

# **City of Clear Lake, Iowa**

Financial and Compliance Report  
Year Ended June 30, 2013



## Contents

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<b>Introductory Section</b>	
Table of contents	i – ii
City officials	iii
Organization chart	iv
<hr/>	
<b>Financial Section</b>	
<hr/>	
Independent auditor's report	1 – 3
Management's discussion and analysis	4 – 14
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	15 – 16
Statement of activities	17 – 18
Fund financial statements:	
Balance sheet – governmental funds	19 – 20
Reconciliation of total governmental fund balances to net position of governmental activities	21
Statement of revenues, expenditures and changes in fund balances – governmental funds	22 – 23
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	24
Statement of net position – proprietary funds	25 – 26
Statement of revenues, expenses and changes in net position – proprietary funds	27
Statement of cash flows – proprietary funds	28 – 29
Notes to basic financial statements	30 – 51
Required Supplementary Information:	
Other Postemployment Benefit Plan	52
Budgetary comparison schedule – budget and actual – all governmental and proprietary funds	53 – 54
Note to required supplementary information	55
Supplementary Information:	
Nonmajor governmental funds:	
Combining balance sheet	56 – 57
Combining statement of revenues, expenditures and changes in fund balances	58 – 59

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## Contents

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<b>Statistical Section (Unaudited)</b>	
Statistical section contents	60
Net position by component	61 - 62
Changes in net position	63 - 66
Program revenues by function/program	67 - 68
Fund balances, governmental funds	69 - 70
Changes in fund balances, governmental funds	71 - 72
Tax revenues by source, governmental funds	73
Assessed value and estimated actual value of taxable property	74 - 75
Direct and overlapping property tax rates	76 - 77
Principal property taxpayers	78
Property tax levies and collections	79 - 80
Ratios of net general bonded debt outstanding by type	81 - 82
Computation of direct and overlapping debt	83
Legal debt margin information	84 - 85
Demographic and economic statistics	86
Principal employers	87
Full-time equivalent City government employees by functions/programs	88 - 89
Operating indicators by function/program	90 - 91
Capital asset statistics by function/program	92 - 93

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<b>Compliance Section</b>	
Schedule of expenditures of federal awards	94
Notes to schedule of expenditures of federal awards	95
Summary schedule of prior audit findings	96
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	97 - 98
Independent auditor's report on compliance for each major federal program and on internal control over compliance in accordance with OMB Circular A-133	99 -100
Schedule of findings and questioned costs	101 -105

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**City of Clear Lake, Iowa**

**City Officials  
June 30, 2013**

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		<u>Term Expiration Date of Elected Officials</u>
Nelson Crabb	Mayor	12/31/2013
Dana Brant	1st Ward City Council Member	12/31/2015
Tony Nelson	2nd Ward City Council Member	12/31/2013
Jim Boehnke	3rd Ward City Council Member	12/31/2015
Mike Callanan	At Large City Council Member	12/31/2015
Terry Unsworth	At Large City Council Member	12/31/2013

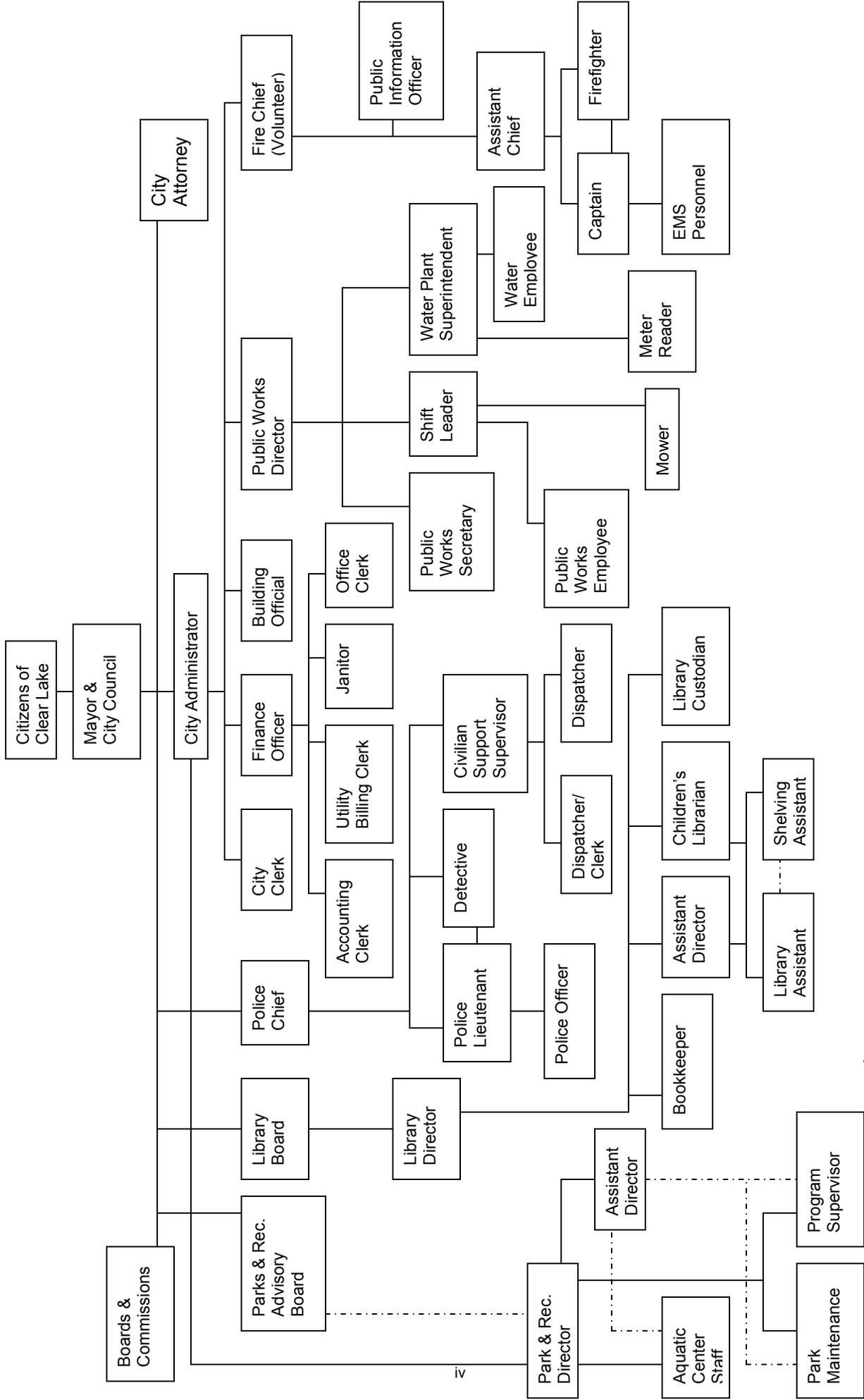
**Park and Recreation Board**

Jim Finstad  
Chyrl Bergvig  
Brenda Anderson  
Amanda Korenberg  
Darron Jones  
Scott Lester  
Amy Hogg  
Randy Miller - Director  
Steven Story - Assistant

**Library Board**

Diane Glynn  
Dave Suntken  
Tom Arndorfer  
Jana Severtson  
Elizabeth Cherry  
Bennett Smith  
Scott Johnson  
Jean Casey - Director  
Elizabeth Den Hartog - Assistant Director

# City of Clear Lake Organizational Chart





## Independent Auditor's Report

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis Of Matter***

As discussed in Note 12 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information, on pages 4–14 and 52–55 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information, including the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such

information has been subjected to the auditing procedures applied in the audit 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Bohnsack & Frommelt LLP*

Taylor Ridge, Illinois  
November 15, 2013

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## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2013

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It is an honor to present to you the financial picture of the City of Clear Lake, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Clear Lake, Iowa for the year ended June 30, 2013.

#### Financial Highlights

The assets of the City of Clear Lake, Iowa exceeded its liabilities at the close of the most recent fiscal year by \$50,568,552 (net position). Of this amount, \$6,744,421 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2012, assets exceeded liabilities by \$48,336,064. Of this amount, \$5,240,992 was unrestricted.

The government's total net position increased by \$2,232,487 during the year ended 2013. Governmental activities increased by \$1,598,324 and business-type activities increased by \$634,163. For fiscal year ended June 30, 2012, total net position increased by \$4,055,972. Governmental activities increased by \$2,264,087 and business-type activities increased by \$1,791,885.

As of the close of this current fiscal year, the City of Clear Lake, Iowa's governmental funds reported combined ending fund balances of \$7,346,675 an increase of \$828,953 in comparison with the prior year. Approximately 57.6 percent of this total amount, 4,233,781, is unassigned fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2012, governmental funds reported combined ending fund balances of \$6,517,722, of which \$2,994,690 or 45.9 percent is unassigned.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,329,687 or 72.6 percent of total General Fund expenditures compared to \$2,994,690 and 60.7 percent as of June 30, 2012.

#### 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 position presents information on all of the City of Clear Lake, Iowa's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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, Iowa 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).

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2013

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The governmental activities of the City of Clear Lake, Iowa 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, Iowa 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.

**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 twelve 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, Capital Projects and Debt Service, which are considered to be major funds. Data from the other eight 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.

The City adopts an annual appropriated budget which includes all of its funds. A budgetary comparison schedule has been provided as required supplementary information to demonstrate compliance with this budget on pages 53 through 55.

**Proprietary funds** – The City of Clear Lake, Iowa 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, Iowa 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 and Solid Waste Fund as these funds are considered to be major funds of the City of Clear Lake. The City also has the Solid Waste Fund which is considered a nonmajor enterprise fund.

**City of Clear Lake, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2013**

**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 position may serve over time as a useful indicator of a government's financial position. The City's total net position has increased from a year ago. Table 1 reflects total net position of \$50,568,552, which represents an increase of \$2,232,487 from 2012.

Of the City of Clear Lake's net position, 82 percent reflects its investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, infrastructure, machinery and equipment); less depreciation and any related debt used to acquire those assets that are 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 Position

	Governmental Activities June <b>2013</b>	Governmental Activities June 2012	Business-Type Activities June <b>2013</b>	Business-Type Activities June 2012	Total June <b>2013</b>	Total June 2012
Current and other assets	\$ 14,190,415	\$ 14,505,639	\$ 2,260,001	\$ 1,673,468	\$ 16,450,416	\$ 16,179,107
Capital assets	26,229,480	26,037,263	20,072,614	20,256,539	46,302,094	46,293,802
<b>Total assets</b>	<b>40,419,895</b>	40,542,902	<b>22,332,615</b>	21,930,007	<b>62,752,510</b>	62,472,909
Noncurrent liabilities	3,360,545	2,015,866	944,380	561,183	4,304,925	2,577,049
Other liabilities	1,746,163	3,996,330	528,957	1,143,709	2,275,120	5,140,039
<b>Total liabilities</b>	<b>5,106,708</b>	6,012,196	<b>1,473,337</b>	1,704,892	<b>6,580,045</b>	7,717,088
Total deferred inflows of resources	5,603,913	6,419,757	-	-	5,603,913	6,419,757
Net position:						
Net investment in capital assets	22,308,980	21,265,338	18,943,614	18,929,539	41,252,594	40,194,877
Restricted	2,571,537	2,900,195	-	-	2,571,537	2,900,195
Unrestricted	4,828,757	3,945,416	1,915,664	1,295,576	6,744,421	5,240,992
<b>Total net position</b>	<b>\$ 29,709,274</b>	\$ 28,110,949	<b>\$ 20,859,278</b>	\$ 20,225,115	<b>\$ 50,568,552</b>	\$ 48,336,064

A restricted portion of the City's net position (5 percent as of June 30, 2013) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,744,421 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 position. The same situation held true for the prior fiscal year.

The City's total net position increased by \$2,232,487 during the year ended June 30, 2013. The governmental-type activities' net position increased by \$1,598,324. The total business-type activities' net position increased by \$634,163. This increase was due to the completion of several construction projects and purchase of machinery and equipment coupled with the continued pay down of debt.

City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2013

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2013. These two main components are subtracted to yield the change in net position. This table utilizes the full accrual method of accounting. 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

	<b>Governmental Activities</b>	Governmental Activities	<b>Business-Type Activities</b>	Business-Type Activities	<b>Total</b>	Total
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 793,675	\$ 889,283	\$ 1,804,577	\$ 1,780,990	\$ 2,598,252	\$ 2,670,273
Operating grants and contributions	1,078,941	814,049	-	-	1,078,941	814,049
Capital grants and contributions	654,843	1,716,968	-	246,465	654,843	1,963,433
General revenues:						
Property taxes	6,404,107	6,116,647	-	-	6,404,107	6,116,647
Other taxes	1,536,138	1,614,904	-	-	1,536,138	1,614,904
Investment earnings	38,350	38,278	4,398	2,969	42,748	41,247
Gain on sale of capital assets	-	19,863	-	-	-	19,863
<b>Total revenues</b>	<b>10,506,054</b>	<b>11,209,992</b>	<b>1,808,975</b>	<b>2,030,424</b>	<b>12,315,029</b>	<b>13,240,416</b>
<b>Expenses:</b>						
General government	\$ 786,184	\$ 801,774	\$ -	\$ -	\$ 786,184	\$ 801,774
Public safety	2,866,571	2,648,820	-	-	2,866,571	2,648,820
Public works	2,799,841	2,165,434	-	-	2,799,841	2,165,434
Health and social services	755	558	-	-	755	558
Culture and recreation	1,118,633	1,141,986	-	-	1,118,633	1,141,986
Community and economic development	360,139	401,268	-	-	360,139	401,268
Interest on long-term debt	198,537	186,496	-	-	198,537	186,496
Water	-	-	983,988	860,874	983,988	860,874
Sewer rental	-	-	292,426	302,830	292,426	302,830
Storm water	-	-	209,412	211,204	209,412	211,204
Solid waste	-	-	466,056	463,200	466,056	463,200
<b>Total expenses</b>	<b>8,130,660</b>	<b>7,346,336</b>	<b>1,951,882</b>	<b>1,838,108</b>	<b>10,082,542</b>	<b>9,184,444</b>
<b>Excess (deficiency) before transfers</b>	<b>2,375,394</b>	<b>3,863,656</b>	<b>(142,907)</b>	<b>192,316</b>	<b>2,232,487</b>	<b>4,055,972</b>
Transfers	(777,070)	(1,599,569)	777,070	1,599,569	-	-
<b>Change in net position</b>	<b>1,598,324</b>	<b>2,264,087</b>	<b>634,163</b>	<b>1,791,885</b>	<b>2,232,487</b>	<b>4,055,972</b>
Net position, beginning	28,110,950	25,846,862	20,225,115	18,433,230	48,336,065	44,280,092
Net position, ending	\$ 29,709,274	\$ 28,110,949	\$ 20,859,278	\$ 20,225,115	\$ 50,568,552	\$ 48,336,064

**City of Clear Lake, Iowa**

**Management's Discussion and Analysis  
Year Ended June 30, 2013**

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	<b>Total Cost of Services 2013</b>	Total Cost of Services 2012	<b>Net Cost of Services 2013</b>	Net Cost of Services 2012
Public safety	\$ 2,866,571	\$ 2,648,820	\$ (2,300,519)	\$ (2,072,585)
Public works	2,799,841	2,165,434	(1,197,457)	372,073
Health and social services	755	558	295	957
Culture and recreation	1,118,633	1,141,986	(830,330)	(905,083)
Community and economic development	360,139	401,268	(310,139)	(352,853)
General government	786,184	801,774	(766,514)	(782,049)
Interest on long-term debt	198,537	186,496	(198,537)	(186,496)
<b>Total</b>	<b>\$ 8,130,660</b>	<b>\$ 7,346,336</b>	<b>\$ (5,603,201)</b>	<b>\$ (3,926,036)</b>

Net cost of services is 69 percent of total cost of services for the year ended June 30, 2013 and 53 percent for the year ended June 30, 2012. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

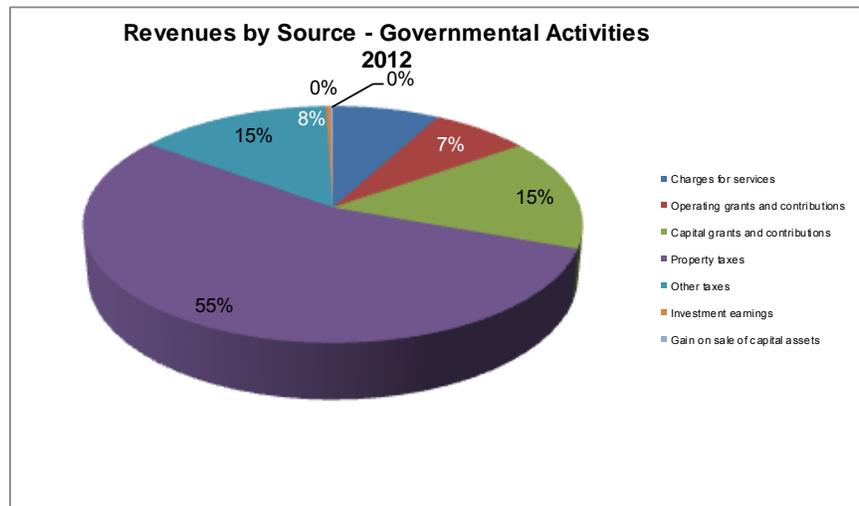
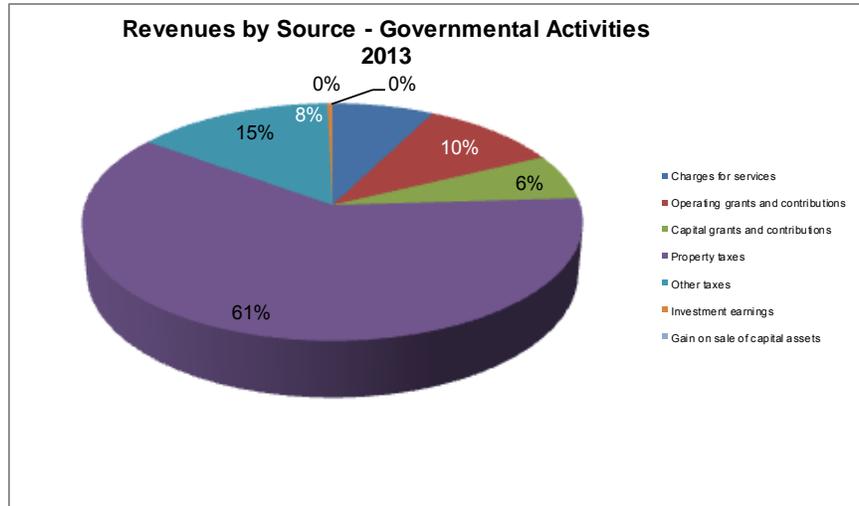
City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2013

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**Governmental Activities**

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2013 and 2012.



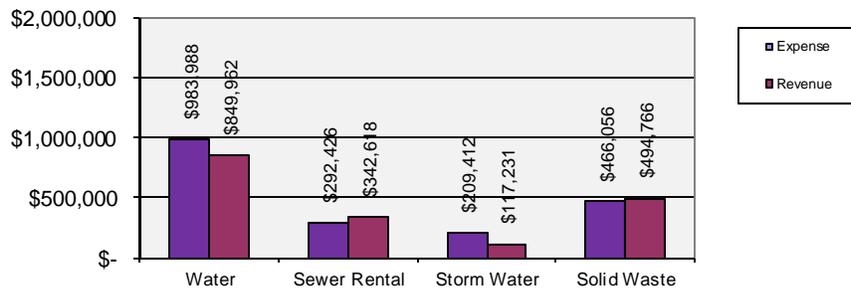
City of Clear Lake, Iowa

Management's Discussion and Analysis  
 Year Ended June 30, 2013

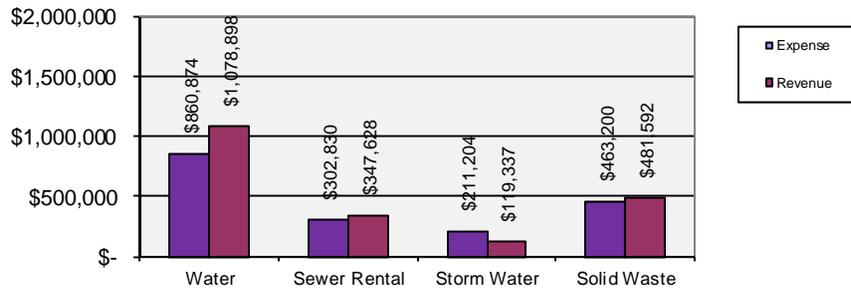
**Business-type activities:** For the year ended June 30, 2013, business-type activities increased the City of Clear Lake's net position by \$634,163.

Total business-type activities' revenue for the fiscal year was \$1,808,975. All but \$4,398 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 for 2013 and 2012.

Expenses and Program Revenues - Business-Type Activities  
 2013



Expenses and Program Revenues - Business-Type Activities  
 2012



## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2013

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#### Financial Analysis of the Government's Funds

As noted earlier, the City of Clear Lake, Iowa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the City of Clear Lake, Iowa' 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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Clear Lake itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Clear Lake's City Council.

As of June 30, 2013, the City of Clear Lake, Iowa' governmental funds reported combined ending fund balances of \$7,346,675, an increase of \$828,953 from June 30, 2012. The City's unassigned balance was \$4,233,781 as of June 30, 2013 compared to \$2,994,690 as of June 30, 2012. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form - \$350,340, 2) legally required to be maintained intact or restricted for particular purposes by enabling legislation or by third parties - \$2,223,755 or 3) Committed for particular purposes - \$538,799.

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 \$4,329,687, while total fund balance increased by \$1,268,454. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 73 percent of total General Fund expenditures compared to 61 percent in the prior year, while total fund balance represents approximately 81 percent of General Fund expenditures compared to 61 percent in the prior year.

The General Fund's largest revenue sources other than property taxes consist of local option sales tax, utility replacement excise tax, hotel/motel tax and other taxes. These sources contribute 27 percent of revenue used to fund the general purposes of the City including police, streets and parks. These revenue sources have a direct correlation with the health of the economy. Another 8 percent of the City's General Fund revenues were derived from charges for services.

The fund balance of the City's General Fund increased by \$1,268,454 during the current fiscal year. This was due primarily from a transfer from the Tax Increment Financing Fund to reimburse the General Fund for capital projects completed.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance decreased \$792,427 from \$696,521 in 2012 to (95,906) in 2013. The decrease in TIF fund balance was due to the completion of several capital projects and timing issues related to the revenues and expenditures for capital projects.

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2013

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The Capital Projects Fund balance decreased by \$225,720 to \$14,756 in 2013 from \$240,476 in 2012. This decrease was due to continued progress on planned capital projects.

The Debt Service Fund balance increased \$14,950 from \$17,258 in 2012 to \$32,208 in 2013. The Debt Service Fund continues to service debt as it becomes due. In the current year, payments of \$1,260,000 were made to refund the 2006 General Obligation Corporate Purpose Note, the 2007A General Obligation Corporate Purpose Bonds and the 2006 General Obligation Corporate Purpose Bond from proceeds of the \$1,260,000 2013 General Obligation Refunding Bonds.

**Proprietary funds** – The City of Clear Lake's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The Water Fund had a change in net position of \$581,532 primarily due to a transfer from the Tax Increment Financing Fund for the completion of a capital project. The net position of the Water Fund as of June 30, 2013 was \$8,886,653 compared to \$8,305,121 as of June 30, 2012.

The Sewer Rental Fund had a change in net position of \$75,443. The net position of the Sewer Rental Fund was \$5,787,012 compared to \$5,711,569 as of June 30, 2012. The increase is due to charges for services covering expenditures necessary to operate the Fund.

The Storm Water Fund had a change in net position of (\$37,802). The deficit is created by revenues generated through charges for services being insufficient to fund both operating expenses and depreciation of capital assets of the system. The ending net position as of June 30, 2013 was \$6,038,664 compared to \$6,076,466 as of June 30, 2012.

### **Budgetary Highlights**

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

During the year, one budget amendment increased budgeted expenditures and transfers out by a total of \$2,994,085. The budget amendment was made to adjust revenues and expenditures for capital projects and grant revenues. Also, to adjust revenues for revised estimates in Tax Increment Financing revenues and adjust for refunding of general obligation bonds.

During the year, expenditures for all functions were less than budgeted.

City of Clear Lake, Iowa

Management's Discussion and Analysis  
Year Ended June 30, 2013

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, 2013, amounts to \$46,302,094 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure. Major capital asset events during the year included a purchase of a fire truck, ambulance, completion of the Community Development Block Grant (CDBG) funded street project and the north shore drive streetscape project.

City of Clear Lake's Capital Assets

	Governmental Activities		Business-Type		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,070,993	\$ 3,003,621	\$ 410,188	\$ 331,716	\$ 3,481,181	\$ 335,337
Construction-in-progress	239,738	1,430,176	261,490	1,110	501,228	1,431,286
Buildings and improvements	8,977,665	8,977,665	1,509,204	1,509,204	10,486,869	10,486,869
Machinery and equipment	23,679,490	23,162,428	26,059,118	26,078,496	49,738,608	49,240,924
Infrastructure	5,610,911	4,779,951	979,293	962,834	6,590,204	5,742,785
Accumulated depreciation	(15,349,317)	(15,316,578)	(9,146,679)	(8,626,821)	(24,495,996)	(23,943,399)
<b>Total</b>	<b>\$ 26,229,480</b>	<b>\$ 26,037,263</b>	<b>\$ 20,072,614</b>	<b>\$ 20,256,539</b>	<b>\$ 46,302,094</b>	<b>\$ 43,293,802</b>

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

**Debt** - As of June 30, 2013, the City of Clear Lake, Iowa had general obligation loan notes, general obligation bonds and a note payable totaling \$5,049,500 compared to \$6,128,500 as of June 30, 2012. For the year ended June 30, 2013, the City paid \$2,339,000 in principal and \$198,537 in interest on outstanding debt. In March 2013, the City issued \$1,260,000 of General Obligation Refunding Bonds to refund two general obligation bonds and one general obligation loan note. Then new bonds were issued at a rates ranging from .4 percent to .8 percent.

Table 5 - Outstanding Debt, June30

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation loan notes	\$ 730,500	\$ 1,136,500	\$ 354,000	\$ 437,000	\$ 1,084,500	\$ 1,573,500
General obligation bonds	3,190,000	3,665,000	655,000	770,000	3,845,000	4,435,000
Note payable	-	-	120,000	120,000	120,000	120,000
	<b>\$ 3,920,500</b>	<b>\$ 4,801,500</b>	<b>\$ 1,129,000</b>	<b>\$ 1,327,000</b>	<b>\$ 5,049,500</b>	<b>\$ 6,128,500</b>

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

## City of Clear Lake, Iowa

### Management's Discussion and Analysis Year Ended June 30, 2013

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

- Real property assessed values have continued to rise with tax year 2013 to \$785,786,768 from \$775,770,670 in 2012.
- The unemployment rate for Cerro Gordo County at June 30, 2013 is 5.3 percent. The rate for Cerro Gordo County decreased from last year's rate of 5.6 percent.
- As the General Fund is to a significant percent funded by property taxes and other taxes, the City continues to encourage new development that supports these revenue sources

#### Requests for Information

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

City of Clear Lake, Iowa

Statement of Net Position  
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,846,029	\$ 523,202	\$ 2,369,231
Certificates of deposit	5,041,660	1,450,000	6,491,660
Investments	178,299	-	178,299
Receivables:			
Property taxes	5,662,836	-	5,662,836
Special assessments	440,557	-	440,557
Accounts, net of allowances for uncollectibles of \$211,917	152,215	162,050	314,265
Unbilled usage	-	35,682	35,682
Other	16,780	-	16,780
Due from other governments	525,471	-	525,471
Internal balances	(23,772)	23,772	-
Inventories	-	65,295	65,295
<b>Total current assets</b>	<b>13,840,075</b>	<b>2,260,001</b>	<b>16,100,076</b>
Noncurrent assets:			
Restricted cash and investments	350,340	-	350,340
Capital assets:			
Land	3,070,993	410,188	3,481,181
Construction-in-progress	239,738	261,490	501,228
Buildings and improvements	8,977,665	1,509,204	10,486,869
Machinery and equipment	23,679,490	26,059,118	49,738,608
Infrastructure	5,610,911	979,293	6,590,204
Less accumulated depreciation	(15,349,317)	(9,146,679)	(24,495,996)
<b>Total capital assets</b>	<b>26,229,480</b>	<b>20,072,614</b>	<b>46,302,094</b>
<b>Total noncurrent assets</b>	<b>26,579,820</b>	<b>20,072,614</b>	<b>46,652,434</b>
<b>Total assets</b>	<b>\$ 40,419,895</b>	<b>\$ 22,332,615</b>	<b>\$ 62,752,510</b>

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
Liabilities			
Current liabilities:			
Accounts and contracts payable	\$ 595,408	\$ 191,026	\$ 786,434
Accrued liabilities	215,945	56,126	272,071
Deposits	5,000	56,389	61,389
Unearned revenue	58,434	-	58,434
Accrued interest payable	5,814	-	5,814
Compensated absences	159,562	20,416	179,978
Current portion of bonds and notes	706,000	205,000	911,000
<b>Total current liabilities</b>	<b>1,746,163</b>	<b>528,957</b>	<b>2,275,120</b>
Noncurrent liabilities:			
Other postemployment benefits obligation	146,045	20,380	166,425
Bonds payable	2,530,000	535,000	3,065,000
Notes payable	684,500	389,000	1,073,500
<b>Total noncurrent liabilities</b>	<b>3,360,545</b>	<b>944,380</b>	<b>4,304,925</b>
<b>Total liabilities</b>	<b>5,106,708</b>	<b>1,473,337</b>	<b>6,580,045</b>
Deferred inflows of resources, unavailable revenue, property taxes	5,603,913	-	5,603,913
Net Position:			
Net investment in capital assets	22,308,980	18,943,614	41,252,594
Restricted for:			
Nonexpendable endowment corpus	350,340	-	350,340
Donor restricted purposes	269,368	-	269,368
Road use tax	1,390,300	-	1,390,300
Tax levy purposes	310,724	-	310,724
Law enforcement forfeiture	16,752	-	16,752
Grant purposes	3,223	-	3,223
Revolving loan fund	230,830	-	230,830
Unrestricted	4,828,757	1,915,664	6,744,421
<b>Total net position</b>	<b>29,709,274</b>	<b>20,859,278</b>	<b>50,568,552</b>
<b>Total liabilities and net position</b>	<b>\$ 40,419,895</b>	<b>\$ 22,332,615</b>	<b>\$ 62,752,510</b>

**City of Clear Lake, Iowa**

**Statement of Activities  
Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Public safety	\$ 2,866,571	\$ 381,755	\$ 184,297	\$ -
Public works	2,799,841	193,488	754,053	654,843
Health and social services	755	1,050	-	-
Culture and recreation	1,118,633	152,712	135,591	-
Community and economic development	360,139	45,000	5,000	-
General government	786,184	19,670	-	-
Interest on long-term debt	198,537	-	-	-
<b>Total governmental activities</b>	<b>8,130,660</b>	<b>793,675</b>	<b>1,078,941</b>	<b>654,843</b>
Business-type activities:				
Water	983,988	849,962	-	-
Sewer rental	292,426	342,618	-	-
Storm water	209,412	117,231	-	-
Solid waste	466,056	494,766	-	-
<b>Total business-type activities</b>	<b>1,951,882</b>	<b>1,804,577</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 10,082,542</b>	<b>\$ 2,598,252</b>	<b>\$ 1,078,941</b>	<b>\$ 654,843</b>

**General Revenues**

Taxes:  
 Property taxes  
 Other taxes  
 Investment earnings

**Transfers**

**Total general revenues and transfers**

Changes in net position  
 Net position, beginning of year  
 Net position, 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
\$ (2,300,519)	\$ -	\$ (2,300,519)
(1,197,457)	-	(1,197,457)
295	-	295
(830,330)	-	(830,330)
(310,139)	-	(310,139)
(766,514)	-	(766,514)
(198,537)	-	(198,537)
<u>(5,603,201)</u>	<u>-</u>	<u>(5,603,201)</u>
-	(134,026)	(134,026)
-	50,192	50,192
-	(92,181)	(92,181)
-	28,710	28,710
-	<u>(147,305)</u>	<u>(147,305)</u>
<u>(5,603,201)</u>	<u>(147,305)</u>	<u>(5,750,506)</u>
6,404,107	-	6,404,107
1,536,138	-	1,536,138
38,350	4,398	42,748
<u>(777,070)</u>	<u>777,070</u>	<u>-</u>
<u>7,201,525</u>	<u>781,468</u>	<u>7,982,993</u>
1,598,324	634,163	2,232,487
28,110,950	20,225,115	48,336,065
<u>\$ 29,709,274</u>	<u>\$ 20,859,278</u>	<u>\$ 50,568,552</u>

City of Clear Lake, Iowa

**Balance Sheet  
Governmental Funds  
June 30, 2013**

<b>Assets</b>	General	Tax Increment Financing	Capital Projects
Cash and cash equivalents	\$ 1,364,226	\$ 42,340	\$ 117,337
Certificates of deposit	3,095,000	300,000	-
Investments	-	-	-
Restricted assets, cash	-	-	-
Receivables, net of allowance:			
Property taxes	3,776,513	752,112	-
Special assessments	440,557	-	-
Accounts, consumers net of allowance of \$211,500	152,215	-	-
Other	8,000	305	-
Due from other governments	312,570	-	149,213
Due from other funds	411,437	-	-
<b>Total assets</b>	<b>\$ 9,560,518</b>	<b>\$ 1,094,757</b>	<b>\$ 266,550</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts and contracts payable	\$ 353,740	\$ -	\$ 201,568
Accrued liabilities	149,460	-	15,723
Due to other funds	18,507	462,372	-
Deposits	5,000	-	-
Unearned revenue	58,434	-	-
<b>Total liabilities</b>	<b>585,141</b>	<b>462,372</b>	<b>217,291</b>
Deferred Inflows of Resources, unavailable revenue,			
Property taxes	3,751,083	728,291	-
Grants	18,750	-	34,503
special assessments	351,814	-	-
Other	-	-	-
<b>Total deferred inflows of resources</b>	<b>4,121,647</b>	<b>728,291</b>	<b>34,503</b>
Fund balances:			
Nonspendable:			
Endowment corpus	-	-	-
Restricted:			
Library foundation	-	-	-
Road use tax	-	-	-
Tax levy purposes	-	-	-
Law enforcement forfeiture	-	-	-
Grant purposes	-	-	-
Revolving loan fund	-	-	-
Committed:			
City hall and police remodel	370,000	-	-
Capital improvement reserve	100,000	-	14,756
Firefighter incentive program	54,043	-	-
Unassigned	4,329,687	(95,906)	-
<b>Total fund balances</b>	<b>4,853,730</b>	<b>(95,906)</b>	<b>14,756</b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 9,560,518</b>	<b>\$ 1,094,757</b>	<b>\$ 266,550</b>

See Notes to Basic Financial Statements.

Debt Service	Nonmajor Governmental Funds	Total
\$ 360	\$ 321,766	\$ 1,846,029
15,000	1,631,660	5,041,660
-	178,299	178,299
-	350,340	350,340
410,733	723,478	5,662,836
-	-	440,557
-	-	152,215
2	8,473	16,780
-	63,688	525,471
12,107	35,000	458,544
<u>\$ 438,202</u>	<u>\$ 3,312,704</u>	<u>\$ 14,672,731</u>

\$ -	\$ 40,100	\$ 595,408
-	7,760	172,943
-	1,437	482,316
-	-	5,000
-	-	58,434
-	49,297	1,314,101

405,994	718,545	5,603,913
-	-	53,253
-	-	351,814
-	2,975	2,975
<u>405,994</u>	<u>721,520</u>	<u>6,011,955</u>

-	350,340	350,340
-	269,368	269,368
-	1,390,300	1,390,300
32,208	278,516	310,724
-	16,752	16,752
-	3,223	3,223
-	233,388	233,388
-	-	370,000
-	-	114,756
-	-	54,043
-	-	4,233,781
<u>32,208</u>	<u>2,541,887</u>	<u>7,346,675</u>

<u>\$ 438,202</u>	<u>\$ 3,312,704</u>	<u>\$ 14,672,731</u>
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City of Clear Lake, Iowa

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2013

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Total governmental fund balances		\$	7,346,675
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Capital assets	\$	41,578,797	
Accumulated depreciation		<u>(15,349,317)</u>	26,229,480
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:			
Unavailable revenues			408,042
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation loan notes, current		(46,000)	
General obligation loan notes, noncurrent		(684,500)	
General obligation bonds, current		(660,000)	
General obligation bonds, noncurrent		(2,530,000)	
Accrued interest payable		(5,814)	
Other accrued liabilities		(43,002)	
Compensated absences, current		(159,562)	
Other postemployment benefits obligation		<u>(146,045)</u>	<u>(4,274,923)</u>
<b>Net position of governmental activities</b>			<u><u>\$ 29,709,274</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 (Deficits)  
Governmental Funds  
Year Ended June 30, 2013**

	General	Tax Increment Financing	Capital Projects
<b>Revenues:</b>			
Property taxes	\$ 2,985,052	\$ 2,298,156	\$ -
Other taxes	1,524,854	-	-
Special assessments	242,193	-	-
Licenses and permits	86,736	-	-
Intergovernmental	234,565	-	793,097
Charges for services	443,211	-	-
Fines and forfeitures	38,338	-	-
Use of money and property	24,637	3,750	119
Miscellaneous	49,032	-	-
<b>Total revenues</b>	<b>5,628,618</b>	<b>2,301,906</b>	<b>793,216</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	3,390,377	-	-
Public works	688,178	-	-
Health and social services	751	-	-
Culture and recreation	967,311	-	-
Community and economic development	167,352	176,717	-
General government	719,925	-	-
Capital projects	-	-	1,198,646
<b>Debt service:</b>			
Principal	-	-	-
Interest	23,339	-	-
<b>Total expenditures</b>	<b>5,957,233</b>	<b>176,717</b>	<b>1,198,646</b>
<b>Revenues over (under) expenditures</b>	<b>(328,615)</b>	<b>2,125,189</b>	<b>(405,430)</b>
<b>Other financing sources (uses):</b>			
Proceeds from sale of capital assets	45,442	-	-
Issuance of long-term debt	-	-	-
Transfers in	1,836,534	-	392,500
Transfers out	(284,907)	(2,917,616)	(212,790)
<b>Total other financing sources (uses)</b>	<b>1,597,069</b>	<b>(2,917,616)</b>	<b>179,710</b>
<b>Net change in fund balances</b>	<b>1,268,454</b>	<b>(792,427)</b>	<b>(225,720)</b>
Fund balances, beginning	3,585,276	696,521	240,476
Fund balances (deficits), ending	<b>\$ 4,853,730</b>	<b>\$ (95,906)</b>	<b>\$ 14,756</b>

See Notes to Basic Financial Statements.

	Debt Service	Nonmajor Governmental Funds	Total
\$	541,847	\$ 579,052	\$ 6,404,107
	4,912	6,372	1,536,138
	-	-	242,193
	-	-	86,736
	-	754,053	1,781,715
	-	-	443,211
	-	16,213	54,551
	1,208	23,917	53,631
	-	65,843	114,875
	547,967	1,445,450	10,717,157
	-	378,667	3,769,044
	-	275,912	964,090
	-	3	754
	-	81,733	1,049,044
	-	14,108	358,177
	-	61,331	781,256
	-	-	1,198,646
	2,141,000	-	2,141,000
	131,226	-	154,565
	2,272,226	811,754	10,416,576
	(1,724,259)	633,696	300,581
	-	-	45,442
	1,260,000	-	1,260,000
	479,209	-	2,708,243
	-	(70,000)	(3,485,313)
	1,739,209	(70,000)	528,372
	14,950	563,696	828,953
	17,258	1,978,191	6,517,722
\$	32,208	\$ 2,541,887	\$ 7,346,675

**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, 2013**

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Net change in fund balances - governmental funds \$ 828,953

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 detail of the amount by which depreciation exceeded capital outlays in the current year:

Capital outlay		2,332,304
Depreciation:		
General government	(16,540)	
Culture and recreation	(195,922)	
Public safety	(261,818)	
Public works	(719,925)	
	(1,194,205)	(1,194,205)

Proceeds from sale of capital assets		(45,442)
Loss on sale of capital assets		(900,440)

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

Intergovernmental	(146,373)	
Special assessments	(62,174)	
Other revenue	(2,558)	
	(211,105)	(211,105)

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	2,861	
Change in other postemployment benefits obligation	(40,640)	
Change in other accrued liabilities	(10,990)	
	(48,769)	(48,769)

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, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Issuance of long-term debt	(1,260,000)	
Repayment of bond principal	2,141,000	
Decrease in accrued interest payable	(43,972)	
	837,028	837,028
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>1,598,324</b>

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Net Position  
 Proprietary Funds  
 June 30, 2013

Assets	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Current assets:					
Cash and cash equivalents	\$ 337,273	\$ 60,570	\$ 100,227	\$ 25,132	\$ 523,202
Certificates of deposit	650,000	500,000	225,000	75,000	1,450,000
Receivables, net of allowance for uncollectible amounts:					
Accounts, consumers	77,459	30,763	10,338	43,490	162,050
Unbilled usage	17,983	6,894	2,078	8,727	35,682
Due from other funds	17,372	-	6,400	-	23,772
Inventories	65,295	-	-	-	65,295
<b>Total current assets</b>	<b>1,165,382</b>	<b>598,227</b>	<b>344,043</b>	<b>152,349</b>	<b>2,260,001</b>
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	143,498	-	266,690	-	410,188
Construction in progress	258,565	320	2,605	-	261,490
Depreciable:					
Buildings and land improvements	1,132,527	319,193	25,000	32,484	1,509,204
Infrastructure	11,237,352	6,809,010	8,012,756	-	26,059,118
Machinery and equipment	684,656	288,752	-	5,885	979,293
Accumulated depreciation	(4,479,135)	(2,058,356)	(2,603,656)	(5,532)	(9,146,679)
<b>Total noncurrent assets</b>	<b>8,977,463</b>	<b>5,358,919</b>	<b>5,703,395</b>	<b>32,837</b>	<b>20,072,614</b>
<b>Total assets</b>	<b>\$ 10,142,845</b>	<b>\$ 5,957,146</b>	<b>\$ 6,047,438</b>	<b>\$ 185,186</b>	<b>\$ 22,332,615</b>

See Notes to Basic Financial Statements.

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
<b>Liabilities and Net Position</b>					
Current liabilities:					
Accounts and contracts payable	\$ 135,448	\$ 11,181	\$ 8,157	\$ 36,240	\$ 191,026
Accrued liabilities	24,854	29,245	617	1,410	56,126
Deposits	56,389	-	-	-	56,389
Compensated absences	16,643	3,186	-	587	20,416
Bonds and loan notes payable	205,000	-	-	-	205,000
<b>Total current liabilities</b>	<b>438,334</b>	<b>43,612</b>	<b>8,774</b>	<b>38,237</b>	<b>528,957</b>
Noncurrent liabilities:					
Other postemployment benefits obligation	13,858	6,522	-	-	20,380
Bonds payable	535,000	-	-	-	535,000
Notes payable	269,000	120,000	-	-	389,000
<b>Total noncurrent liabilities</b>	<b>817,858</b>	<b>126,522</b>	<b>-</b>	<b>-</b>	<b>944,380</b>
<b>Total liabilities</b>	<b>1,256,192</b>	<b>170,134</b>	<b>8,774</b>	<b>38,237</b>	<b>1,473,337</b>
Net position:					
Net investment in capital assets	7,968,463	5,238,919	5,703,395	32,837	18,943,614
Unrestricted	918,190	548,093	335,269	114,112	1,915,664
<b>Total net position</b>	<b>8,886,653</b>	<b>5,787,012</b>	<b>6,038,664</b>	<b>146,949</b>	<b>20,859,278</b>
<b>Total liabilities and net position</b>	<b>\$ 10,142,845</b>	<b>\$ 5,957,146</b>	<b>\$ 6,047,438</b>	<b>\$ 185,186</b>	<b>\$ 22,332,615</b>

City of Clear Lake, Iowa

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2013

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 817,743	\$ 342,618	\$ 117,231	\$ 494,766	\$ 1,772,358
Water tower rent	31,500	-	-	-	31,500
Miscellaneous	719	-	-	-	719
<b>Total operating revenues</b>	<b>849,962</b>	<b>342,618</b>	<b>117,231</b>	<b>494,766</b>	<b>1,804,577</b>
Operating expenses:					
Personal services	334,019	113,348	12,789	34,457	494,613
Contractual services	139,456	15,163	28,615	425,433	608,667
Commodities	37,603	4,505	7,406	3,953	53,467
Other	97,244	2,415	329	-	99,988
Depreciation	269,057	152,195	160,273	2,213	583,738
<b>Total operating expenses</b>	<b>877,379</b>	<b>287,626</b>	<b>209,412</b>	<b>466,056</b>	<b>1,840,473</b>
<b>Operating income (loss)</b>	<b>(27,417)</b>	<b>54,992</b>	<b>(92,181)</b>	<b>28,710</b>	<b>(35,896)</b>
Nonoperating revenues (expenses):					
Investment earnings	2,188	1,251	679	280	4,398
Interest expense	(39,587)	(4,800)	-	-	(44,387)
Loss on sale of capital assets	(67,022)	-	-	-	(67,022)
<b>Total nonoperating revenues (expenses)</b>	<b>(104,421)</b>	<b>(3,549)</b>	<b>679</b>	<b>280</b>	<b>(107,011)</b>
<b>Income (loss) before transfers</b>	<b>(131,838)</b>	<b>51,443</b>	<b>(91,502)</b>	<b>28,990</b>	<b>(142,907)</b>
Transfers in	713,370	24,000	53,700	-	791,070
Transfers out	-	-	-	(14,000)	(14,000)
<b>Change in net position</b>	<b>581,532</b>	<b>75,443</b>	<b>(37,802)</b>	<b>14,990</b>	<b>634,163</b>
Total net position, beginning of year	8,305,121	5,711,569	6,076,466	131,959	20,225,115
Total net position, end of year	<b>\$ 8,886,653</b>	<b>\$ 5,787,012</b>	<b>\$ 6,038,664</b>	<b>\$ 146,949</b>	<b>\$ 20,859,278</b>

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2013

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 835,340	\$ 353,121	\$ 117,442	\$ 495,334	\$ 1,801,237
Receipts from other	32,219	-	-	-	32,219
Payments to suppliers	(203,684)	(72,168)	(55,159)	(428,115)	(759,126)
Payments to employees	(333,760)	(113,259)	(12,789)	(34,775)	(494,583)
<b>Net cash provided by (used in) operating activities</b>	<b>330,115</b>	<b>167,694</b>	<b>49,494</b>	<b>32,444</b>	<b>579,747</b>
Cash flows from noncapital financing activities:					
Transfers in	713,370	24,000	53,700	-	791,070
Transfers out	-	-	-	(14,000)	(14,000)
<b>Net cash provided by (used in)noncapital financing activities</b>	<b>713,370</b>	<b>24,000</b>	<b>53,700</b>	<b>(14,000)</b>	<b>777,070</b>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(454,692)	(207)	(52,605)	-	(507,504)
Proceeds from sale of capital assets	350	-	-	-	350
Payment on debt	(198,000)	-	-	-	(198,000)
Payments to/from other funds	(17,372)	33,256	(6,400)	-	9,484
Interest on debt	(34,827)	(4,800)	-	-	(39,627)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(704,541)</b>	<b>28,249</b>	<b>(59,005)</b>	<b>-</b>	<b>(735,297)</b>
Cash flows from investing activities:					
Purchase of investments	(150,000)	(275,000)	(225,000)	(5,000)	(655,000)
Interest received	2,188	1,251	679	280	4,398
<b>Net cash (used in) provided by investing activities</b>	<b>(147,812)</b>	<b>(273,749)</b>	<b>(224,321)</b>	<b>(4,720)</b>	<b>(650,602)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>191,132</b>	<b>(53,806)</b>	<b>(180,132)</b>	<b>13,724</b>	<b>(29,082)</b>
Cash and cash equivalents, beginning of year	146,141	114,376	280,359	11,408	552,284
Cash and cash equivalents, end of year	<u>\$ 337,273</u>	<u>\$ 60,570</u>	<u>\$ 100,227</u>	<u>\$ 25,132</u>	<u>\$ 523,202</u>

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)  
 Proprietary Funds  
 Year Ended June 30, 2013

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (27,417)	\$ 54,992	\$ (92,181)	\$ 28,710	\$ (35,896)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	269,057	152,195	160,273	2,213	583,738
Change in assets and liabilities:					
Receivables	16,353	10,503	211	568	27,635
Inventories	(2,494)	-	-	-	(2,494)
Deposits	1,244	-	-	-	1,244
Accounts payable and accrued liabilities	73,113	(50,085)	(18,809)	1,271	5,490
Compensated absences	(3,597)	(1,726)	-	(318)	(5,641)
Other postemployment benefits obligation	3,856	1,815	-	-	5,671
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 330,115</b>	<b>\$ 167,694</b>	<b>\$ 49,494</b>	<b>\$ 32,444</b>	<b>\$ 579,747</b>
Schedule of noncash items, capital and related financing activities, Acquisition of capital assets through contracts payable	\$ (33,824)	\$ 113	\$ (6,608)	\$ -	\$ (40,319)

See Notes to Basic Financial Statements.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

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

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

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

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

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

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

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position 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. 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.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have fiduciary 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.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

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 position, 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.

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

**Special Revenue Funds**: Are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific 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.

Library Foundation 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.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

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. 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.

The following is the City's major enterprise fund:

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.

The other enterprise fund of the City is considered nonmajor and is as follows:

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

#### **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 revenue in the year for which they are budgeted. 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 or matured.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

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.

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 2013 based on the 2012 assessed valuations. These taxes are due in two installments, on September 1, 2013 and the following March 1, 2014 with a 1.5 percent per month penalty for delinquent payment. Since the 2013 tax levy is budgeted and levied for the fiscal year 2014, the revenue is a deferred inflow of resources and is reported as unavailable revenue. 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 receivable are recognized at the time of the levy with the related revenue reported as a deferred inflow of resources since it is unavailable revenue. 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 cash equivalents:** 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.

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

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

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.

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, construction-in-progress, buildings and improvements, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund 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. Such 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.

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:

Buildings and land improvements	25 - 70 years
Infrastructure	20 - 40 years
Machinery and equipment	5 - 20 years

The City's collection of works of art 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.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

Unearned revenues: Unearned revenues represent monies received by the City which are not yet earned.

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.

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 funds' 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." 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 interfund loan receivables are reported as advances within the governmental funds and are offset equally by a fund balance reserve account which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Compensated absences: City employees accumulate earned but unused vacation and sick leave benefits. For proprietary fund types and the government-wide statements, these accumulations 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 leave, which is payable from available resources, is recorded as a liability of the respective fund only 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, 2013 for the unvested employee sick leave hours totals approximately \$690,000.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have items that qualify for reporting in this category.

In addition to liabilities, the balance sheet and/or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from three sources: property taxes, intergovernmental and other taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements only the property tax revenues remain as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which they are levied.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

Fund equity: Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City council, which is considered the City's highest level of decision making authority. Formal actions include resolutions and ordinances by the City with intent to use them for a specific purpose. Assigned fund balances are amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City Administrator and Finance Director. Any residual fund balance of the General Fund and a deficit in other funds, if any, is reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds.

Net position: In proprietary funds, and government-wide financial statements, net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, 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 investment in capital assets, excludes unspent bond proceeds. There are no unspent bond proceeds. Net position is 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 position restricted through enabling legislation consists of \$310,724 for tax levy purposes and \$1,390,300 for road use tax.

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

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 at the original budgets. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the program level. Appropriations, as adopted and amended, lapse at the end of the fiscal year. The City adopts its annual program budget which includes all funds on a modified accrual basis.

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

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### Note 2. Deposits and Investments

As of June 30, 2013, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$ 9,127,190
Cash and investments held by the Clear Lake Library Foundation	<u>262,340</u>
	<u>\$ 9,389,530</u>

The City maintains a cash and an 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 deposits and investments: The City is authorized by state statute 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.

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	\$ 46,905
Franklin Utilities	N/A	33,863
Lord Abbett Core Fixed Inc	N/A	27,898
Corporate Bond - Hydro Quebec	01/15/27	13,135

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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

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 statistical rating organization.

As of June 30, 2013, the City's investments were rated as follows:

Type	Moody's Ratings	S&P Ratings
Mutual funds:		
Income Fund of America	Not Rated	Not Rated
Franklin Utilities	Not Rated	Not Rated
Lord Abbett Core Fixed Inc	Not Rated	Not Rated
Corporate Bond - Hydro Quebec	Aa2	A+
Equities	Not Rated	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 investment on the statement of net position (excluding mutual funds, pooled investments and government securities). Investments in any one issuer that represents 5% or more of total City investments and the related fair value include Hydro-Quebec, corporate bond - \$13,135; Coca-Cola Co., equity - \$11,391; General Mills Inc., equity - \$12,521 and Procter & Gamble Co., equity - \$11,702.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2013, 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, 2013, the City's deposits with financial institutions were entirely covered by federal depositor insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

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**Note 3. Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	June 30, 2012			June 30, 2013
	Balance	Additions	Deletions	Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,003,621	\$ 67,372	\$ -	\$ 3,070,993
Construction-in-progress	1,430,176	212,293	1,402,731	239,738
<b>Total capital assets, not being depreciated</b>	<b>4,433,797</b>	<b>279,665</b>	<b>1,402,731</b>	<b>3,310,731</b>
Capital assets, being depreciated:				
Buildings and improvements	8,977,665	-	-	8,977,665
Infrastructure	23,162,428	2,162,259	1,645,197	23,679,490
Machinery and equipment	4,779,951	1,293,111	462,151	5,610,911
<b>Total capital assets, being depreciated</b>	<b>36,920,044</b>	<b>3,455,370</b>	<b>2,107,348</b>	<b>38,268,066</b>
Less accumulated depreciation for:				
Buildings and improvements	1,881,219	219,667	-	2,100,886
Infrastructure	10,325,968	425,126	1,154,625	9,596,469
Machinery and equipment	3,109,391	549,412	6,841	3,651,962
<b>Total accumulated depreciation</b>	<b>15,316,578</b>	<b>1,194,205</b>	<b>1,161,466</b>	<b>15,349,317</b>
<b>Total capital assets, being depreciated, net</b>	<b>21,603,466</b>	<b>2,261,165</b>	<b>945,882</b>	<b>22,918,749</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 26,037,263</b>	<b>\$ 2,540,830</b>	<b>\$ 2,348,613</b>	<b>\$ 26,229,480</b>

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2012 Balance	Additions	Deletions	June 30, 2013 Balance
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 331,716	\$ 78,472	\$ -	\$ 410,188
Construction-in-progress	1,110	260,380	-	261,490
<b>Total capital assets, not being depreciated</b>	<b>332,826</b>	<b>338,852</b>	<b>-</b>	<b>671,678</b>
Buildings and improvements	1,509,204	-	-	1,509,204
Infrastructure	26,078,496	111,874	131,252	26,059,118
Machinery and equipment	962,834	16,459	-	979,293
<b>Total capital assets, being depreciated</b>	<b>28,550,534</b>	<b>128,333</b>	<b>131,252</b>	<b>28,547,615</b>
Less accumulated depreciation for:				
Buildings and improvements	953,676	36,527	-	990,203
Infrastructure	7,239,851	491,013	63,880	7,666,984
Machinery and equipment	433,294	56,198	-	489,492
<b>Total accumulated depreciation</b>	<b>8,626,821</b>	<b>583,738</b>	<b>63,880</b>	<b>9,146,679</b>
<b>Total capital assets, being depreciated, net</b>	<b>19,923,713</b>	<b>(455,405)</b>	<b>67,372</b>	<b>19,400,936</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 20,256,539</b>	<b>\$ (116,553)</b>	<b>\$ 67,372</b>	<b>\$ 20,072,614</b>

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

<b>Governmental Activities:</b>	
General government	\$ 16,540
Culture and recreation	195,922
Public safety	261,818
Public works	719,925
<b>Total depreciation expense, governmental activities</b>	<b>\$ 1,194,205</b>
<b>Business-Type Activities:</b>	
Water	\$ 269,057
Sewer rental	152,195
Storm water	160,273
Solid waste	2,213
<b>Total depreciation expense, business-type activities</b>	<b>\$ 583,738</b>

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

**Note 4. Long-Term Debt**

A summary of the changes in bonded and other long-term debt for the year ended June 30, 2013 is as follows:

<b>Governmental Activities</b>	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation loan notes	\$ 1,136,500	\$ -	\$ 406,000	\$ 730,500	\$ 46,000
General obligation bonds	3,665,000	1,260,000	1,735,000	3,190,000	660,000
Compensated absences	162,423	159,562	162,423	159,562	159,562
	<u>\$ 4,963,923</u>	<u>\$ 1,419,562</u>	<u>\$ 2,303,423</u>	<u>\$ 4,080,062</u>	<u>\$ 865,562</u>
<b>Business-Type Activities</b>	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation loan notes	\$ 437,000	\$ -	\$ 83,000	\$ 354,000	\$ 85,000
General obligation bonds	770,000	-	115,000	655,000	120,000
Note payable	120,000	-	-	120,000	-
Compensated absences	26,057	20,416	26,057	20,416	20,416
	<u>\$ 3,620,219</u>	<u>\$ 20,416</u>	<u>\$ 224,057</u>	<u>\$ 1,149,416</u>	<u>\$ 225,416</u>

General obligation bonds and loan notes:

Governmental activities:

On March 3, 2013, the City issued \$1,260,000 of General Obligation Refunding Bonds, Series 2013 with an interest rate ranging from .4 percent to .8 percent. The proceeds of \$1,243,630 plus \$16,370 of City cash on hand were used to call and redeem \$410,000 2006 General Obligation Corporate Purpose Bond, dated June 15, 2006; \$360,000 2006 General Obligation Corporate Purpose Note, dated September 12, 2006; and \$490,000 2007A General Obligation Corporate Purpose Bonds, dated June 15, 2007. The current refunding of the \$1,260,000 did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The City completed the current refunding to reduce its total debt service payments over the next 5 years by \$105,143 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$65,247. The bonds have an outstanding balance of \$1,170,000 which matures in remaining annual amounts ranging from \$125,000 to \$350,000 through June 30, 2017.

On July 9, 2008, the City issued \$500,000 of General Obligation Lake Dredging and Restoration Notes. The notes have an outstanding balance of \$375,000 which matures in annual amounts of \$25,000 through June 30, 2028 and bears interest of 1.25 percent.

On October 10, 2009, the City issued \$437,500 of General Obligation Dredging and Restoration Notes, Series 2009. The notes have an outstanding balance of \$355,500 which matures in annual amounts of \$23,500 through June 30, 2029 and bears interest of 1.25 percent.

On May 27, 2010, the City issued \$1,160,000 2010A General Obligation Refunding Bonds. The bonds have an outstanding balance of \$130,000 which matures in remaining annual amounts ranging from \$90,000 to \$40,000 through June 30, 2015 and bears interest ranging from 2.25 percent to 2.60 percent.

On January 1, 2011, the City issued \$2,300,000 General Obligation Fire Station Bonds, Series 2011. These bonds have an outstanding balance of \$1,890,000 which matures in remaining annual amounts ranging from \$220,000 to \$255,000 through June 30, 2021 and bears interest ranging from 1.65 percent to 3.5 percent.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### Note 4. Long-Term Debt (Continued)

Business-type activities:

On June 2, 2008, the City issued \$1,200,000 General Obligation Water Improvement Bonds. These bonds have an outstanding balance of \$655,000 which matures in remaining annual amounts ranging from \$120,000 to \$145,000 through June 30, 2018 and bears interest ranging from 3.35 percent to 3.80 percent.

On June 1, 2010, the City issued \$600,000 General Obligation Water Improvement Note. The notes have an outstanding balance of \$354,000 which matures in remaining annual amounts from \$85,000 to \$93,000 through June 30, 2017 and bears interest ranging from 2.75 percent to 3.60 percent.

The annual debt service requirements to service the City's general obligation bonds and loan notes outstanding as of June 30, 2013 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 911,000	\$ 104,367	\$ 1,015,367
2015	868,000	90,029	958,029
2016	845,000	75,042	920,042
2017	629,000	59,484	688,484
2018	426,000	43,816	469,816
2019	292,000	31,151	323,151
2020	297,000	22,969	319,969
2021	302,000	14,006	316,006
2022	47,000	4,494	51,494
2023	48,000	3,906	51,906
2024	48,000	3,306	51,306
2025	48,000	2,706	50,706
2026	48,000	2,106	50,106
2027	48,000	1,506	49,506
2028	49,000	611	49,611
2029	23,500	294	23,794
	<u>\$ 4,929,500</u>	<u>\$ 459,795</u>	<u>\$ 5,389,295</u>

Note 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.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### Note 4. Long-Term Debt (Continued)

Annual debt service requirements to service the notes payable outstanding as of June 30, 2013, 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, 2013, the general obligation and contractual debt issued by the City did not exceed its legal debt margin as shown by the computation that follows:

Total assessed valuation*	<u>\$ 785,786,768</u>
Debt limit, 5% of total actual valuation	\$ 39,289,338
Debt applicable to debt limit, debt service general obligation loan notes and bonds	<u>4,929,500</u>
Legal debt margin	<u>\$ 34,359,838</u>

\* 100% of assessed valuation including TIF increment.

#### Note 5. Industrial Revenue Bonds

During fiscal year 2006, the City issued industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and 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.

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

**Note 6. Interfund Receivables, Payables and Transfers**

Individual interfund receivables and payables balances as of June 30, 2013 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental, major funds:		
General	\$ 411,437	\$ 18,507
Tax Increment Financing	-	462,372
Debt Service	12,107	-
Nonmajor governmental funds	35,000	1,437
Enterprise, major funds:		
Water	17,372	-
Storm Water	6,400	-
<b>Total</b>	<b>\$ 482,316</b>	<b>\$ 482,316</b>

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

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	\$ 1,836,534	\$ 284,907
Tax Increment Financing	-	2,917,616
Capital Projects	392,500	212,790
Debt Service	479,209	-
Nonmajor governmental funds	-	70,000
<b>Total governmental activities</b>	<b>\$ 2,708,243</b>	<b>\$ 3,485,313</b>
Business-type activities:		
Major enterprise funds:		
Water	\$ 713,370	\$ -
Sewer Rental	24,000	-
Storm Water	53,700	-
Nonmajor enterprise funds	-	14,000
<b>Total governmental activities</b>	<b>\$ 791,070</b>	<b>\$ 14,000</b>
<b>Total</b>	<b>\$ 3,499,313</b>	<b>\$ 3,499,313</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

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**Note 7. Risk Management**

The City is exposed to various risks of loss related to torts; theft; damage to the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 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 5.78 percent of their annual covered salary and the City is required to contribute 8.67 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 6.84 percent of their annual covered salary and the City is required to contribute 10.27 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$258,476, \$245,887, and \$218,970, respectively, equal to the required contributions for each year.

**Note 9. 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 a 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 contributions are based on projected pay-as-you-go financing. For fiscal year 2013, the City contributed \$29,600, which related to the City's implicit subsidy for including the retirees in the plan. The City's monthly premiums effective July 1, 2012 were as follows:

	Single	Family
Traditional	\$ 694.28	\$ 1,735.71
H.S.A.	602.05	1,337.41

**City of Clear Lake, Iowa**

**Notes to Basic Financial Statements**

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**Note 9. Other Postemployment Benefits (Continued)**

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

Annual required contribution	\$ 78,052
Interest on net OPEB obligation	4,805
Adjustment to annual required contribution	(6,946)
Annual OPEB cost	<u>75,911</u>
Contributions and payments made	<u>29,600</u>
Increase in net OPEB obligation	46,311
Net OPEB obligation, beginning of year	120,114
Net OPEB obligation, end of year	<u><u>\$ 166,425</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2012 and 2011 are as follows in the table below.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 75,911	39.0%	\$ 160,425
June 30, 2012	75,043	46.7	120,114
June 30, 2011	75,043	46.7	80,076

Funded status and funding progress: As of July 1, 2012, the most recent valuation date, the other post-employment benefit plan was 0 percent funded as the City has not established an OPEB trust. The actuarial accrued liability for benefits was \$586,394 and the actuarial value of assets was none, resulting in an unfunded actuarial accrued liability (UAAL) of \$586,394. The covered payroll (annual payroll of active employees covered by the plan) was \$2,155,650 and the ratio of the UAAL to the covered payroll was 27.2 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 9. Other Postemployment Benefits (Continued)**

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, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent discount rate, inflation rate of 3 percent and an annual health care cost trend rate of 10 percent initially, with an ultimate rate of 5 percent. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2013 was 30 years.

**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. Commitment and Contingent Liabilities**

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.

The City was involved in various construction projects throughout the year. The total cost of these projects is approximately \$2,153,000. The remaining contractual amounts on these projects total approximately \$737,000 as of June 30, 2013.

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 2022. 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. The total remaining amounts under these agreements are approximately \$1,402,000 as of June 30, 2013. During the year ended June 30, 2013, the City paid approximately \$177,000 under these agreements.

## City of Clear Lake, Iowa

### Notes to Basic Financial Statements

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#### **Note 11. Commitment and Contingent Liabilities (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 Veterans Memorial 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. In March 2013, the Foundation exercised the option to renew the agreement for another two years. On an annual basis, excess funds from each year's operating budget shall be deposited into a "Golf Course Capital Improvement Trust Fund" (the Fund), an account of the Foundation, and shall be used exclusively for capital improvements to preserve the golf course property and buildings. Excess funds will consist of the excess of revenues over expenditures, net of an operating expense allowance agreed upon by both parties. In the event the golf course's expenditures exceed revenues, the City will be responsible to cover any net losses. As of June 30, 2013, 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 12. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements**

The City adopted the following statements during the year ended June 30, 2013:

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. 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 No. 34, issued November 2010. 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.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. 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.

**Notes to Basic Financial Statements**

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**Note 12. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. 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. 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.

The implementation of the above statements did not have a material impact to the City's financial statements other than GASB Statement No. 63 and No. 65. The adoption of these statements changed the presentation of the basic financial statements to a statement of net position format.

As of June 30, 2013, the Governmental Accounting Standards Board (GASB) had issued the following statements not yet implemented by the City. The statements which might impact the City are as follows:

- GASB Statement No. 66, Technical Corrections - 2012, issued April 2012, will be effective for the City 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.

**Notes to Basic Financial Statements**

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**Note 12. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

- 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.
- GASB Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for:
  - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
  - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
  - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
  - Reporting the disposal of government operations that have been transferred or sold.

**Notes to Basic Financial Statements**

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**Note 12. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

- GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, issued April 2013, will be effective for the City beginning with its year ending June 30, 2014. This Statement provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The guarantor agrees to pay an obligation holder in the event that the issuer of the obligation is not able to make its required payments to the obligation holder. Nonexchange financial guarantees can include guarantees by a state for bonds issued by local governments within that state or guarantees of mortgage loans to individuals, if equal or approximately equal value is not received in exchange.

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]
2013	7/1/2012	\$ -	\$ 586,394	\$ 586,394	- %	\$ 2,294,886	25.55%
2012	7/1/2009	-	566,846	566,846	-	2,341,791	24.21
2011	7/1/2009	-	566,846	566,846	-	2,231,665	25.40

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2012. Additional information follows:

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

City of Clear Lake, Iowa

**Budgetary Comparison Schedule**  
**Budget and Actual - All Governmental and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2013**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	\$ 6,404,107	\$ -	\$ 6,404,107
Other taxes	1,536,138	-	1,536,138
Special assessments	242,193	-	242,193
Licenses and permits	86,736	-	86,736
Intergovernmental	1,781,715	-	1,781,715
Charges for services	443,211	1,772,358	2,215,569
Fines and forfeitures	54,551	-	54,551
Use of money and property	53,631	4,398	58,029
Miscellaneous	114,875	32,219	147,094
<b>Total revenues</b>	<b>10,717,157</b>	<b>1,808,975</b>	<b>12,526,132</b>
Expenditures/expenses:			
Public safety	3,769,044	-	3,769,044
Public works	964,090	-	964,090
Health and social services	754	-	754
Culture and recreation	1,049,044	-	1,049,044
Community and economic development	358,177	-	358,177
General government	781,256	-	781,256
Capital outlay	1,198,646	-	1,198,646
Debt service	2,295,565	-	2,295,565
Business-type	-	1,951,882	1,951,882
<b>Total expenditures/expenses</b>	<b>10,416,576</b>	<b>1,951,882</b>	<b>12,368,458</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>300,581</b>	<b>(142,907)</b>	<b>157,674</b>
Other financing sources (uses), net	528,372	777,070	1,305,442
<b>Net change in fund balance</b>	<b>828,953</b>	<b>634,163</b>	<b>1,463,116</b>
Balance, beginning of year	6,517,722	20,225,115	26,742,837
Balance, end of year	<b>\$ 7,346,675</b>	<b>\$ 20,859,278</b>	<b>\$ 28,205,953</b>

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
		Over (Under)
\$ 6,305,156	\$ 6,368,206	\$ 35,901
1,511,564	1,516,564	19,574
250,000	300,000	(57,807)
87,650	87,650	(914)
842,700	1,799,810	(18,095)
2,319,375	2,215,200	369
45,500	65,500	(10,949)
55,835	80,135	(22,106)
39,000	59,869	87,225
<u>11,456,780</u>	<u>12,492,934</u>	<u>33,198</u>
3,402,641	3,843,971	(74,927)
1,133,950	1,151,538	(187,448)
8,855	2,859	(2,105)
1,254,270	1,312,551	(263,507)
392,567	414,365	(56,188)
828,244	832,363	(51,107)
1,216,500	1,769,500	(570,854)
1,014,074	2,302,336	(6,771)
2,704,355	2,530,448	(578,566)
<u>11,955,456</u>	<u>14,159,931</u>	<u>(1,791,473)</u>
(498,676)	(1,666,997)	1,824,671
25,000	1,295,300	10,142
<u>\$ (473,676)</u>	<u>\$ (371,697)</u>	<u>\$ 1,834,813</u>

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## **City of Clear Lake, Iowa**

### **Note to Required Supplementary Information**

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, one budget amendment increased budgeted expenditures and transfers out by a total of \$2,994,085. 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 and adjust for refunding of general obligation bonds.

City of Clear Lake, Iowa

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2013

	Special Revenue			
	Library	Road Use Tax	Employee Benefits	Lindstrom Flower
<b>Assets</b>				
Cash and cash equivalents	\$ 44,041	\$ 89,032	\$ 168,470	\$ -
Certificates of deposit	40,000	1,275,000	115,000	-
Investments	178,299	-	-	-
Restricted assets, cash	-	-	-	-
Receivables:				
Property taxes	-	-	723,478	-
Other	-	-	183	5,000
Due from other governments	-	63,688	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 262,340</b>	<b>\$ 1,427,720</b>	<b>\$ 1,007,131</b>	<b>\$ 5,000</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 30,682	\$ 9,078	\$ 340
Accrued liabilities	-	6,738	992	-
Due to other funds	-	-	-	1,437
<b>Total liabilities</b>	<b>-</b>	<b>37,420</b>	<b>10,070</b>	<b>1,777</b>
Deferred inflows of resources:				
Unavailable revenue, property taxes	-	-	718,545	-
Unavailable revenue, other	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>718,545</b>	<b>-</b>
Fund Balances:				
Nonspendable, corpus	-	-	-	-
Restricted:				
Donor restricted purposes	262,340	-	-	-
Road use tax	-	1,390,300	-	-
Tax levy purposes	-	-	278,516	-
Law enforcement forfeiture	-	-	-	-
Grant purposes	-	-	-	3,223
Revolving loans	-	-	-	-
<b>Total fund balances</b>	<b>262,340</b>	<b>1,390,300</b>	<b>278,516</b>	<b>3,223</b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 262,340</b>	<b>\$ 1,427,720</b>	<b>\$ 1,007,131</b>	<b>\$ 5,000</b>

		Permanent		
Law Enforcement State	Economic Development Revolving Loan	Library	Riley	Total
\$ 16,782	\$ 1,290	\$ -	\$ 2,151	\$ 321,766
-	197,000	-	4,660	1,631,660
-	-	-	-	178,299
-	-	2,000	348,340	350,340
-	-	-	-	723,478
-	3,073	-	217	8,473
-	-	-	-	63,688
-	35,000	-	-	35,000
<u>\$ 16,782</u>	<u>\$ 236,363</u>	<u>\$ 2,000</u>	<u>\$ 355,368</u>	<u>\$ 3,312,704</u>
\$ -	\$ -	\$ -	\$ -	\$ 40,100
30	-	-	-	7,760
-	-	-	-	1,437
<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,297</u>
-	-	-	-	718,545
-	2,975	-	-	2,975
-	2,975	-	-	721,520
-	-	2,000	348,340	350,340
-	-	-	7,028	269,368
-	-	-	-	1,390,300
-	-	-	-	278,516
16,752	-	-	-	16,752
-	-	-	-	3,223
-	233,388	-	-	233,388
<u>16,752</u>	<u>233,388</u>	<u>2,000</u>	<u>355,368</u>	<u>2,541,887</u>
<u>\$ 16,782</u>	<u>\$ 236,363</u>	<u>\$ 2,000</u>	<u>\$ 355,368</u>	<u>\$ 3,312,704</u>

City of Clear Lake, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Year Ended June 30, 2013**

	Special Revenue			
	Library	Road Use Tax	Employee Benefits	Lindstrom Flower
Revenues:				
Property taxes	\$ -	\$ -	\$ 579,052	\$ -
Other taxes	-	-	6,372	-
Intergovernmental	-	754,053	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	18,360	-	727	-
Miscellaneous	60,843	-	-	5,000
<b>Total revenues</b>	<b>79,203</b>	<b>754,053</b>	<b>586,151</b>	<b>5,000</b>
Expenditures:				
Current:				
Public safety	-	-	369,146	-
Public works	-	153,742	122,170	-
Health and social services	-	-	3	-
Culture and recreation	21,364	-	60,369	-
Community and economic development	-	-	8,339	5,769
General government	-	-	61,331	-
<b>Total expenditures</b>	<b>21,364</b>	<b>153,742</b>	<b>621,358</b>	<b>5,769</b>
<b>Revenue over (under) expenditures</b>	<b>57,839</b>	<b>600,311</b>	<b>(35,207)</b>	<b>(769)</b>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers out	-	(70,000)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(70,000)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>57,839</b>	<b>530,311</b>	<b>(35,207)</b>	<b>(769)</b>
Fund balances, beginning of year	204,501	859,989	313,723	3,992
Fund balances, end of year	<b>\$ 262,340</b>	<b>\$ 1,390,300</b>	<b>\$ 278,516</b>	<b>\$ 3,223</b>

						Permanent	
Law Enforcement State	Economic Development Revolving Loan	Library	Riley	Total			
\$ -	\$ -	\$ -	\$ -	\$	579,052		
-	-	-	-	-	6,372		
-	-	-	-	-	754,053		
16,213	-	-	-	-	16,213		
14	3,510	-	1,306	-	23,917		
-	-	-	-	-	65,843		
16,227	3,510	-	1,306	-	1,445,450		
9,521	-	-	-	-	378,667		
-	-	-	-	-	275,912		
-	-	-	-	-	3		
-	-	-	-	-	81,733		
-	-	-	-	-	14,108		
-	-	-	-	-	61,331		
9,521	-	-	-	-	811,754		
6,706	3,510	-	1,306	-	633,696		
-	-	-	-	-	-		
-	-	-	-	-	(70,000)		
-	-	-	-	-	(70,000)		
6,706	3,510	-	1,306	-	563,696		
10,046	229,878	2,000	354,062	-	1,978,191		
\$ 16,752	\$ 233,388	\$ 2,000	\$ 355,368	\$	2,541,887		

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## City of Clear Lake, Iowa

### Statistical Section Contents

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

Contents	Page
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	61
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	73
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	81
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	86
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	90

**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 Position By Component**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

	2004	2005	2006
Governmental activities:			
Net investment in capital assets	\$ 12,239,781	\$ 13,132,062	\$ 13,686,281
Restricted for:			
Endowments	2,000	2,000	2,000
Library Foundation	-	-	-
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
<b>Total governmental activities net position</b>	<b>\$ 16,435,741</b>	<b>\$ 17,413,513</b>	<b>\$ 17,846,678</b>
Business-type activities:			
Net investment in capital assets	\$ 10,135,732	\$ 10,792,166	\$ 11,532,643
Capital Projects	-	-	-
Unrestricted	1,013,280	740,893	1,282,501
<b>Total business-type activities net position</b>	<b>\$ 11,149,012</b>	<b>\$ 11,533,059</b>	<b>\$ 12,815,144</b>
Primary government:			
Net investment in capital assets	\$ 22,375,513	\$ 23,924,228	\$ 25,218,924
Restricted			
Endowments	2,000	2,000	2,000
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
<b>Total primary government net position</b>	<b>\$ 27,545,753</b>	<b>\$ 28,942,539</b>	<b>\$ 30,661,822</b>

GASB Statement No. 34 Implemented in Fiscal Year 2004

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

2007	2008	2009	2010	2011	2012	2013
\$ 14,917,121	\$ 15,938,642	\$ 17,053,088	\$ 18,368,294	\$ 19,167,407	\$ 21,265,341	<b>\$ 22,308,980</b>
2,000	2,000	2,000	350,340	350,340	350,340	<b>350,340</b>
-	-	-	-	-	-	<b>269,368</b>
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	<b>278,516</b>
36,724	58,758	120,288	37,090	11,409	17,258	<b>32,208</b>
671,956	997,293	580,938	737,026	1,276,066	859,989	<b>1,390,300</b>
-	-	-	-	-	1,044,724	<b>250,805</b>
-	-	-	-	-	-	-
3,515,923	3,948,779	3,865,625	3,685,603	4,189,608	3,322,578	<b>4,828,757</b>
<b>\$ 19,396,269</b>	<b>\$ 21,425,136</b>	<b>\$ 22,004,068</b>	<b>\$ 23,806,095</b>	<b>\$ 25,862,272</b>	<b>\$ 28,110,950</b>	<b>\$ 29,709,274</b>
\$ 12,505,306	\$ 13,946,243	\$ 14,868,350	\$ 15,849,755	\$ 17,122,313	\$ 19,088,188	<b>\$ 18,943,614</b>
425,000	-	-	-	-	-	-
1,134,810	1,148,657	1,400,957	1,184,590	1,310,917	1,136,927	<b>1,915,664</b>
<b>\$ 14,065,116</b>	<b>\$ 15,094,900</b>	<b>\$ 16,269,307</b>	<b>\$ 17,034,345</b>	<b>\$ 18,433,230</b>	<b>\$ 20,225,115</b>	<b>\$ 20,859,278</b>
\$ 27,422,427	\$ 29,884,885	\$ 31,921,438	\$ 34,218,049	\$ 36,289,720	\$ 40,353,529	<b>\$ 41,252,594</b>
2,000	2,000	2,000	350,340	350,340	350,340	<b>350,340</b>
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	<b>278,516</b>
36,724	58,758	120,288	37,090	11,409	17,258	<b>32,208</b>
671,956	997,293	580,938	737,026	1,276,066	859,989	<b>1,390,300</b>
-	-	-	-	438,367	1,044,724	<b>520,173</b>
-	-	-	-	-	-	-
4,650,733	5,097,436	5,266,582	4,870,193	5,046,750	4,459,505	<b>6,744,421</b>
<b>\$ 33,461,385</b>	<b>\$ 36,520,036</b>	<b>\$ 38,273,375</b>	<b>\$ 40,840,440</b>	<b>\$ 44,280,094</b>	<b>\$ 48,336,066</b>	<b>\$ 50,568,552</b>

City of Clear Lake, Iowa

**Changes In Net Position**  
**Last Ten 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
<b>Total governmental activities expenses</b>	<b>4,556,637</b>	<b>4,632,075</b>	<b>6,136,054</b>
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
<b>Total business-type activities expenses</b>	<b>1,261,091</b>	<b>1,416,690</b>	<b>1,416,139</b>
<b>Total primary government expenses</b>	<b>5,817,728</b>	<b>6,048,765</b>	<b>7,552,193</b>
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	-
<b>Total governmental activities program revenue</b>	<b>1,978,387</b>	<b>1,491,107</b>	<b>2,551,266</b>

(Continued)

2007	2008	2009	2010	2011	2012	2013
\$ 590,868	\$ 601,917	\$ 625,753	\$ 662,464	\$ 671,300	\$ 801,774	\$ 786,184
2,184,541	2,102,457	2,194,306	2,399,055	2,451,105	2,660,297	2,866,571
1,713,782	1,514,707	2,631,816	2,170,696	1,604,354	2,171,034	2,799,841
753	1,503	1,782	1,359	7,021	558	755
858,868	941,657	996,785	1,045,415	1,059,851	1,141,986	1,118,633
560,062	395,956	366,192	794,422	483,490	401,268	360,139
202,517	226,979	203,312	180,297	133,701	186,496	198,537
6,111,391	5,785,176	7,019,946	7,253,709	6,410,822	7,363,414	8,130,660
683,728	674,207	727,924	762,105	814,038	860,874	983,988
264,105	261,704	281,190	428,176	262,301	302,831	292,426
184,625	163,951	177,961	182,559	216,995	211,204	209,412
398,848	404,935	430,635	436,612	452,337	463,199	466,056
1,531,306	1,504,797	1,617,710	1,809,451	1,745,671	1,838,108	1,951,882
7,642,697	7,289,973	8,637,656	9,063,160	8,156,493	9,201,522	10,082,542
18,452	18,666	17,734	17,203	17,320	19,725	19,670
356,314	363,815	412,056	383,211	502,376	512,210	381,755
586,159	12,531	13,149	7,982	6,594	103,173	193,488
440	1,420	1,365	1,990	2,270	1,515	1,050
157,360	172,612	166,577	170,640	167,209	208,656	152,712
69,796	51,916	41,482	47,612	34,811	44,004	45,000
6,375	-	-	-	-	-	-
11,035	58,597	42,775	58,348	57,946	64,025	184,297
682,845	719,061	699,561	711,322	747,740	731,630	754,053
28,817	64,862	131,377	60,355	68,746	13,983	135,591
213,078	5,300	9,278	800	-	4,411	5,000
-	-	-	-	-	-	-
106,344	-	-	-	-	-	-
354,668	1,002,064	692,447	1,002,799	866,172	1,702,704	654,843
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	2,527,459

City of Clear Lake, Iowa

**Changes In Net Position (Continued)**  
**Last Ten 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
<b>Total business-type activities program revenues</b>	<b>1,830,406</b>	<b>1,555,050</b>	<b>1,716,005</b>
<b>Total primary government program revenues</b>	<b>3,808,793</b>	<b>3,046,157</b>	<b>4,267,271</b>
Net (expense) revenue:			
Governmental activities	(2,578,250)	(3,140,968)	(3,584,788)
Business-type activities	569,315	138,360	299,866
<b>Total primary government net expense</b>	<b>(2,008,935)</b>	<b>(3,002,608)</b>	<b>(3,284,922)</b>
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	-	-	-
<b>Total governmental activities</b>	<b>4,139,302</b>	<b>4,118,740</b>	<b>4,017,953</b>
Business-type activities:			
Investment earnings	28,495	19,588	58,585
Miscellaneous	2,088	-	-
Transfers	185,576	226,099	923,634
Capital contributions	-	-	-
<b>Total business-type activities</b>	<b>216,159</b>	<b>245,687</b>	<b>982,219</b>
<b>Total primary government</b>	<b>4,355,461</b>	<b>4,364,427</b>	<b>5,000,172</b>
Changes in net assets:			
Governmental activities	1,561,052	977,772	433,165
Business-type activities	785,474	384,047	1,282,085
<b>Total primary government</b>	<b>\$ 2,346,526</b>	<b>\$ 1,361,819</b>	<b>\$ 1,715,250</b>

2007	2008	2009	2010	2011	2012	2013
744,322	753,636	769,746	763,823	778,764	832,433	<b>849,962</b>
313,580	311,190	318,707	316,912	325,171	347,628	<b>342,618</b>
76,803	77,966	88,628	102,314	110,623	119,337	<b>117,231</b>
420,686	439,507	454,011	456,814	469,615	481,592	<b>494,766</b>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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	<b>1,804,577</b>
4,828,793	4,492,375	4,077,529	4,887,943	4,408,458	5,447,754	<b>4,332,036</b>
(2,985,101)	(3,282,770)	(4,758,954)	(4,443,106)	(3,880,932)	(3,943,114)	<b>(5,603,201)</b>
171,197	485,172	198,827	267,890	132,897	189,346	<b>(147,305)</b>
(2,813,904)	(2,797,598)	(4,560,127)	(4,175,216)	(3,748,035)	(3,753,768)	<b>(5,750,506)</b>
3,987,996	4,103,953	4,666,175	5,197,906	5,607,336	6,116,647	<b>6,404,107</b>
1,305,312	1,536,945	1,457,826	1,415,469	1,528,131	1,614,903	<b>1,536,138</b>
-	-	-	-	-	-	-
191,862	163,055	90,011	85,456	46,692	38,278	<b>38,350</b>
11,240	1,200	71,543	34,475	-	36,940	-
(961,716)	(493,521)	(947,667)	(488,174)	(1,260,458)	(1,599,569)	<b>(777,070)</b>
-	-	-	-	-	-	-
4,534,694	5,311,632	5,337,888	6,245,132	5,921,701	6,207,200	<b>7,201,525</b>
52,059	51,090	27,913	8,974	5,529	2,970	<b>4,398</b>
65,000	-	-	-	-	-	-
961,716	493,521	947,667	488,174	1,260,458	1,599,569	<b>777,070</b>
-	-	-	-	-	-	-
1,078,775	544,611	975,580	497,149	1,265,987	1,602,539	<b>781,468</b>
5,613,469	5,856,243	6,313,468	6,742,281	7,187,688	7,809,739	<b>7,982,993</b>
1,549,593	2,028,862	578,935	1,802,026	2,040,769	2,264,086	<b>1,598,324</b>
1,249,972	1,029,783	1,174,407	765,038	1,398,884	1,791,885	<b>634,163</b>
<b>\$ 2,799,565</b>	<b>\$ 3,058,645</b>	<b>\$ 1,753,342</b>	<b>\$ 2,567,064</b>	<b>\$ 3,439,653</b>	<b>\$ 4,055,971</b>	<b>\$ 2,232,487</b>

**City of Clear Lake, Iowa**

**Program Revenues by Function/Program  
Last Ten 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	-	-	-
<b>Total governmental activities</b>	<b>1,978,387</b>	<b>1,491,107</b>	<b>2,551,266</b>
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
<b>Total business-type activities</b>	<b>1,830,406</b>	<b>1,555,050</b>	<b>1,716,005</b>
<b>Total government</b>	<b>\$ 3,808,793</b>	<b>\$ 3,046,157</b>	<b>\$ 4,267,271</b>

GASB Statement No. 34 implemented in fiscal year 2004.

Source: City Records

2007	2008	2009	2010	2011	2012	2013
\$ 24,827	\$ 18,666	\$ 17,734	\$ 17,203	\$ 17,320	\$ 19,725	\$ 19,670
473,693	422,412	454,832	441,559	560,322	576,235	566,052
1,623,672	1,733,656	1,405,157	1,722,103	1,620,506	2,537,507	1,602,384
440	1,420	1,365	1,990	2,270	1,515	1,050
720,784	269,036	331,144	579,335	284,661	236,903	288,303
282,874	57,216	50,760	48,412	44,811	48,415	50,000
-	-	-	-	-	-	-
3,126,290	2,502,406	2,260,992	2,810,603	2,529,890	3,420,299	2,527,459
774,759	815,706	769,746	834,110	839,068	1,078,898	849,962
433,028	378,920	318,707	371,347	384,149	347,628	342,618
139,030	355,836	274,074	415,069	185,736	119,337	117,231
420,686	439,507	454,011	456,814	469,615	481,592	494,766
1,767,503	1,989,969	1,816,537	2,077,341	1,878,568	2,027,454	1,804,577
\$ 4,893,793	\$ 4,492,375	\$ 4,077,529	\$ 4,887,943	\$ 4,408,458	\$ 5,447,754	\$ 4,332,036

City of Clear Lake, Iowa

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

	2004	2005	2006
General Fund:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	53,844	1,976	2,140
Unreserved	2,083,920	2,221,373	1,962,802
<b>Total General Fund</b>	<b>\$ 2,137,764</b>	<b>\$ 2,223,349</b>	<b>\$ 1,964,942</b>
All Other Governmental Funds:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	44,370	2,000	2,000
Unreserved, reported in:			
Special revenue funds	1,330,373	1,597,129	1,367,417
Debt service funds	134,865	69,576	57,184
Capital projects funds	160,154	(3,703)	196,157
Permanent fund	2,000	-	-
<b>Total all other government funds</b>	<b>\$ 1,671,762</b>	<b>\$ 1,665,002</b>	<b>\$ 1,622,758</b>

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

Source: City Records

2007	2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	574,136	530,000	<b>524,043</b>
-	-	-	-	2,861,372	2,994,689	<b>4,329,687</b>
-	-	-	-	-	-	-
2,232,472	2,808,130	2,854,234	2,649,619	-	-	-
<b>\$ 2,232,472</b>	<b>\$ 2,808,130</b>	<b>\$ 2,854,234</b>	<b>\$ 2,649,619</b>	<b>\$ 3,435,508</b>	<b>\$ 3,524,689</b>	<b>\$ 4,853,730</b>
\$ -	\$ -	\$ -	\$ -	\$ 350,340	\$ 350,340	\$ <b>350,340</b>
-	-	-	-	2,593,283	2,549,854	<b>2,223,755</b>
-	-	-	-	23,804	92,837	<b>14,756</b>
-	-	-	-	-	-	<b>(95,906)</b>
2,000	2,000	2,000	350,340	-	-	-
1,403,743	1,755,909	1,415,253	1,775,004	-	-	-
36,724	58,758	120,288	37,090	-	-	-
4,947	98,212	2,784	75,964	-	-	-
-	-	-	1,956	-	-	-
<b>\$ 1,447,414</b>	<b>\$ 1,914,879</b>	<b>\$ 1,540,325</b>	<b>\$ 2,240,354</b>	<b>\$ 2,967,427</b>	<b>\$ 2,993,032</b>	<b>\$ 2,492,945</b>

**City of Clear Lake, Iowa**

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

	2004	2005	2006
<b>Revenues:</b>			
Taxes	\$ 2,789,357	\$ 3,186,780	\$ 3,569,878
Special Assessments	351,697	270,686	397,935
Other Taxes	1,466,994	1,070,150	1,209,429
Intergovernmental	1,236,882	903,733	1,353,832
Licenses and permits	73,152	86,559	85,640
Charges for services	79,738	75,545	184,509
Fines and forfeitures	40,728	39,330	45,555
Use of money and property	72,406	103,934	155,920
Other	154,934	91,005	301,594
<b>Total revenues</b>	<b>6,265,888</b>	<b>5,827,722</b>	<b>7,304,292</b>
<b>Expenditures:</b>			
General government	621,862	566,647	591,050
Public safety	1,392,137	1,430,640	2,268,711
Public Works	917,542	747,266	1,036,067
Health and Social Services	14,412	19,074	19,075
Culture and recreation	594,090	627,879	678,633
Community and Economic Development	349,367	336,317	979,706
Capital Projects	1,417,538	1,150,076	2,502,231
Debt service:			
Principal	480,000	515,000	475,000
Bond issuance costs	-	-	10,070
Interest	152,828	129,899	129,916
<b>Total expenditures</b>	<b>5,939,776</b>	<b>5,522,798</b>	<b>8,690,459</b>
<b>Excess of revenues (under) expenditures</b>	<b>326,112</b>	<b>304,924</b>	<b>(1,386,167)</b>
<b>Other financing sources (uses):</b>			
Transfers in	1,107,108	1,172,333	1,089,296
Transfers out	(1,292,684)	(1,398,432)	(2,012,930)
Issuance of long-term debt	-	-	2,000,000
Premium (discount) on long-term debt	-	-	(12,000)
Proceeds from sale of property	970	-	21,150
<b>Total other financing sources (uses)</b>	<b>(184,606)</b>	<b>(226,099)</b>	<b>1,085,516</b>
<b>Net changes in fund balance</b>	<b>\$ 141,506</b>	<b>\$ 78,825</b>	<b>\$ (300,651)</b>

Debt service as a percentage of noncapital expenditures	14.5%	14.2%	10.5%
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	2007	2008	2009	2010	2011	2012	2013
\$	3,987,996	\$ 4,103,954	\$ 4,666,175	\$ 5,197,906	\$ 5,607,336	\$ 6,116,647	\$ 6,404,107
	349,713	297,684	292,028	528,006	358,120	164,142	242,193
	1,305,312	1,536,945	1,457,826	1,415,469	1,528,131	1,614,903	1,536,138
	1,248,161	1,372,237	1,388,871	1,033,335	1,513,934	2,297,784	1,781,715
	102,212	84,333	81,327	89,091	74,974	83,560	86,736
	391,578	477,504	485,115	449,556	554,409	541,709	443,211
	50,471	50,759	51,182	45,497	54,842	66,212	54,551
	191,862	163,055	123,033	75,700	57,515	54,816	53,631
	569,304	259,394	150,891	376,857	58,575	61,626	114,875
	8,196,609	8,345,865	8,696,448	9,211,417	9,807,836	11,001,400	10,717,157
	623,057	587,565	607,477	643,855	652,715	787,746	781,256
	2,083,584	2,049,105	2,256,840	2,607,314	2,341,237	2,569,059	3,769,044
	889,792	858,250	1,120,157	1,382,911	891,730	1,193,225	964,090
	753	1,503	1,782	1,359	7,021	558	754
	792,342	1,003,300	1,056,235	952,128	1,293,417	1,003,264	1,049,044
	558,864	395,324	377,937	801,697	480,541	401,870	358,177
	3,411,103	778,067	2,323,084	1,469,348	2,788,797	2,275,009	1,198,646
	685,000	800,000	720,000	1,815,000	725,000	921,000	2,141,000
	11,279	-	3,950	10,865	10,557	-	23,339
	193,729	221,707	197,880	172,286	116,649	175,578	131,226
	9,249,503	6,694,821	8,665,341	9,856,763	9,307,664	9,327,309	10,416,576
	(1,052,894)	1,651,044	31,107	(645,346)	500,172	1,674,091	300,581
	1,671,200	833,353	1,454,837	1,593,287	1,669,537	1,582,547	2,708,243
	(2,632,916)	(1,326,874)	(2,402,504)	(2,081,461)	(2,929,995)	(3,182,116)	(3,485,313)
	2,000,000	-	500,000	1,597,500	2,300,000	-	1,260,000
	(14,850)	-	-	(7,366)	(28,750)	-	-
	7,250	-	88,110	38,800	2,000	40,263	45,442
	1,030,684	(493,521)	(359,557)	1,140,760	1,012,792	(1,559,306)	528,372
\$	(22,210)	\$ 1,157,523	\$ (328,450)	\$ 495,414	\$ 1,512,964	\$ 114,785	\$ 828,953
	14.6%	17.8%	13.3%	24.6%	13.8%	15.4%	12.4%

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 Replacement			Total
			Excise Tax	Hotel/Motel Tax	Other Tax	
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
<b>2013</b>	<b>6,404,107</b>	<b>1,220,907</b>	<b>44,066</b>	<b>145,850</b>	<b>125,315</b>	<b>7,940,245</b>

Change						
1st to Last year	133.17%	-6.30%	15.93%	207.49%	59.40%	88.45%

**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
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
<b>2011</b>	<b>2013</b>	<b>286,705,674</b>	<b>79,521,795</b>	<b>2,424,476</b>	<b>619,601</b>

**Source:** County Auditor's Office

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

---

Utility Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
\$ 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%
<b>14,146,002</b>	<b>383,417,548</b>	<b>9.67%</b>	<b>10.54051</b>	<b>785,786,768</b>	<b>48.79%</b>

**City of Clear Lake, Iowa**

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

		City Direct Rates					
Tax Valuation Year	Fiscal Year	General Fund	Tort	Employee Benefit Fund	Bond and Interest Fund	Total Direct	
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	
<b>2011</b>	<b>2013</b>	<b>7.60676</b>	<b>0.23473</b>	<b>1.52415</b>	<b>1.17487</b>	<b>10.54051</b>	

**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;

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Overlapping Rates				
School District	Cerro Gordo County	North Iowa Area Community College	Clear Lake Sanitary District	Total Rate
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
<b>12.91652</b>	<b>6.77790</b>	<b>0.66163</b>	<b>1.30997</b>	<b>32.20653</b>

**City of Clear Lake, Iowa**

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

Taxpayer	2013			2004		
	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	\$ 5,991,770	1	1.56%	*	*	*
Interstate Power & Light Co	4,060,323	2	1.06%	*	*	*
National Bedding Company LLC	3,625,410	3	0.95%	*	*	*
Apple Valley LLC	3,372,140	4	0.88%	*	*	*
Kingland Properties LC	3,346,870	5	0.87%	*	*	*
Titan Pro Holding, LLC	2,825,127	6	0.74%	*	*	*
Teamquest Corporation	2,675,130	7	0.70%	*	*	*
Petroleum Property Mgmt Inc	2,525,690	8	0.66%	*	*	*
Clear Lake Bank & Trust	2,461,216	9	0.64%	*	*	*
Oakwood Manor Corp	2,398,550	10	0.63%	*	*	*
<b>Total</b>	<b>\$ 33,282,226</b>					

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

\* Data for 2004 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
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%
<b>2013</b>	<b>2011</b>	<b>4,098,506</b>	<b>4,098,506</b>	<b>100.00%</b>

**Source:** City records

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

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Total Collections to Date

Delinquent Collections	Amount	Percentage of Levy
\$ 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%
<b>7,445</b>	<b>4,105,951</b>	<b>100.18%</b>

**City of Clear Lake, Iowa**

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

Fiscal Year	Governmental Activities			Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt		
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
<b>2013</b>	<b>3,920,500</b>	<b>32,208</b>	<b>3,888,292</b>	<b>0.49%</b>	<b>499.97</b>

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

**Source:** City records

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Business-Type Activities		Total Primary Government	Percentage of Per Capita Income	Per Capita
Loan Payable	General Obligation Bonds			
\$ -	\$ 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
<b>120,000</b>	<b>1,009,000</b>	<b>5,017,292</b>	<b>1.79%</b>	<b>645.14</b>

**City of Clear Lake, Iowa**

**Direct and Overlapping Governmental Activities Debt  
For the Year Ended June 30, 2013  
(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	\$ 4,929,500	100.00%	\$ 4,929,500	633.86
Indirect:				
Cerro Gordo County	10,636,750	20.30%	2,159,260	277.65
Clear Lake School District	8,845,000	74.88%	6,623,136	851.63
North Iowa Area Community College	935,000	7.17%	67,040	8.62
Clear Lake Sanitary District	2,085,000	75.98%	1,584,183	203.70
<b>Subtotal, overlapping debt</b>	<b>22,501,750</b>		<b>10,433,619</b>	<b>1,341.60</b>
<b>Total direct and overlapping debt</b>	<b>27,431,250</b>		<b>\$ 15,363,119</b>	<b>1,975.46</b>

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City of Clear Lake, Iowa

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

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	2004	2005	2006
Debt limit	\$ 25,191,552	\$ 27,706,426	\$ 27,839,182
Total net debt applicable to limit	3,490,135	2,930,424	4,405,000
Legal debt margin	\$ 21,701,417	\$ 24,776,002	\$ 23,434,182
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	13.85%	10.58%	15.82%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	<b>\$ 785,786,768</b>
Debt limit (5% of assessed value)	<u>39,289,338</u>
Debt applicable to limit:	
General obligation bonds	<u>4,929,500</u>
Legal debt margin	<u><b>\$ 39,289,338</b></u>

2007	2008	2009	2010	2011	2012	2013
\$ 29,842,939	\$ 31,644,412	\$ 34,273,168	\$ 36,460,500	\$ 37,367,465	\$ 38,788,534	\$ <b>39,289,338</b>
5,600,000	5,870,000	5,465,000	5,742,500	7,126,500	6,008,500	<b>4,929,500</b>
\$ 24,242,939	\$ 25,774,412	\$ 28,808,168	\$ 30,718,000	\$ 30,240,965	\$ 32,780,034	\$ <b>34,359,838</b>
18.76%	18.55%	15.95%	15.75%	19.07%	15.49%	<b>12.55%</b>

City of Clear Lake, Iowa

Demographic and Economic Statistics

Last Ten Fiscal Years

(Unaudited)

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Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
2004	45,118	30,747	41.13	1,426	3.92%
2005	45,029	31,879	41.55	1,391	4.89%
2006	44,645	33,072	42.15	1,404	3.80%
2007	44,384	35,712	42.90	1,405	3.80%
2008	44,016	37,188	43.17	1,378	4.80%
2009	43,786	36,576	42.41	1,386	6.50%
2010	43,609	34,575	43.25	1,304	6.70%
2011	44,151	35,090	43.33	1,288	6.20%
2012	43,938	35,605	43.41	1,289	5.60%
<b>2013</b>	<b>43,788</b>	<b>36,120</b>	<b>43.48</b>	<b>1,263</b>	<b>5.30%</b>

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

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

\*\* For Cerro Gordo County

**City of Clear Lake, Iowa**

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	500	1	13.91%	500	1	
Dean Snyder Construction	200	2	5.56%			
TeamQuest Corporation	150	3	4.17%	90	3	
Serta Mattress Company	150	3	4.17%	90	3	
Kingland Systems Corporation	75	5	2.09%	60	6	
Clear Lake Bank & Trust	60	6	1.67%			
Oakwood Care Center	53	7	1.47%	90	3	
Yohn Co	50	8	1.39%			
Con-Way Freight	38	9	1.06%			
Titan Pro	35	10	0.97%			
Pella Storm Door Division				325	2	

**Notes:** Remaining 2004 information unavailable

**Sources:** Clear Lake Chamber of Commerce, US Census Bureau

\* Only the top six principal employers are available

**City of Clear Lake, Iowa**

**Government Employees By Functions/Programs  
Last Ten Fiscal Years  
(Unaudited)**

Functions/Program	Employees as of June 30				
	2004	2005	2006	2007	2008
<b>Full Time:</b>					
General Government:					
City Administrator	1	1	1	1	1
City Clerk	1	1	1	1	1
Finance/Utilities	4	3.5	3.5	3	3
Building & Zoning Official	1	1	1	1	1
Police:					
Officers	14	14	14	15	15
Civilian Support Supervisor	1	1	1	1	1
Dispatchers	4	4	4	4	4
Fire:					
Ambulance	-	-	3	3	3
Public Works:					
Administration	2	1.5	1.5	1	1
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	3	3	3	3	3
<b>Subtotal Full Time</b>	<b>44</b>	<b>43</b>	<b>46</b>	<b>46</b>	<b>46</b>
Other:					
General Government:					
Mayor/Council	6	6	6	6	6
Office Clerk - Part Time	-	-	-	1	1
Janitor - Part Time	-	1	1	1	1
Police:					
Officers - Part Time	-	-	-	-	-
Dispatchers - Part Time	2	3	2	2	2
Fire:					
Volunteers	22	25	22	25	25
Ambulance - Part Time	-	-	10	10	11
Public Works:					
Administration - Part Time	-	-	-	1	1
Other Programs/Functions:					
Library - Part Time	12	14	16	16	16
<b>Subtotal Other</b>	<b>42</b>	<b>49</b>	<b>57</b>	<b>62</b>	<b>63</b>
<b>Grand Total</b>	<b>86</b>	<b>92</b>	<b>103</b>	<b>108</b>	<b>109</b>

**Source:** City records

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

Employees as of June 30

2009	2010	2011	2012	2013
1	1	1	1	1
1	1	1	1	1
3	3	3.5	3.5	3.5
1	1	1	1	1
15	16	16	16	15
1	1	1	1	1
5	5	5	5	5
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
7	7	7	7	6
1	1	1	1	1
2	2	2	2	2
2	2	2.5	2.5	2.5
3	3	3	3	3
<b>47</b>	<b>48</b>	<b>49</b>	<b>49</b>	<b>47</b>
6	6	6	6	6
1	1	-	-	-
1	1	1	1	1
-	2	2	2	2
2	1	2	3	2
25	25	25	25	25
10	11	11	11	11
1	1	1	1	1
15	15	14	12	11
<b>61</b>	<b>63</b>	<b>62</b>	<b>61</b>	<b>59</b>
<b>108</b>	<b>111</b>	<b>111</b>	<b>110</b>	<b>106</b>

City of Clear Lake, Iowa

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

Function/Program	Calendar Year		
	2003	2004	2005
<b>Police:</b>			
Calls for service	9,212	8,592	8,318
Arrests	454	420	533
Traffic citations	495	543	635
Parking Tickets	434	446	383
<b>Fire:</b>			
Calls for service	276	284	674
Total Fire Calls	187	186	220
Total EMS Calls	89	98	454
Property loss	\$ 164,000	\$ 554,000	\$ 419,000
<b>Building safety:</b>			
Total building permits issued	200	140	124
Total value all permits	\$ 9,818,995	\$ 9,723,483	\$ 13,962,026
New single/multi family dwellings	18	21	34
<b>Library: (reported on a fiscal year)</b>			
Registrations	9,282	9,478	8,884
Total Items Checked out	123,133	134,546	136,723
<b>Park &amp; Recreation:</b>			
Program participants	1,565	1,537	1,354
Shelter reservations	123	124	130
Pool Memberships			
<b>Cemetery:</b>			
Burials	75	68	51
Spaces sold (reported on a fiscal year)	79	69	49
<b>Public Works:</b>			
New construction or reconstruction (miles)	0.50	0.40	0.36
Resurface (miles)	0.29	-	1.76
<b>Water: (reported on a fiscal year)</b>			
Customers	3,777	3,805	3,856
Average daily consumption per customer	205	188	182
<b>Solid Waste: (reported on a fiscal year)</b>			
Garbage collected (ton)	2,335	2,335	2,356
Recycle collected (ton)	333	340	348
Yard waste collected (ton)	1,367	1,593	1,453

**Source:** Department records

Note: In 2012 Water Customers did not include Water Garden Meters

Calendar Year						
2006	2007	2008	2009	2010	2011	2012
8,527	8,129	7,491	6,531	8,755	9,531	<b>9,220</b>
520	607	468	454	383	410	<b>413</b>
704	1,390	1,606	1,943	1,038	628	<b>577</b>
248	686	874	500	505	341	<b>142</b>
912	1,095	1,086	923	1,096	1,167	<b>1,162</b>
173	158	288	174	214	217	<b>194</b>
739	937	798	749	882	950	<b>968</b>
\$ 593,000	\$ 340,000	\$ 491,000	\$ 297,500	\$ 348,750	\$ 75,600	<b>\$ 450,950</b>
126	161	145	158	144	135	<b>148</b>
\$ 12,913,941	\$ 18,331,333	\$ 10,722,966	\$ 11,110,377	\$ 6,801,839	\$ 10,505,569	<b>\$ 9,372,236</b>
26	25	22	15	11	13	<b>15</b>
8,812	9,100	9,552	8,244	8,579	7,746	<b>7,848</b>
140,801	141,341	141,579	145,378	144,934	139,654	<b>136,488</b>
1,629	1,429	1,374	1,974	1,801	1,937	<b>1,214</b>
150	170	195	194	210	192	<b>226</b>
	339	340	269	190	204	<b>147</b>
42	44	41	44	48	38	<b>43</b>
60	32	17	16	16	21	<b>25</b>
1.17	1.11	0.23	0.64	0.16	0.10	<b>1.00</b>
2.40	2.16	2.56	-	-	-	<b>1.59</b>
3,885	3,924	3,947	3,956	3,965	4,020	<b>3,928</b>
184	180	172	167	159	170	<b>165</b>
2,355	2,396	2,368	2,364	2,372	2,369	<b>2,367</b>
339	341	312	284	280	288	<b>276</b>
1,230	1,240	1,709	1,736	1,487	1,824	<b>1,660</b>

**City of Clear Lake, Iowa**

**Capital Asset Statistics By Function/Program**

**Last Ten Fiscal Years**

**(Unaudited)**

Function/Program	2004	2005	2006	2007
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	79.3	79.3	79.3	80.3
Traffic Signals	8	9	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	48,101	49,560	48,830	45,374
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	962,000	889,000	864,000	910,000
Peak Consumption	1,350,000	1,251,000	1,381,000	1,533,000
Water Lines (miles)	52.1	52.8	53.5	53.6
Wastewater:				
Sanitary Sewers (miles)	44.4	44.8	44.8	46.5

**Source:** Department records

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2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
1	1	1	1	1	1
80.3	80.4	80.4	80.4	80.4	<b>80.4</b>
9	10	10	10	10	<b>10</b>
52	52	52	52	52	<b>52</b>
11	11	11	11	11	<b>11</b>
6	6	6	6	6	<b>6</b>
1	1	1	1	1	<b>1</b>
51,043	52,785	54,369	55,086	56,396	<b>57,656</b>
1,000,000	1,000,000	2,000,000	2,000,000	2,000,000	<b>1,500,000</b>
854,000	823,000	787,668	854,992	824,686	<b>796,285</b>
1,609,000	1,424,000	1,387,000	1,293,000	1,494,000	<b>1,587,000</b>
54.2	55.0	55.0	58.6	58.6	<b>58.6</b>
46.5	47.2	47.2	47.2	47.2	<b>47.3</b>

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City of Clear Lake, Iowa

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Indirect:			
U.S. Department of Housing and Urban Development Pass-Through the Iowa Economic Development Authority Community Development Block Grant	14.228	08-DRI-241	<u>\$ 526,110</u>
U.S. Department of Justice: Pass-Through the Iowa Department of Justice Violence Against Women Formula Grant, Crime Victim Grant	16.588	N/A	1,287
Pass-Through the City of Mason City, Iowa ARRA-Edward Byrne Memorial Justice Assistance Grant	16.803	N/A	<u>3,076</u>
<b>Total U.S. Department of Justice</b>			<u><u>4,363</u></u>
U.S. Department of Transportation: Pass-Through the Iowa Department of Transportation Highway Planning and Construction	20.205	02-10-STPU-012	14,725
Highway Planning and Construction	20.205	STP-E-1372(618) 8V17	<u>87,138</u>
			<u>101,863</u>
Pass-Through the Iowa Department of Public Safety Governance Traffic Safety Bureau Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12-410	<u>17,758</u>
<b>Total U.S. Department of Transportation</b>			<u>122,697</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 650,094</u></u>

See notes to schedule of expenditures of federal awards.

**Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013**

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**Note 1 Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of City of Clear Lake, Iowa under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Clear Lake, Iowa, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Clear Lake, Iowa.

**Note 2 Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal awards is recognized when it is both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**City of Clear Lake, Iowa**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013**

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Findings	Status	Corrective Action Plan or Other Explanation
None reported in prior year.		

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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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Clear Lake, Iowa (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Clear Lake, Iowa's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2013-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Clear Lake, Iowa's Response to Findings**

The City of Clear Lake, Iowa's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bohnsack & Frommelt LLP*

Taylor Ridge, Illinois  
November 15, 2013



**Independent Auditor's Report on Compliance For Each  
Major Federal Program and Report on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Clear Lake, Iowa's (the City) 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's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-002 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Bohnsack & Frommelt LLP*

Taylor Ridge, Illinois  
November 15, 2013

**City of Clear Lake, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

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**Part I: Summary of the Independent Auditor's Results**

- a) Unmodified opinions were issued on the financial statements.
- b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. A significant deficiency over internal control was identified by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No material weaknesses in internal control over major programs were disclosed by the audit of the major programs. A significant deficiency over internal control over major programs is identified.
- e) Type of auditor's reports issued on compliance for each major program: Unmodified
- f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows: Community Development Block Grant CFDA 14.228.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) City of Clear Lake, Iowa qualified as a low-risk auditee.

(Continued)

City of Clear Lake, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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**Part II: Findings Related to the Basic Financial Statements**

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

**2013-001**

Finding: The fiscal year 2012 Schedule of Expenditures of Federal Awards did not include all expenditures of the Highway Planning and Construction program.

Criteria: The Office of Management and Budget (OMB) Compliance Supplement requires the total federal awards expended for each individual federal program to be reported. OMB Circular A-133 requires the determination of when an award is expended to be based on when the activity related to the award occurs. For cost reimbursement contracts, the program is expended when the expenditure or expense transactions occur.

Condition: The City's Schedule of Expenditure of Federal Awards reported the amount of cash receipts from the program reimbursements rather than the total expenditures incurred during the fiscal year.

Context: The Highway Planning and Construction program for the 10<sup>th</sup> Avenue North street improvement program expended \$325,673 during fiscal year 2012.

Effect: The City is not in compliance with the reporting requirements of the single audit.

Cause: The City properly recorded the expenditures and related receivables and revenue of the program in the City's financial statements; however, the supplementary information did not report the total expenditures.

Recommendation: We recommend the City contact the prior auditors or pass through entity to determine how to address the fiscal year 2012 reporting.

Response and Corrective Action Plan: The City has connected the prior auditors and is in the process of resolving the 2012 reporting.

City of Clear Lake, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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**Part III: Findings and Questioned Costs for Federal Awards**

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

**2013-002**

**U.S. Department of Transportation  
Passed Through Iowa Department of Transportation  
Highway Planning and Construction (CFDA 20.205)  
Federal Award Year 2011**

Finding: The fiscal year 2012 Schedule of Expenditures of Federal Awards did not include all expenditures of the Highway Planning and Construction program resulting in an additional major program for the 2012 Single Audit.

Criteria: The Office of Management and Budget (OMB) Compliance Supplement requires the total federal awards expended for each individual federal program to be reported. OMB Circular A-133 requires the determination of when an award is expended to be based on when the activity related to the award occurs. For cost reimbursement contracts, the program is expended when the expenditure or expense transactions occur. Programs that exceed \$300,000 in program expenditures are considered Type A programs and subject to audit when not tested within two years.

Condition: The City's Schedule of Expenditure of Federal Awards reported the amount of cash receipts from the program reimbursements rather than the total expenditures incurred during the fiscal year.

Questioned costs: None

Context: The Highway Planning and Construction program for the 10<sup>th</sup> Avenue North street improvement program expended \$325,673 during fiscal year 2012.

Effect: The program was not selected for testing as a major program in the 2012 year-end audit.

Cause: The City properly recorded the expenditures and related receivables and revenue of the program in the City's financial statements; however, the supplementary information did not report the total expenditures.

Recommendation: We recommend the City contact the prior auditors or pass through entity to determine how to address the fiscal year 2012 reporting and testing.

Response and Corrective Action Plan: The City has contacted the prior auditors and is in the process of resolving the 2012 Single Audit.

**City of Clear Lake, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

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**Part IV: Other Findings Related to Statutory Reporting**

**IV-A-13**

Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the amounts budgeted.

**IV-B-13**

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

**IV-C-13**

Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

**IV-D-13**

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

**IV-E-13**

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 insure that the coverage is adequate for current operations.

**IV-F-13**

Council Minutes – No transactions requiring Council approval which had not been approved by the Council were noted.

**IV-G-13**

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

**IV-H-13**

Revenue Notes – Currently, the City does not have revenue notes.

**IV-I-13**

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

**IV-J-13**

Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

**City of Clear Lake Iowa**

**Corrective Action Plan  
Year Ended June 30, 2013**

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<b>Current Number</b>	<b>Comment</b>	<b>Corrective Action Plan</b>	<b>Anticipated Date of Completion</b>	<b>Contact Person</b>
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**Significant Deficiency over Federal Awards:**

2013-001	The fiscal year 2012 Schedule of Expenditures of Federal Awards did not include all expenditures of a federal program.	See response and corrective action plan at 2013-001.	Fiscal Year 2014	Linda Nelson
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**Significant Deficiency over Federal Awards:**

2013-002	The fiscal year 2012 Schedule of Expenditures of Federal Awards did not include all the expenditures of a federal program resulting in an additional major program.	See response and corrective action plan 2013-002.	Fiscal Year 2014	Linda Nelson
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To the Honorable Mayor and  
Members of the City Council  
City of Clear Lake, Iowa  
Clear Lake, Iowa

In connection with our audit of the financial statements of the City of Clear Lake, Iowa as of and for the year ended June 30, 2013, we identified deficiencies in internal control over financial reporting (control deficiencies).

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

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

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

Following is a description of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

#### Receivables and Revenue Transactions

The Utility Billing Clerk has access to edit customer accounts; bill accounts receivable and collect receipts. The Accounting and Utility Billing Clerks also may bill other types of accounts receivable and collect receipts. All three employees may void a transaction. To strengthen the internal controls, we recommend the following:

- The City's cashier system currently does not require supervisory personnel to key in a password in order for employees collecting receipts to void a transaction in the system. We recommend adjusting the cash receipting module settings to require a password to be keyed in by supervisory personnel before a void transaction can be performed. At month-end, we recommend the Finance Officer review a system report that lists voids and verify that transactions were properly authorized.
- Employees with access to edit customer accounts and who bill for accounts receivable should not have access to receipts collection. We recommend reviewing current position assignments and considering removing the Utility Billing Clerk from all

receipting. All accounts receivable, including miscellaneous billings would then be assigned to the Utility Billing Clerk to bill and monitor which would also improve segregation of the Accounting and Utility Billing Clerks from billing and collection.

- One of the key controls over the utility billing customer account access is the separate review by the Office Clerk of the utility exception reports. We recommend formalizing this review by requiring the Finance Officer to sign and date the low usage report indicating her review. We recommend the Water Department Manager periodically review low usage reports for propriety.

#### Accounts Payable and Disbursement Transactions

The Accounting Clerk has access to the master vendor files, is responsible for entering new vendors, enters purchase orders, receives and enters invoices, processes accounts payable, generates checks, stamps signature, mails the checks and prepares the manual bank reconciliation.

Key compensating controls in place include management's and the City Council's review of the check register and related invoices, the Mayor's manual signature on the checks, and the Finance Officer's input of the electronic bank reconciliation. To further strengthen the internal controls, we recommend the following:

- The access to the master vendor files and the responsibility for entering new vendors should be designated to a position that has no other accounts payable or disbursement transaction responsibilities.
- Check sequence should be formally tracked and compared to the City Council packet.
- Ideally, checks once processed and signed by the Mayor should be designated to another position for second signature and mailing.

This communication is intended solely for the information and use of management, the City Council, 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.

*Bohnsack & Frommelt LLP*

Taylor Ridge, Illinois  
November 15, 2013