,906,672
Balances, beginning of year	6,402,935	18,433,230	24,836,165
Balances, end of year	\$ 6,517,722	\$ 20,225,115	\$ 26,742,837

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance - Over (Under)
Original	Final	
\$ 6,183,531	\$ 6,093,331	\$ 23,316
1,425,440	1,510,340	104,564
175,000	150,000	14,142
88,150	87,650	(4,090)
2,971,192	3,092,018	(794,233)
2,162,661	2,256,660	65,280
45,500	52,500	13,712
98,675	91,605	(33,818)
53,418	58,784	3,601
<u>13,203,567</u>	<u>13,392,888</u>	<u>(607,526)</u>
2,793,662	2,777,131	(208,072)
1,413,689	1,424,488	(231,261)
8,845	2,845	(2,287)
1,013,123	1,086,315	(83,052)
425,701	421,987	(20,118)
729,569	811,686	(23,939)
1,096,578	1,096,578	-
3,401,000	3,890,100	(1,615,091)
3,451,986	3,833,214	(1,995,106)
<u>14,334,153</u>	<u>15,344,344</u>	<u>(4,178,926)</u>
(1,130,586)	(1,951,456)	3,571,400
-	37,000	249,728
<u>\$ (1,130,586)</u>	<u>\$ (1,914,456)</u>	<u>\$ 3,821,128</u>

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City of Clear Lake, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2012**

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, one budget amendment increased budgeted expenditures by a total of \$1,010,191. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues. Also, to adjust revenues for revised estimates in TIF revenues, utility revenue, local option sales tax and interest.

City of Clear Lake, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue			
	Library	Lindstrom Flower	Law Enforcement State	Economic Development Revolving Loan
Assets				
Cash and cash equivalents	\$ 21,039	\$ -	\$ 10,040	\$ 863
Certificates of deposit	20,000	-	-	229,000
Investments	163,459	-	-	-
Restricted assets, cash	-	-	-	-
Receivables, other	3	5,000	6	5,548
Total assets	\$ 204,501	\$ 5,000	\$ 10,046	\$ 235,411
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	\$ 1,008	\$ -	\$ -
Unearned revenue	-	-	-	5,533
Total liabilities	-	1,008	-	5,533
Fund balances:				
Nonspendable	-	-	-	-
Restricted	204,501	3,992	10,046	229,878
Total liabilities and fund balances	\$ 204,501	\$ 5,000	\$ 10,046	\$ 235,411

Permanent			
Library	Riley		Total
\$ -	\$ 1,058	\$	33,000
-	4,660		253,660
-	-		163,459
2,000	348,340		350,340
-	4		10,561
<u>\$ 2,000</u>	<u>\$ 354,062</u>	<u>\$</u>	<u>811,020</u>

\$ -	\$ -	\$	1,008
-	-		5,533
-	-		6,541

2,000	348,340		350,340
-	5,722		454,139
<u>2,000</u>	<u>354,062</u>		<u>804,479</u>
<u>\$ 2,000</u>	<u>\$ 354,062</u>	<u>\$</u>	<u>811,020</u>

City of Clear Lake, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

	Special Revenue			
	Library	Lindstrom Flower	Law Enforcement State	Economic Development Revolving Loan
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 8,953	\$ -
Use of money and property	12,273	-	11	3,472
Miscellaneous	10,171	4,412	-	-
Total revenues	22,444	4,412	8,964	3,472
Expenditures:				
Current:				
Public safety	-	-	177	-
Culture and recreation	20,140	-	-	-
Community and economic development	-	5,107	-	-
Total expenditures	20,140	5,107	177	-
Excess of revenues over (under) expenditures	2,304	(695)	8,787	3,472
Other financing sources, transfers in	-	-	-	-
Net change in fund balance	2,304	(695)	8,787	3,472
Fund balances, beginning of year	202,197	4,687	1,259	226,406
Fund balances, end of year	\$ 204,501	\$ 3,992	\$ 10,046	\$ 229,878

Permanent			
Library	Riley		Total
\$ -	\$ -	\$	8,953
-	1,904		17,660
-	-		14,583
-	1,904		41,196
-	-		177
-	-		20,140
-	-		5,107
-	-		25,424
-	1,904		15,772
-	-		-
-	1,904		15,772
2,000	352,158		788,707
\$ 2,000	\$ 354,062	\$	804,479

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City of Clear Lake, Iowa

Statistical Section Contents

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	59
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	71
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	79
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	84
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	88

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

	2004	2005	2006
Governmental activities:			
Invested in capital assets, net of related debt	\$ 12,239,781	\$ 13,132,062	\$ 13,686,281
Restricted for:			
Endowments	2,000	2,000	2,000
General Fund	-	-	-
Special Revenue	-	-	-
Tax Increment Financing Districts	-	30,998	54,488
Capital Projects	-	(3,703)	196,157
Employee Benefits	-	345,599	373,342
Debt Service	-	69,576	57,184
Road Use Tax	-	797,758	551,300
Other	-	-	-
Bond Ordinances	39,000	-	-
Unrestricted	4,154,960	3,039,223	2,925,926
Total governmental activities			
net assets	\$ 16,435,741	\$ 17,413,513	\$ 17,846,678
Business-type activities:			
Invested in capital assets, net of related debt	\$ 10,135,732	\$ 10,792,166	\$ 11,532,643
Capital Projects	-	-	-
Unrestricted	1,013,280	740,893	1,282,501
Total business-type activities			
net assets	\$ 11,149,012	\$ 11,533,059	\$ 12,815,144
Primary government:			
Invested in capital assets, net of related debt	\$ 22,375,513	\$ 23,924,228	\$ 25,218,924
Restricted			
Endowments	2,000	2,000	2,000
General Fund	-	-	-
Special Revenue	-	-	-
Tax Increment Financing Districts	-	30,998	54,488
Capital Projects	-	(3,703)	196,157
Employee Benefits	-	345,599	373,342
Debt Service	-	69,576	57,184
Road Use Tax	-	797,758	551,300
Other	-	-	-
Bond Ordinances	-	-	-
Unrestricted	5,168,240	3,776,083	4,208,427
Total primary government			
net assets	\$ 27,545,753	\$ 28,942,539	\$ 30,661,822

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.

	2007	2008	2009	2010	2011	2012
\$	14,917,121	\$ 15,938,642	\$ 17,053,088	\$ 18,368,294	\$ 19,167,407	\$ 21,265,341
	2,000	2,000	2,000	350,340	350,340	350,340
	-	-	-	-	-	-
	-	-	-	-	-	-
	26,794	4,083	64,034	305,207	172,603	696,521
	(102,456)	98,212	2,784	75,964	425,156	240,476
	328,207	377,369	315,310	246,571	269,683	313,724
	36,724	58,758	120,288	37,090	11,409	17,258
	671,956	997,293	580,938	737,026	1,276,066	859,989
	-	-	-	-	-	1,044,724
	-	-	-	-	-	-
	3,515,923	3,948,779	3,865,625	3,685,603	4,189,608	3,322,578
\$	19,396,269	\$ 21,425,136	\$ 22,004,068	\$ 23,806,095	\$ 25,862,272	\$ 28,110,950
\$	12,505,306	\$ 13,946,243	\$ 14,868,350	\$ 15,849,755	\$ 17,122,313	\$ 19,088,188
	425,000	-	-	-	-	-
	1,134,810	1,148,657	1,400,957	1,184,590	1,310,917	1,136,927
\$	14,065,116	\$ 15,094,900	\$ 16,269,307	\$ 17,034,345	\$ 18,433,230	\$ 20,225,115
\$	27,422,427	\$ 29,884,885	\$ 31,921,438	\$ 34,218,049	\$ 36,289,720	\$ 40,353,529
	2,000	2,000	2,000	350,340	350,340	350,340
	-	-	-	-	-	-
	-	-	-	-	-	-
	26,794	4,083	64,034	305,207	172,603	696,521
	322,544	98,212	2,784	75,964	425,156	240,476
	328,207	377,369	315,310	246,571	269,683	313,724
	36,724	58,758	120,288	37,090	11,409	17,258
	671,956	997,293	580,938	737,026	1,276,066	859,989
	-	-	-	-	438,367	1,044,724
	-	-	-	-	-	-
	4,650,733	5,097,436	5,266,582	4,870,193	5,046,750	4,459,505
\$	33,461,385	\$ 36,520,036	\$ 38,273,375	\$ 40,840,440	\$ 44,280,094	\$ 48,336,066

City of Clear Lake, Iowa

**Changes In Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	2004	2005	2006
Expenses:			
Governmental activities:			
General government	\$ 637,908	\$ 580,841	\$ 735,978
Public safety	1,411,957	1,454,035	1,748,284
Public Works	1,040,968	1,199,597	1,789,513
Health and Social Services	14,411	19,074	19,075
Culture and recreation	658,881	714,333	777,635
Community and Economic Development	641,594	536,133	928,582
Interest on long-term debt	150,918	128,062	136,987
Total governmental activities expenses	4,556,637	4,632,075	6,136,054
Business-type activities:			
Water	631,386	705,567	682,199
Sewer	186,202	222,352	229,676
Stormwater	104,232	137,756	132,761
Solid Waste	339,271	351,015	371,503
Total business-type activities expenses	1,261,091	1,416,690	1,416,139
Total primary government expenses	5,817,728	6,048,765	7,552,193
Program revenue:			
Governmental activities:			
Charges for services:			
General government	26,496	26,803	21,880
Public safety	53,926	57,904	182,217
Public Works	314,033	296,893	599,269
Health and Social Services	4,834	3,420	1,914
Culture and recreation	220,954	123,281	113,464
Community and Economic Development	50,321	54,060	51,967
Operating grants and contributions:			
General government	-	2,158	2,311
Public safety	7,297	6,987	14,661
Public Works	683,820	678,275	682,693
Culture and recreation	34,413	16,264	47,268
Community and Economic Development	6,000	72,477	600,110
Capital grants and contributions:			
General government	-	-	19,692
Public safety	-	7,579	-
Public Works	395,202	106,680	-
Culture and recreation	14,791	5,485	213,820
Community and Economic Development	166,300	32,841	-
Total governmental activities program revenue	1,978,387	1,491,107	2,551,266

(Continued)

	2007	2008	2009	2010	2011	2012
\$	590,868	\$ 601,917	\$ 625,753	\$ 662,464	\$ 671,300	\$ 801,774
	2,184,541	2,102,457	2,194,306	2,399,055	2,451,105	2,660,297
	1,713,782	1,514,707	2,631,816	2,170,696	1,604,354	2,171,034
	753	1,503	1,782	1,359	7,021	558
	858,868	941,657	996,785	1,045,415	1,059,851	1,141,986
	560,062	395,956	366,192	794,422	483,490	401,268
	202,517	226,979	203,312	180,297	133,701	186,496
	6,111,391	5,785,176	7,019,946	7,253,709	6,410,822	7,363,414
	683,728	674,207	727,924	762,105	814,038	860,874
	264,105	261,704	281,190	428,176	262,301	302,831
	184,625	163,951	177,961	182,559	216,995	211,204
	398,848	404,935	430,635	436,612	452,337	463,199
	1,531,306	1,504,797	1,617,710	1,809,451	1,745,671	1,838,108
	7,642,697	7,289,973	8,637,656	9,063,160	8,156,493	9,201,522
	18,452	18,666	17,734	17,203	17,320	19,725
	356,314	363,815	412,056	383,211	502,376	512,210
	586,159	12,531	13,149	7,982	6,594	103,173
	440	1,420	1,365	1,990	2,270	1,515
	157,360	172,612	166,577	170,640	167,209	208,656
	69,796	51,916	41,482	47,612	34,811	44,004
	6,375	-	-	-	-	-
	11,035	58,597	42,775	58,348	57,946	64,025
	682,845	719,061	699,561	711,322	747,740	731,630
	28,817	64,862	131,377	60,355	68,746	13,983
	213,078	5,300	9,278	800	-	4,411
	-	-	-	-	-	-
	106,344	-	-	-	-	-
	354,668	1,002,064	692,447	1,002,799	866,172	1,702,704
	534,607	31,562	33,190	348,340	48,706	14,264
	-	-	-	-	10,000	-
	3,126,290	2,502,406	2,260,992	2,810,603	2,529,890	3,420,299

City of Clear Lake, Iowa

Changes In Net Assets (Continued)
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005	2006
Business-type activities:			
Charges for services:			
Water	741,385	708,817	717,732
Sewer	312,017	297,826	309,394
Stormwater	74,824	78,372	76,346
Solid Waste	375,900	385,125	406,217
Operating grants and contributions:			
Water	-	-	-
Sewer	-	-	-
Stormwater	-	-	-
Capital grants and contributions:			
Water	108,581	45,536	-
Sewer	62,887	36,174	-
Stormwater	154,812	3,200	206,316
Total business-type activities program revenues	1,830,406	1,555,050	1,716,005
Total primary government program revenues	3,808,793	3,046,157	4,267,271
Net (expense) revenue:			
Governmental activities	(2,578,250)	(3,140,968)	(3,584,788)
Business-type activities	569,315	138,360	299,866
Total primary government net expense	(2,008,935)	(3,002,608)	(3,284,922)
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	2,789,357	3,186,780	3,569,878
Other taxes	1,466,994	1,070,150	1,209,429
Intergovernmental	17,867	-	-
Investment earnings	50,660	87,909	155,920
Miscellaneous	-	-	6,360
Transfers	(185,576)	(226,099)	(923,634)
Capital contributions	-	-	-
Total governmental activities	4,139,302	4,118,740	4,017,953
Business-type activities:			
Investment earnings	28,495	19,588	58,585
Miscellaneous	2,088	-	-
Transfers	185,576	226,099	923,634
Capital contributions	-	-	-
Total business-type activities	216,159	245,687	982,219
Total primary government	4,355,461	4,364,427	5,000,172
Changes in net assets:			
Governmental activities	1,561,052	977,772	433,165
Business-type activities	785,474	384,047	1,282,085
Total primary government	\$ 2,346,526	\$ 1,361,819	\$ 1,715,250

2007	2008	2009	2010	2011	2012
744,322	753,636	769,746	763,823	778,764	832,433
313,580	311,190	318,707	316,912	325,171	347,628
76,803	77,966	88,628	102,314	110,623	119,337
420,686	439,507	454,011	456,814	469,615	481,592
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
30,437	62,070	-	70,287	60,304	246,465
54,448	67,730	-	54,435	58,978	-
62,227	277,870	185,446	312,755	75,113	-
1,702,503	1,989,969	1,816,537	2,077,341	1,878,568	2,027,454
4,828,793	4,492,375	4,077,529	4,887,943	4,408,458	5,447,754
(2,985,101)	(3,282,770)	(4,758,954)	(4,443,106)	(3,880,932)	(3,943,114)
171,197	485,172	198,827	267,890	132,897	189,346
(2,813,904)	(2,797,598)	(4,560,127)	(4,175,216)	(3,748,035)	(3,753,768)
3,987,996	4,103,953	4,666,175	5,197,906	5,607,336	6,116,647
1,305,312	1,536,945	1,457,826	1,415,469	1,528,131	1,614,903
-	-	-	-	-	-
191,862	163,055	90,011	85,456	46,692	38,278
11,240	1,200	71,543	34,475	-	36,940
(961,716)	(493,521)	(947,667)	(488,174)	(1,260,458)	(1,599,569)
-	-	-	-	-	-
4,534,694	5,311,632	5,337,888	6,245,132	5,921,701	6,207,200
52,059	51,090	27,913	8,974	5,529	2,970
65,000	-	-	-	-	-
961,716	493,521	947,667	488,174	1,260,458	1,599,569
-	-	-	-	-	-
1,078,775	544,611	975,580	497,149	1,265,987	1,602,539
5,613,469	5,856,243	6,313,468	6,742,281	7,187,688	7,809,739
1,549,593	2,028,862	578,935	1,802,026	2,040,769	2,264,086
1,249,972	1,029,783	1,174,407	765,038	1,398,884	1,791,885
\$ 2,799,565	\$ 3,058,645	\$ 1,753,342	\$ 2,567,064	\$ 3,439,653	\$ 4,055,971

City of Clear Lake, Iowa

**Program Revenues by Function/Program
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)**

Function / Program	2004	2005	2006
Governmental activities:			
General government	\$ 26,496	\$ 28,961	\$ 43,883
Public safety	61,223	72,470	196,878
Public works	1,393,055	1,081,848	1,281,962
Health and social services	4,834	3,420	1,914
Culture and recreation	270,158	145,030	374,552
Community development	222,621	159,378	652,077
Interest on long-term debt	-	-	-
Total governmental activities	1,978,387	1,491,107	2,551,266
Business-type activities:			
Water	849,966	754,353	717,732
Sanitary Sewer	374,904	334,000	309,394
Stormwater	229,636	81,572	282,662
Solid Waste	375,900	385,125	406,217
Total business-type activities	1,830,406	1,555,050	1,716,005
Total government	\$ 3,808,793	\$ 3,046,157	\$ 4,267,271

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

	2007	2008	2009	2010	2011	2012
\$	24,827	\$ 18,666	\$ 17,734	\$ 17,203	\$ 17,320	\$ 19,725
	473,693	422,412	454,832	441,559	560,322	576,235
	1,623,672	1,733,656	1,405,157	1,722,103	1,620,506	2,537,507
	440	1,420	1,365	1,990	2,270	1,515
	720,784	269,036	331,144	579,335	284,661	236,903
	282,874	57,216	50,760	48,412	44,811	48,415
	-	-	-	-	-	-
	3,126,290	2,502,406	2,260,992	2,810,603	2,529,890	3,420,299
	774,759	815,706	769,746	834,110	839,068	1,078,898
	433,028	378,920	318,707	371,347	384,149	347,628
	139,030	355,836	274,074	415,069	185,736	119,337
	420,686	439,507	454,011	456,814	469,615	481,592
	1,767,503	1,989,969	1,816,537	2,077,341	1,878,568	2,027,454
\$	4,893,793	\$ 4,492,375	\$ 4,077,529	\$ 4,887,943	\$ 4,408,458	\$ 5,447,754

City of Clear Lake, Iowa

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

	2003	2004	2005
General Fund:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	1,823	53,844	1,976
Unreserved	2,430,262	2,083,920	2,221,373
Total General Fund	\$ 2,432,085	\$ 2,137,764	\$ 2,223,349
All Other Governmental Funds:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	39,000	44,370	2,000
Unreserved, reported in:			
Special revenue funds	1,084,965	1,330,373	1,597,129
Debt service funds	9,899	134,865	69,576
Capital projects funds	21,751	160,154	(3,703)
Permanent fund	2,000	2,000	-
Total all other government funds	\$ 1,157,615	\$ 1,671,762	\$ 1,665,002

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

Source: City Records

	2006	2007	2008	2009	2010	2011	2012
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-	-
	-	-	-	-	-	574,136	530,000
	-	-	-	-	-	2,861,372	2,994,689
	2,140	-	-	-	-	-	-
	1,962,802	2,232,472	2,808,130	2,854,234	2,649,619	-	-
\$	\$ 1,964,942	\$ 2,232,472	\$ 2,808,130	\$ 2,854,234	\$ 2,649,619	\$ 3,435,508	\$ 3,524,689
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 350,340	\$ 350,340
	-	-	-	-	-	2,593,283	2,549,854
	-	-	-	-	-	23,804	92,837
	-	-	-	-	-	-	-
	2,000	2,000	2,000	2,000	350,340	-	-
	1,367,417	1,403,743	1,755,909	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	-	-
\$	\$ 1,622,758	\$ 1,447,414	\$ 1,914,879	\$ 1,540,325	\$ 2,240,354	\$ 2,967,427	\$ 2,993,032

City of Clear Lake, Iowa

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

	2003	2004	2005
Revenues:			
Taxes	\$ 2,620,791	\$ 2,789,357	\$ 3,186,780
Special Assessments	733,831	351,697	270,686
Other Taxes	1,417,185	1,466,994	1,070,150
Intergovernmental	999,014	1,236,882	903,733
Licenses and permits	71,877	73,152	86,559
Charges for services	64,776	79,738	75,545
Fines and forfeitures	35,639	40,728	39,330
Use of money and property	82,455	72,406	103,934
Other	118,697	154,934	91,005
Total revenues	6,144,265	6,265,888	5,827,722
Expenditures:			
General government	586,441	621,862	566,647
Public safety	1,302,038	1,392,137	1,430,640
Public Works	827,812	917,542	747,266
Health and Social Services	18,004	14,412	19,074
Culture and recreation	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
Debt service:			
Principal	335,000	480,000	515,000
Bond issuance costs	-	-	-
Interest	182,208	152,828	129,899
Total expenditures	6,384,445	5,939,776	5,522,798
Excess of revenues (under) expenditures	(240,180)	326,112	304,924
Other financing sources (uses):			
Transfers in	630,414	1,107,108	1,172,333
Transfers out	(570,437)	(1,292,684)	(1,398,432)
Issuance of long-term debt	600,000	-	-
Premium (discount) on long-term debt	(8,500)	-	-
Proceeds from sale of property	2,644	970	-
Total other financing sources (uses)	654,121	(184,606)	(226,099)
Net changes in fund balance	\$ 413,941	\$ 141,506	\$ 78,825
Debt service as a percentage of noncapital expenditures			
	12.8%	14.5%	14.2%

	2006	2007	2008	2009	2010	2011	2012
\$	3,569,878	\$ 3,987,996	\$ 4,103,954	\$ 4,666,175	\$ 5,197,906	\$ 5,607,336	\$ 6,116,647
	397,935	349,713	297,684	292,028	528,006	358,120	164,142
	1,209,429	1,305,312	1,536,945	1,457,826	1,415,469	1,528,131	1,614,903
	1,353,832	1,248,161	1,372,237	1,388,871	1,033,335	1,513,934	2,297,784
	85,640	102,212	84,333	81,327	89,091	74,974	83,560
	184,509	391,578	477,504	485,115	449,556	554,409	541,709
	45,555	50,471	50,759	51,182	45,497	54,842	66,212
	155,920	191,862	163,055	123,033	75,700	57,515	54,816
	301,594	569,304	259,394	150,891	376,857	58,575	61,626
	7,304,292	8,196,609	8,345,865	8,696,448	9,211,417	9,807,836	11,001,400
	591,050	623,057	587,565	607,477	643,855	652,715	787,746
	2,268,711	2,083,584	2,049,105	2,256,840	2,607,314	2,341,237	2,569,059
	1,036,067	889,792	858,250	1,120,157	1,382,911	891,730	1,193,225
	19,075	753	1,503	1,782	1,359	7,021	558
	678,633	792,342	1,003,300	1,056,235	952,128	1,293,417	1,003,264
	979,706	558,864	395,324	377,937	801,697	480,541	401,870
	2,502,231	3,411,103	778,067	2,323,084	1,469,348	2,788,797	2,275,009
	475,000	685,000	800,000	720,000	1,815,000	725,000	921,000
	10,070	11,279	-	3,950	10,865	10,557	-
	129,916	193,729	221,707	197,880	172,286	116,649	175,578
	8,690,459	9,249,503	6,694,821	8,665,341	9,856,763	9,307,664	9,327,309
	(1,386,167)	(1,052,894)	1,651,044	31,107	(645,346)	500,172	1,674,091
	1,089,296	1,671,200	833,353	1,454,837	1,593,287	1,669,537	1,582,547
	(2,012,930)	(2,632,916)	(1,326,874)	(2,402,504)	(2,081,461)	(2,929,995)	(3,182,116)
	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	40,263
	1,085,516	1,030,684	(493,521)	(359,557)	1,140,760	1,012,792	(1,559,306)
\$	(300,651)	\$ (22,210)	\$ 1,157,523	\$ (328,450)	\$ 495,414	\$ 1,512,964	\$ 114,785

10.5%

14.6%

17.8%

13.3%

24.6%

13.8%

15.4%

City of Clear Lake, Iowa

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

Fiscal Year	Property	Local Option Sales Tax	Utility		Other Tax	Total
			Replacement Excise Tax	Hotel/Motel Tax		
2003	2,620,791	1,071,009	45,969	224,149	76,058	4,037,976
2004	2,746,535	1,302,932	38,010	47,433	78,619	4,213,529
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	3,987,996	1,119,089	47,809	47,572	90,842	5,293,308
2008	4,103,954	1,315,866	45,622	69,734	105,722	5,640,898
2009	4,666,175	1,133,687	46,035	168,049	110,056	6,124,002
2010	5,197,906	1,048,808	44,939	193,830	127,892	6,613,375
2011	5,607,336	1,214,955	39,806	157,131	116,239	7,135,467
2012	6,116,647	1,294,288	43,069	156,737	120,810	7,731,551

Change						
1st to Last year	133.39%	20.85%	-6.31%	-30.07%	58.84%	91.47%

Source: City records.

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

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City of Clear Lake, Iowa

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

Valuation Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Railway Property
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
2009	2011	252,207,210	80,735,873	2,461,998	773,533
2010	2012	269,369,516	81,130,573	2,431,548	723,761

Source: County Auditor's Office

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

Utility Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
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	631,819,644	50.65%
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%
13,427,933	349,606,547	2.31%	10.04870	747,349,306	46.78%
13,741,114	367,396,512	5.09%	10.54051	775,770,670	47.36%

City of Clear Lake, Iowa

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)**

Tax Valuation Year	Fiscal Year	City Direct Rates				Total Direct
		General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund	
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
2009	2011	7.38828	0.22025	1.61982	0.82035	\$ 10.04870
2010	2012	7.37830	0.23136	1.61869	1.31216	\$ 10.54051

Source: City records and County Auditor's office

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

Overlapping Rates

School District	Cerro Gordo County	North Iowa		Clear Lake Sanitary District	Total Rate
		Area Community College			
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
12.94152	6.90305	0.65707		1.45557	\$ 32.00591
12.92279	6.78845	0.66261		1.34516	\$ 32.25952

City of Clear Lake, Iowa

**Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

Taxpayer	2012			2003		
	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	\$ 5,364,525	1	1.46%	*	*	*
Interstate Power & Light Co	\$ 3,927,045	2	1.07%	*	*	*
National Bedding Company LLC	\$ 3,668,860	3	1.00%	*	*	*
Kingland Properties LC	\$ 3,618,800	4	0.98%	*	*	*
Clear Lake Independent Tele Co	\$ 3,101,767	5	0.84%	*	*	*
Apple Valley LLC	\$ 2,991,460	6	0.81%	*	*	*
Teamquest Corporation	\$ 2,744,000	7	0.75%	*	*	*
Petroleum Property Mgmt Inc	\$ 2,578,300	8	0.70%	*	*	*
Clear Lake Bank & Trust	\$ 2,471,105	9	0.67%	*	*	*
New Cole Sewell Corporation	\$ 2,365,120	10	0.64%	*	*	*
Total	\$ 32,830,982					

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

* Data for 2003 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
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%
2011	2009	3,537,879	3,537,879	100.00%
2012	2010	3,938,531	3,938,531	100.00%

Source: City records

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

Total Collections to Date		
Delinquent Collections	Amount	Percentage of Levy
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%
7,805	3,545,684	100.22%
11,745	3,950,276	100.30%

City of Clear Lake, Iowa

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

Fiscal Year	Governmental Activities		Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds	Less Amount Available in Debt Service			
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
2011	5,722,500	11,409	\$ 5,711,091	0.76%	734.36
2012	4,801,500	17,258	\$ 4,784,242	0.62%	615.18

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

Source: City records

Business-Type Activities					
Loan Payable	General Obligation Bonds		Total Primary Government	Percentage of Per Capita Income	Per Capita
-	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	1.67%	555.18
415,972	215,000	\$	5,979,248	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
120,000	1,404,000	\$	7,235,091	2.54%	930.32
120,000	1,207,000	\$	6,111,242	2.19%	785.81

City of Clear Lake, Iowa

**Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2012
(Unaudited)**

Governmental Unit	General Obligation Debt Outstanding	Percent Applicable to the City of Clear Lake	City of Clear Lake Share of Debt	Net General Obligation Debt Per Capita
Name of governmental unit:				
Direct, City of Clear Lake	\$ 6,008,500	100.00%	\$ 6,008,500	772.60
Indirect::				
Cerro Gordo County	11,055,000	18.38%	2,031,909	261.27
Clear Lake School District	8,600,000	71.57%	6,155,020	791.44
North Iowa Area Community College	8,525,000	6.55%	558,388	71.80
Clear Lake Sanitary District	2,590,000	77.05%	1,995,595	256.60
Subtotal, overlapping debt	30,770,000		10,740,912	1,381.11
Total direct and overlapping debt	36,778,500		\$ 16,749,412	2,153.71

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City of Clear Lake, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

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

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value \$ 775,770,670

Debt limit (5% of assessed value) 38,788,534

Debt applicable to limit:

General obligation bonds 6,008,500

Legal debt margin \$ 38,788,534

	2006	2007	2008	2009	2010	2011	2012
\$	27,839,182	\$ 29,842,939	\$ 31,644,412	\$ 34,273,168	\$ 36,460,500	\$ 37,367,465	\$ 38,788,534
	4,405,000	5,600,000	5,870,000	5,465,000	5,742,500	7,126,500	6,008,500
\$	23,434,182	\$ 24,242,939	\$ 25,774,412	\$ 28,808,168	\$ 30,718,000	\$ 30,240,965	\$ 32,780,034
	15.82%	18.76%	18.55%	15.95%	15.75%	19.07%	15.49%

City of Clear Lake, Iowa

Demographic and Economic Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
2003	45339	29,530	40.30	1,463	3.93%
2004	45118	30,747	41.13	1,426	3.92%
2005	45029	31,879	41.55	1,391	4.89%
2006	44645	33,072	42.15	1,404	3.80%
2007	44384	35,712	42.90	1,405	3.80%
2008	44016	37,188	43.17	1,378	4.80%
2009	43786	36,576	42.41	1,386	6.50%
2010	43609	37,680	42.5	1,304	6.70%
2011	44151	36,640	42.83	1,288	6.20%
2012	43938	35,862	43.44	1,289	5.60%

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	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	469	1	13.05%	500	1	
Dean Snyder Construction	170	2	4.73%		-	
TeamQuest Corporation	150	3	4.17%	91	3	
Serta Mattress Company	100	4	2.78%	90	4	
Kingland Systems Corporation	80	5	2.23%	60	6	
Clear Lake Bank & Trust	66	6	1.84%		-	
Andrews Prestressed Concrete	52	7	1.45%		-	
Oakwood Care Center	51	8	1.42%	90	4	
The South Street Bakery	37	9	1.03%		-	
Clear Lake Independent Telephone Co	28	10	0.78%		-	
Larson Manufacturing				327	2	

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)**

Functions/Program	Full-Time Equivalent Employees as of June 30				
	2003	2004	2005	2006	2007
General Government:					
Mayor/Council	6	6	6	6	6
City Administrator	1	1	1	1	1
City Clerk/Deputy City Clerk	1	1	1	1	1
Finance/Utilities/Janitor	4	4	4	4	4
Building & Zoning Official	1	1	1	1	1
Police:					
Officers	14	14	14	14	15
Civilian Support Supervisor	1	1	1	1	1
Dispatchers	4.5	4.5	4.5	4.5	4.5
Fire:					
Volunteers	23	22	25	22	25
Ambulance	-	-	-	6	6
Public Works:					
Administration	2	2	2	2	2
Vehicle Maintenance	1	1	1	1	1
Laborers	7	7	7	7	7
Water:					
Water plant superintendent	1	1	1	1	1
Laborers	2	2	2	2	2
Other Programs/Functions:					
Park & Recreation	2	2	2	2	2
Library	7	7	7	7	7
Total	78	77	79	82	86

Source: City records

Note: Does not include seasonal or temporary employees

Full-Time Equivalent Employees as of June 30

2008	2009	2010	2011	2012
6	6	6	6	6
1	1	1	1	1
1	1	1	1	1
4	4	4	4	4
1	1	1	1	1
15	15	16	16	16
1	1	1	1	1
4.5	5.5	5.5	5.5	5.5
25	25	25	25	25
6	6	6	6	6
2	2	1.5	1.5	1.5
1	1	1	1	1
7	7	7	7	7
1	1	1	1	1
2	2	2	2	2
2	2	2	2	2
7	7	7	7	7
86	87	88	88	88

City of Clear Lake, Iowa

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

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

Source: Department records

Note: ** Indicator not available

Calendar Year						
2005	2006	2007	2008	2009	2010	2011
8,318	8,527	8,129	7,491	6,531	8,755	9,531
533	520	607	468	454	383	410
635	704	1,390	1,606	1,943	1,038	628
383	248	686	874	500	505	341
674	912	1,095	1,086	923	1,096	1,167
220	173	158	288	174	214	217
454	739	937	798	749	882	950
\$ 419,000	\$ 593,000	\$ 340,000	\$ 491,000	\$ 297,500	\$ 348,750	\$ 75,600
124	126	161	145	158	144	135
\$ 13,962,026	\$ 12,913,941	\$ 18,331,333	\$ 10,722,966	\$ 11,110,377	\$ 6,801,839	\$ 10,505,569
34	26	25	22	15	11	13
8,884	8,812	9,100	9,552	8,244	8,579	7,746
136,723	140,801	141,341	141,579	145,378	144,934	139,654
1,354	1,629	1,429	1,374	1,974	1,801	1,937
130	150	170	195	194	210	192
		339	340	269	190	204
51	42	44	41	44	48	38
49	60	32	17	16	16	21
0.36	1.17	1.11	0.23	0.64	0.16	0.10
1.76	2.40	2.16	2.56	-	-	-
3,856	3,885	3,924	3,947	3,956	3,965	4,020
182	184	180	172	167	159	170
2,356	2,355	2,396	2,368	2,364	2,372	2,369
348	339	341	312	284	280	288
1,453	1,230	1,240	1,709	1,736	1,487	1,824

City of Clear Lake, Iowa

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

Function/Program	2003	2004	2005	2006
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	79.1	79.3	79.3	79.3
Traffic Signals	8	8	9	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	48,464	48,101	49,560	48,830
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	931,000	962,000	889,000	864,000
Peak Consumption	1,534,000	1,350,000	1,251,000	1,381,000
Water Lines (miles)	52.0	52.1	52.8	53.5
Wastewater:				
Sanitary Sewers (miles)	44.1	44.4	44.8	44.8

Source: Department records

2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
1	1	1	1	1	1
80.3	80.3	80.4	80.4	80.4	80.4
9	9	10	10	10	10
33	52	52	52	52	52
11	11	11	11	11	11
6	6	6	6	6	6
1	1	1	1	1	1
45,374	51,043	52,785	54,369	55,086	56,396
1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000
910,000	854,000	823,000	787,668	854,992	824,686
1,533,000	1,609,000	1,424,000	1,387,000	1,293,000	1,494,000
53.6	54.2	55.0	55.0	58.6	58.6
46.5	46.5	47.2	47.2	47.2	47.2

City of Clear Lake, Iowa

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed through the Iowa Economic Development Authority:			
Community Development Block Grant	14.228	08-DRI-241	<u>\$ 1,232,466</u>
U.S. Department of Justice:			
Passed through the Iowa Department of Justice:			
Crime Victim Grant	16.--		<u>786</u>
U.S. Department of Transportation:			
Passed through the State of Iowa Department of Public Safety Governance Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		12,714
Passed through the Iowa Department of Transportation:			
Highway Planning and Construction	20.205	02-10-STPU-012	<u>126,047</u>
Total for U.S. Department of Transportation			<u><u>138,761</u></u>
U.S. Department of Energy:			
Passed through the Iowa Economic Development Authority:			
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	EECBG10-3480	<u>14,081</u>
Total expenditures of federal awards			<u><u>\$ 1,386,094</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

City of Clear Lake, Iowa

Notes to Schedule of Expenditures of Federal Awards

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, 2012. 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 Nonprofit 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, 2012**

Comment	Status	Corrective Action or Other Explanation
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Significant Deficiency

11-II-A Inadequate segregation of duties over cash receipts.	Corrected	Corrective action has been taken. The City has incorporated cross training procedures and proper segregation of duties over cash receipts.
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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards**

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

We have audited the financial statements of the 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, 2012, which collectively comprise the City of Clear Lake, Iowa's basic financial statements, and have issued our report thereon dated November 26, 2012. 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 previously.

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*.

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.

A handwritten signature in cursive script that reads "McGladrey LLP".

Des Moines, Iowa
November 26, 2012



**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, 2012. 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, 2012.

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 the 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 LLP

Des Moines, Iowa
November 26, 2012

City of Clear Lake, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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)

City of Clear Lake, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

A. Internal Controls

None reported

B. Compliance Findings

None reported

III. Findings and Questioned Costs for Federal Awards

A. Internal Controls

None reported

B. Compliance Findings

None reported

City of Clear Lake, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

IV. Other Findings Related To Required Statutory Reporting

12-IV-A – Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

12-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.

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

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

12-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.

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

12-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.

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

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

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