

City of Clear Lake, Iowa

Financial and Compliance Report
Year Ended June 30, 2014

Contents

Introductory Section	
Table of contents	i – ii
City officials	iii
Organization chart	iv
<hr/>	
Financial Section	
<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 – 50
Required Supplementary Information:	
Other Postemployment Benefit Plan	51
Budgetary comparison schedule – budget and actual – all governmental and proprietary funds	52 – 53
Note to required supplementary information	54
Supplementary Information:	
Nonmajor governmental funds:	
Combining balance sheet	55 – 56
Combining statement of revenues, expenditures and changes in fund balances	57 – 58

Contents

Statistical Section (Unaudited)

Statistical section contents	59
Net position by component	60 – 61
Changes in net position	62 – 65
Program revenues by function/program	66 – 67
Fund balances, governmental funds	68 – 69
Changes in fund balances, governmental funds	70 – 71
Tax revenues by source, governmental funds	72
Assessed value and estimated actual value of taxable property	73 – 74
Direct and overlapping property tax rates	75 – 76
Principal property taxpayers	77
Property tax levies and collections	78 – 79
Ratios of net general bonded debt outstanding by type	80 – 81
Computation of direct and overlapping debt	82
Legal debt margin information	83 – 84
Demographic and economic statistics	85
Principal employers	86
Full-time equivalent City government employees by functions/programs	87 – 88
Operating indicators by function/program	89 – 90
Capital asset statistics by function/program	91 - 92

Compliance Section

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	93 – 94
Schedule of findings and responses	95

City of Clear Lake, Iowa

**City Officials
June 30, 2014**

		<u>Term Expiration Date of Elected Officials</u>
Nelson Crabb	Mayor	12/31/2017
Dana Brant	1st Ward City Council Member	12/31/2015
Tony Nelson	2nd Ward City Council Member	12/31/2017
Jim Boehnke	3rd Ward City Council Member	12/31/2015
Mike Callanan	At Large City Council Member	12/31/2015
Gary Hugi	At Large City Council Member	12/31/2017

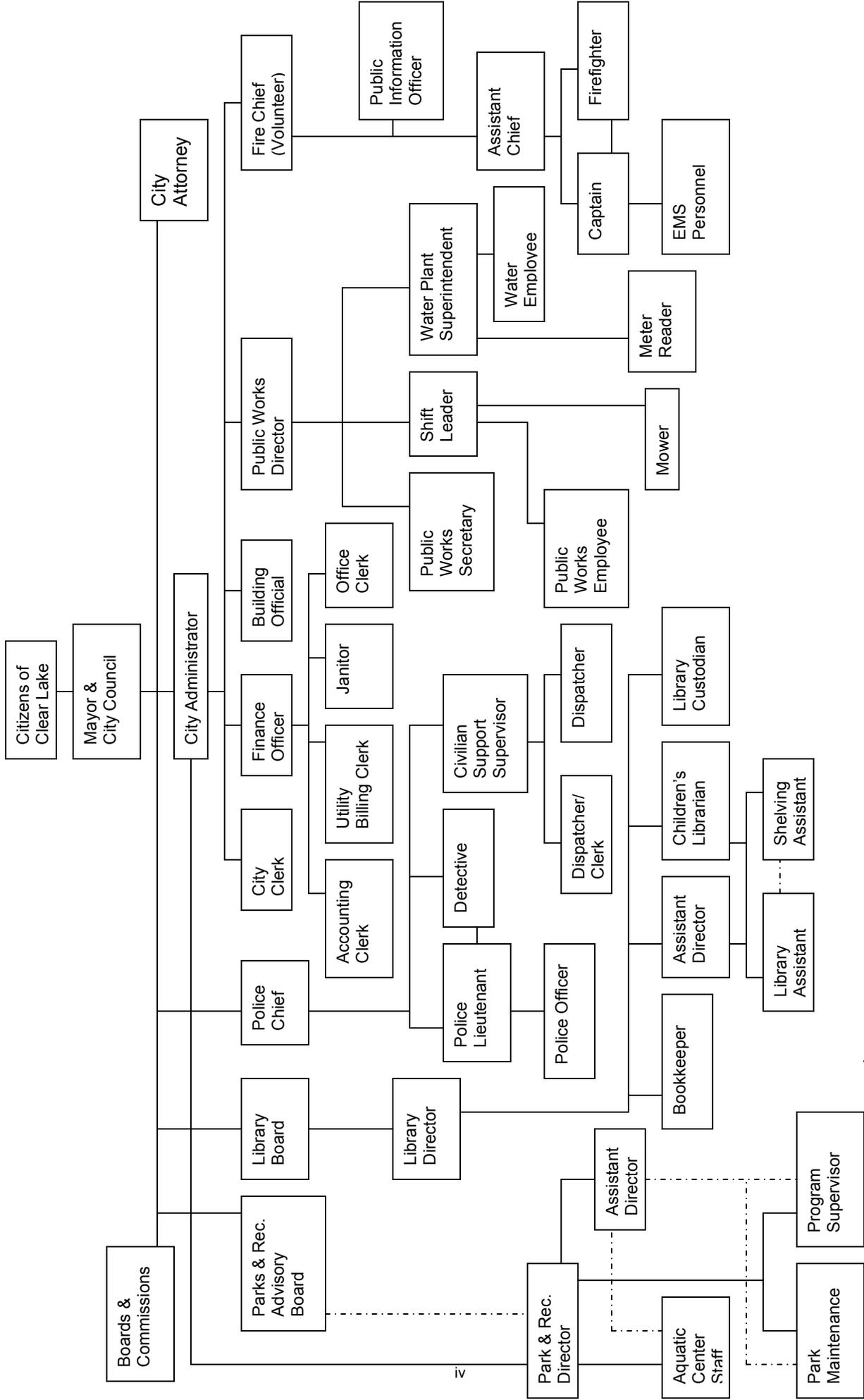
Park and Recreation Board

Tim Raber
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
Martha Boyes, Acting Director

City of Clear Lake Organizational Chart





Independent Auditor's Report

To the 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, 2014, 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, 2014, 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.

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 51–54 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 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 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 14, 2014 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 14, 2014

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

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, 2014.

Financial Highlights

The assets of the City of Clear Lake, Iowa exceeded its liabilities at the close of the most recent fiscal year by \$52,296,168 (net position). Of this amount, \$6,144,021 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2013, assets exceeded liabilities by \$50,568,552. Of this amount, \$6,744,421 was unrestricted.

The government's total net position increased by \$1,727,616 during the year ended 2014. Governmental activities increased by \$877,887 and business-type activities increased by \$849,729. For fiscal year ended June 30, 2013, total net position increased by \$2,232,487. Governmental activities increased by \$1,598,324 and business-type activities increased by \$634,163.

As of the close of this current fiscal year, the City of Clear Lake, Iowa's governmental funds reported combined ending fund balances of \$7,078,912 a decrease of \$267,763 in comparison with the prior year. Approximately 57.2 percent of this total amount, 4,048,373, is unassigned fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2013, governmental funds reported combined ending fund balances of \$7,346,675, of which \$4,233,781 or 57.6 percent is unassigned.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,879,713 or 73.4 percent of total General Fund expenditures compared to \$4,329,687 and 72.6 percent as of June 30, 2013.

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, deferred outflows of resources, and deferred inflows of resources and liabilities, with the difference 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, 2014

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 52 through 54.

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, 2014**

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 \$52,296,158, which represents an increase of \$1,727,616 from 2013.

Of the City of Clear Lake's net position, 83 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 2014	Governmental Activities June 2013	Business-Type Activities June 2014	Business-Type Activities June 2013	Total June 2014	Total June 2013
Current and other assets	\$ 17,202,999	\$ 14,190,415	\$ 2,534,457	\$ 2,260,001	\$ 19,737,456	\$ 16,450,416
Capital assets	26,712,849	26,229,480	21,009,199	20,072,614	47,722,048	46,302,094
Total assets	43,915,848	40,419,895	23,543,656	22,332,615	67,459,504	62,752,510
Noncurrent liabilities	4,225,185	3,360,545	618,051	944,380	4,843,236	4,304,925
Other liabilities	2,243,680	1,746,163	1,216,598	528,957	3,460,278	2,275,120
Total liabilities	6,468,865	5,106,708	1,834,649	1,473,337	8,303,514	6,580,045
Total deferred inflows of resources	6,859,822	5,603,913	-	-	6,859,822	5,603,913
Net position:						
Net investment in capital assets	23,498,349	22,308,980	20,085,199	18,943,614	43,583,548	41,252,594
Restricted	2,568,599	2,571,537	-	-	2,568,599	2,571,537
Unrestricted	4,520,213	4,828,757	1,623,808	1,915,664	6,144,021	6,744,421
Total net position	\$ 30,587,161	\$ 29,709,274	\$ 21,709,007	\$ 20,859,278	\$ 52,296,168	\$ 50,568,552

A restricted portion of the City's net position (4.9 percent as of June 30, 2014) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,144,021 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 \$1,727,616 during the year ended June 30, 2014. The governmental-type activities' net position increased by \$877,887. The total business-type activities' net position increased by \$849,729. 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, 2014

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2014. 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 Position

	Governmental Activities 2014	Governmental Activities 2013	Business-Type Activities 2014	Business-Type Activities 2013	Total 2014	Total 2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,004,163	\$ 793,675	\$ 1,803,012	\$ 1,804,577	\$ 2,807,175	\$ 2,598,252
Operating grants and contributions	989,980	1,078,941	-	-	989,980	1,078,941
Capital grants and contributions	-	654,843	81,762	-	81,762	654,843
General revenues:						
Property taxes	5,589,982	6,404,107	-	-	5,589,982	6,404,107
Other taxes	1,479,386	1,536,138	-	-	1,479,386	1,536,138
Investment earnings	46,709	38,350	5,336	4,398	52,045	42,748
Other	37,153	-	-	-	37,153	-
Total revenues	9,147,373	10,506,054	1,890,110	1,808,975	11,037,483	12,315,029
Expenses:						
General government	\$ 821,462	\$ 786,184	\$ -	\$ -	\$ 821,462	\$ 786,184
Public safety	2,845,418	2,866,571	-	-	2,845,418	2,866,571
Public works	1,966,908	2,799,841	-	-	1,966,908	2,799,841
Health and social services	5,534	755	-	-	5,534	755
Culture and recreation	1,160,615	1,118,633	-	-	1,160,615	1,118,633
Community and economic development	421,814	360,139	-	-	421,814	360,139
Interest on long-term debt	93,843	198,537	-	-	93,843	198,537
Water	-	-	1,010,268	983,988	1,010,268	983,988
Sewer rental	-	-	327,950	292,426	327,950	292,426
Storm water	-	-	187,795	209,412	187,795	209,412
Solid waste	-	-	468,260	466,056	468,260	466,056
Total expenses	7,315,594	8,130,660	1,994,273	1,951,882	9,309,867	10,082,542
Excess (deficiency) before transfers	1,831,779	2,375,394	(104,163)	(142,907)	1,727,616	2,232,487
Transfers	(953,892)	(777,070)	953,892	777,070	-	-
Change in net position	877,887	1,598,324	849,729	634,163	1,727,616	2,232,487
Net position, beginning	29,709,274	28,110,950	20,859,278	20,225,115	50,568,552	48,336,065
Net position, ending	\$ 30,587,161	\$ 29,709,274	\$ 21,709,007	\$ 20,859,278	\$ 52,296,168	\$ 50,568,552

City of Clear Lake, Iowa

**Management's Discussion and Analysis
Year Ended June 30, 2014**

Table 3 below discloses cost of services for governmental activities.

The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 3 - Governmental Activities

Programs	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
Public safety	\$ 2,845,418	\$ 2,866,571	\$ (2,364,060)	\$ (2,300,519)
Public works	1,966,908	2,799,841	(800,556)	(1,197,457)
Health and social services	5,534	755	(3,529)	295
Culture and recreation	1,160,615	1,118,633	(889,082)	(830,330)
Community and economic development	421,814	360,139	(368,365)	(310,139)
General government	821,462	786,184	(802,016)	(766,514)
Interest on long-term debt	93,843	198,537	(93,843)	(198,537)
Total	\$ 7,315,594	\$ 8,130,660	\$ (5,321,451)	\$ (5,603,201)

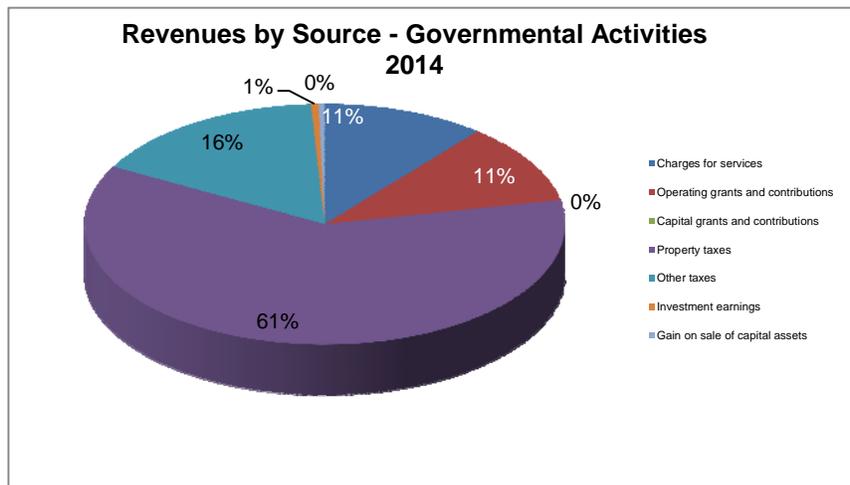
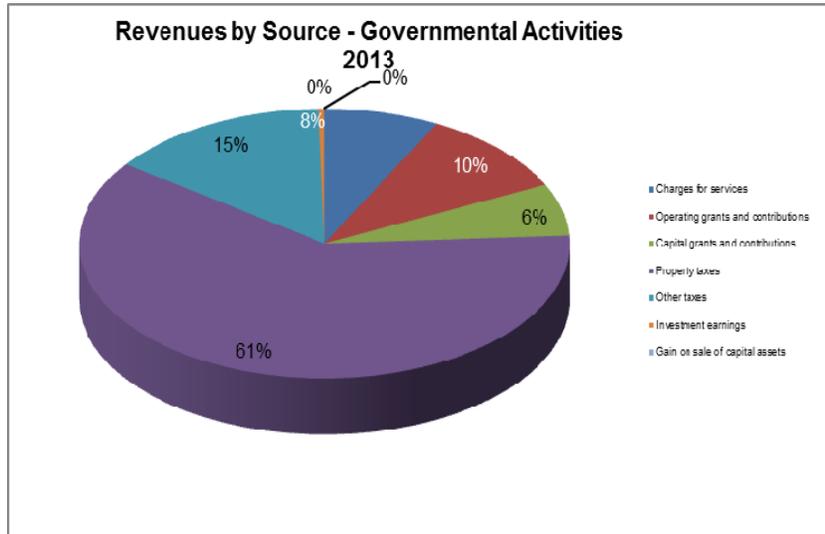
Net cost of services is 72.7 percent of total cost of services for the year ended June 30, 2014 and 68.9 percent for the year ended June 30, 2013. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2014

Governmental Activities

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2014 and 2013.



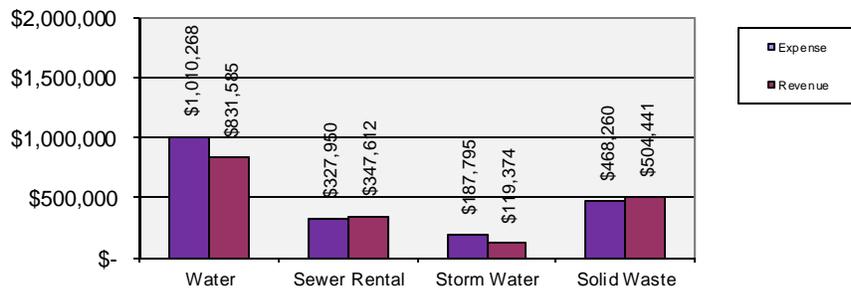
City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2014

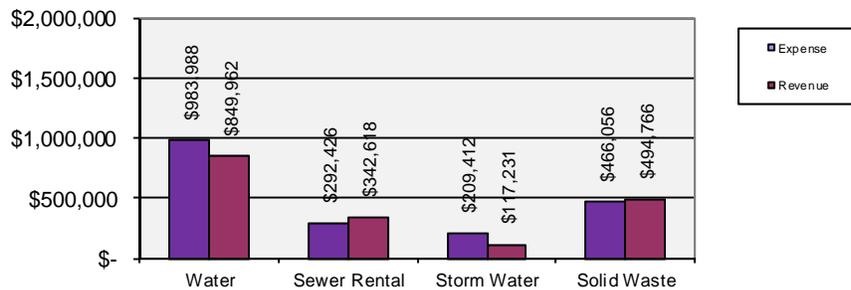
Business-type activities: For the year ended June 30, 2014, business-type activities increased the City of Clear Lake's net position by \$849,729.

Total business-type activities' revenue for the fiscal year was \$1,890,110. All but \$5,336 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 2014 and 2013.

Expenses and Program Revenues - Business-Type Activities
2014



Expenses and Program Revenues - Business-Type Activities
2013



City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

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's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for 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, 2014, the City of Clear Lake, Iowa's governmental funds reported combined ending fund balances of \$7,078,912, a decrease of \$267,763 from June 30, 2013. The City's unassigned balance was \$4,048,373 as of June 30, 2014 compared to \$4,233,781 as of June 30, 2013. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form - \$430,340, 2) legally required to be maintained intact or restricted for particular purposes by enabling legislation or by third parties - \$2,218,029 or 3) committed for particular purposes - \$382,170.

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 \$4,879,713, while total fund balance increased by \$360,168. 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 for both 2014 and 2013, while total fund balance represents approximately 78 percent of General Fund expenditures compared to 81 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 23 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 7 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 \$360,168 during the current fiscal year. This was due primarily to timing issues relating to capital project transfers and expenditures.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance decreased \$735,434 from \$(95,906) in 2013 to (831,340) in 2014. The decrease in TIF fund balance was due to recording the liability relating to internal loans for capital projects.

City of Clear Lake, Iowa

Management's Discussion and Analysis Year Ended June 30, 2014

The Capital Projects Fund balance increased by \$113,229 to \$127,985 in 2014 from \$14,756 in 2013. This increase was due to the transfers in from the Tax Increment Financing Fund.

The Debt Service Fund balance increased \$1,121 from \$32,208 in 2013 to \$33,329 in 2014. The Debt Service Fund continues to service debt as it becomes due. In the current year, payments of \$706,000 were made on outstanding general obligation bonds and notes.

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 \$675,607 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, 2014 was \$9,562,260 compared to \$8,886,653 as of June 30, 2013.

The Sewer Rental Fund had a change in net position of \$77,172. The net position of the Sewer Rental Fund was \$5,864,184 compared to \$5,787,012 as of June 30, 2013. 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 \$74,485. The increase is created from a transfer in to capital projects. The ending net position as of June 30, 2014 was \$6,113,149 compared to \$6,038,664 as of June 30, 2013.

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, two budget amendment increased budgeted expenditures and transfers out by a total of \$354,905. 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 intergovernmental revenues.

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, 2014

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, 2014, amounts to \$47,722,048 (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 the remodel of city hall and police station, northwest water tower, south 20th street improvements, highway 18 water main improvements and the 14th and 15th avenue crack and seal project.

City of Clear Lake's Capital Assets

	Governmental Activities		Business-Type		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,070,993	\$ 3,070,993	\$ 410,188	\$ 410,188	\$ 3,481,181	\$ 3,481,181
Construction-in-progress	1,010,105	239,738	1,223,429	261,490	2,233,534	501,228
Buildings and improvements	9,267,989	8,977,665	1,509,204	1,509,204	10,777,193	10,486,869
Infrastructure	23,996,514	23,679,490	26,576,320	26,059,118	50,572,834	49,738,608
Machinery and equipment	5,833,161	5,610,911	984,744	979,293	6,817,905	6,590,204
Accumulated depreciation	(16,465,913)	(15,349,317)	(9,694,686)	(9,146,679)	(26,160,599)	(24,495,996)
Total	\$ 26,712,849	\$ 26,229,480	\$ 21,009,199	\$ 20,072,614	\$ 47,722,048	\$ 46,302,094

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, 2014, the City of Clear Lake, Iowa had general obligation loan notes, general obligation bonds and a note payable totaling \$5,758,500 compared to \$5,049,500 as of June 30, 2013. For the year ended June 30, 2014, the City paid \$911,000 in principal and \$104,367 in interest on outstanding debt. In March 2014, the City issued \$1,620,000 of General Obligation Bonds for an economic development forgivable loan. Then new bonds were issued at a rates ranging from 2.0 percent to 3.24 percent.

Table 5 - Outstanding Debt, June30

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation loan notes	\$ 684,500	\$ 730,500	\$ 269,000	\$ 354,000	\$ 953,500	\$ 1,084,500
General obligation bonds	4,150,000	3,190,000	535,000	655,000	4,685,000	3,845,000
Note payable	-	-	120,000	120,000	120,000	120,000
	\$ 4,834,500	\$ 3,920,500	\$ 924,000	\$ 1,129,000	\$ 5,758,500	\$ 5,049,500

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, 2014

Economic Factors and Next Year's Budgets and Rates

- Real property assessed values have continued to rise with tax year 2014 to \$800,184,187 from \$785,786,768 in 2013.
- The unemployment rate for Cerro Gordo County at June 30, 2014 is 4.8 percent. The rate for Cerro Gordo County decreased from last year's rate of 5.3 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 6th Street, PO Box 185, Clear Lake, Iowa 50428.

City of Clear Lake, Iowa

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,988,428	\$ 619,886	\$ 2,608,314
Certificates of deposit	5,056,660	1,635,000	6,691,660
Investments	209,250	-	209,250
Receivables:			
Property taxes	6,911,001	-	6,911,001
Special assessments	406,729	-	406,729
Accounts, net of allowances for uncollectibles of \$219,525	153,347	171,407	324,754
Unbilled usage	-	32,773	32,773
Other	5,523	-	5,523
Due from other governments	370,895	-	370,895
Internal balances	(4,174)	4,174	-
Inventories	80,000	71,217	151,217
Total current assets	15,177,659	2,534,457	17,712,116
Noncurrent assets:			
Restricted cash and investments	350,340	-	350,340
Forgiveable loan	1,675,000	-	1,675,000
Capital assets:			
Land	3,070,993	410,188	3,481,181
Construction-in-progress	1,010,105	1,223,429	2,233,534
Buildings and improvements	9,267,989	1,509,204	10,777,193
Infrastructure	23,996,514	26,576,320	50,572,834
Machinery and equipment	5,833,161	984,744	6,817,905
Less accumulated depreciation	(16,465,913)	(9,694,686)	(26,160,599)
Total capital assets	26,712,849	21,009,199	47,722,048
Total noncurrent assets	28,738,189	21,009,199	49,747,388
Total assets	\$ 43,915,848	\$ 23,543,656	\$ 67,459,504

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts and contracts payable	\$ 925,498	\$ 683,257	\$ 1,608,755
Accrued liabilities	291,174	121,211	412,385
Deposits	5,000	62,113	67,113
Unearned revenue	58,434	-	58,434
Accrued interest payable	9,634	-	9,634
Compensated absences	157,940	18,017	175,957
Current portion of bonds and notes	796,000	332,000	1,128,000
Total current liabilities	2,243,680	1,216,598	3,460,278
Noncurrent liabilities:			
Other postemployment benefits obligation	186,685	26,051	212,736
Bonds payable	3,400,000	592,000	3,992,000
Notes payable	638,500	-	638,500
Total noncurrent liabilities	4,225,185	618,051	4,843,236
Total liabilities	6,468,865	1,834,649	8,303,514
Deferred inflows of resources, unavailable revenue, property taxes	6,859,822	-	6,859,822
Net Position:			
Net investment in capital assets	23,498,349	20,085,199	43,583,548
Restricted for:			
Nonexpendable endowment corpus	350,340	-	350,340
Donor restricted purposes	268,070	-	268,070
Road use tax	1,314,248	-	1,314,248
Tax levy purposes	390,295	-	390,295
Law enforcement forfeiture	6,160	-	6,160
Grant purposes	2,542	-	2,542
Revolving loan fund	236,944	-	236,944
Unrestricted	4,520,213	1,623,808	6,144,021
Total net position	30,587,161	21,709,007	52,296,168
Total liabilities and net position	\$ 43,915,848	\$ 23,543,656	\$ 67,459,504

City of Clear Lake, Iowa

**Statement of Activities
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	\$ 2,845,418	\$ 352,406	\$ 128,952	\$ -
Public works	1,966,908	393,475	772,877	-
Health and social services	5,534	2,005	-	-
Culture and recreation	1,160,615	189,150	82,383	-
Community and economic development	421,814	47,681	5,768	-
General government	821,462	19,446	-	-
Interest on long-term debt	93,843	-	-	-
Total governmental activities	7,315,594	1,004,163	989,980	-
Business-type activities:				
Water	1,010,268	831,585	-	21,046
Sewer rental	327,950	347,612	-	32,656
Storm water	187,795	119,374	-	28,060
Solid waste	468,260	504,441	-	-
Total business-type activities	1,994,273	1,803,012	-	81,762
Total primary government	\$ 9,309,867	\$ 2,807,175	\$ 989,980	\$ 81,762

General Revenues

Taxes:
 Property taxes
 Other taxes
 Investment earnings
 Other

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 Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,364,060)	\$ -	\$ (2,364,060)
(800,556)	-	(800,556)
(3,529)	-	(3,529)
(889,082)	-	(889,082)
(368,365)	-	(368,365)
(802,016)	-	(802,016)
(93,843)	-	(93,843)
(5,321,451)	-	(5,321,451)
-	(157,637)	(157,637)
-	52,318	52,318
-	(40,361)	(40,361)
-	36,181	36,181
-	(109,499)	(109,499)
(5,321,451)	(109,499)	(5,430,950)
5,589,982	-	5,589,982
1,479,386	-	1,479,386
46,709	5,336	52,045
37,153	-	37,153
(953,892)	953,892	-
6,199,338	959,228	7,158,566
877,887	849,729	1,727,616
29,709,274	20,859,278	50,568,552
\$ 30,587,161	\$ 21,709,007	\$ 52,296,168

City of Clear Lake, Iowa

**Balance Sheet
Governmental Funds
June 30, 2014**

Assets	General	Tax Increment Financing	Capital Projects
Cash and cash equivalents	\$ 1,067,917	\$ 4,810	\$ 487,839
Certificates of deposit	3,109,000	100,000	-
Investments	-	-	-
Restricted assets, cash	-	-	-
Receivables, net of allowance:			
Property taxes	3,339,004	2,469,412	-
Special assessments	406,729	-	-
Accounts, consumers net of allowance of \$219,000	153,347	-	-
Other, primarily forgivable loan	-	1,675,024	-
Due from other governments	285,876	-	25,017
Due from other funds	941,965	-	-
Inventories	80,000	-	-
Total assets	\$ 9,383,838	\$ 4,249,246	\$ 512,856
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts and contracts payable	\$ 218,644	\$ -	\$ 358,253
Accrued liabilities	161,650	-	7,785
Due to other funds	19,096	940,000	-
Deposits	5,000	-	-
Unearned revenue	58,434	-	-
Total liabilities	462,824	940,000	366,038
Deferred Inflows of Resources, unavailable revenue,			
Property taxes	3,302,514	2,465,586	-
Grants	-	-	18,833
Special assessments	404,602	-	-
Forgivable loans	-	1,675,000	-
Other	-	-	-
Total deferred inflows of resources	3,707,116	4,140,586	18,833
Fund balances (deficits):			
Nonspendable:			
Endowment corpus	-	-	-
Inventories	80,000	-	-
Restricted:			
Library foundation	-	-	-
Road use tax	-	-	-
Tax levy purposes	-	-	-
Law enforcement forfeiture	-	-	-
Grant purposes	-	-	-
Revolving loan fund	-	-	-
Committed:			
Capital improvement reserve	200,000	-	127,985
Firefighter incentive program	54,185	-	-
Unassigned	4,879,713	(831,340)	-
Total fund balances (deficits)	5,213,898	(831,340)	127,985
Total liabilities, deferred inflow of resources and fund balances (deficits)	\$ 9,383,838	\$ 4,249,246	\$ 512,856

See Notes to Basic Financial Statements.

Debt Service	Nonmajor Governmental Funds	Total
\$ 14,569	\$ 413,293	\$ 1,988,428
-	1,847,660	5,056,660
-	209,250	209,250
-	350,340	350,340
377,409	725,176	6,911,001
-	-	406,729
-	-	153,347
-	5,499	1,680,523
-	60,002	370,895
14,922	-	956,887
-	-	80,000
<u>\$ 406,900</u>	<u>\$ 3,611,220</u>	<u>\$ 18,164,060</u>
\$ -	\$ 348,601	\$ 925,498
-	7,233	176,668
-	1,965	961,061
-	-	5,000
-	-	58,434
-	357,799	2,126,661
373,571	718,151	6,859,822
-	-	18,833
-	-	404,602
-	-	1,675,000
-	230	230
<u>373,571</u>	<u>718,381</u>	<u>8,958,487</u>
-	350,340	350,340
-	-	80,000
-	268,070	268,070
-	1,314,248	1,314,248
33,329	356,966	390,295
-	6,160	6,160
-	2,542	2,542
-	236,714	236,714
-	-	327,985
-	-	54,185
-	-	4,048,373
<u>33,329</u>	<u>2,535,040</u>	<u>7,078,912</u>
<u>\$ 406,900</u>	<u>\$ 3,611,220</u>	<u>\$ 18,164,060</u>

City of Clear Lake, Iowa

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014**

Total governmental fund balances		\$	7,078,912
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	\$	43,178,762	
Accumulated depreciation		<u>(16,465,913)</u>	26,712,849
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:			
Unavailable revenues			2,098,665
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		(638,500)	
General obligation bonds, current		(750,000)	
General obligation bonds, noncurrent		(3,400,000)	
Accrued interest payable		(9,634)	
Other accrued liabilities		(114,506)	
Compensated absences, current		(157,940)	
Other postemployment benefits obligation		<u>(186,685)</u>	<u>(5,303,265)</u>
Net position of governmental activities			<u><u>\$ 30,587,161</u></u>

See Notes to Basic Financial Statements.

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clear Lake, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2014**

	General	Tax Increment Financing	Capital Projects
Revenues:			
Property taxes	\$ 3,723,401	\$ 750,095	\$ -
Other taxes	1,469,320	-	-
Special assessments	277,202	-	-
Licenses and permits	98,204	-	-
Intergovernmental	198,500	-	8,362
Charges for services	415,224	-	-
Fines and forfeitures	49,831	-	-
Use of money and property	30,020	1,333	242
Miscellaneous	33,990	-	5,000
Total revenues	6,295,692	751,428	13,604
Expenditures:			
Current:			
Public safety	2,388,213	-	-
Public works	585,889	-	-
Health and social services	5,534	-	-
Culture and recreation	994,343	-	-
Community and economic development	1,909,778	171,007	-
General government	741,565	-	-
Capital outlay	-	-	1,075,237
Debt service:			
Principal	-	-	-
Interest	20,250	-	-
Total expenditures	6,645,572	171,007	1,075,237
Revenues over (under) expenditures	(349,880)	580,421	(1,061,633)
Other financing sources (uses):			
Proceeds from sale of capital assets	21,190	-	-
Issuance of long-term debt	1,620,000	-	-
Premium on issuance of long-term debt	13,865	-	-
Transfers in	64,500	-	1,174,862
Transfers out	(1,009,507)	(1,315,855)	-
Total other financing sources (uses)	710,048	(1,315,855)	1,174,862
Net change in fund balances	360,168	(735,434)	113,229
Fund balances (deficits), beginning	4,853,730	(95,906)	14,756
Fund balances (deficits), ending	\$ 5,213,898	\$ (831,340)	\$ 127,985

See Notes to Basic Financial Statements.

	Debt Service	Nonmajor Governmental Funds	Total
\$	403,148	\$ 713,338	\$ 5,589,982
	3,505	6,561	1,479,386
	-	-	277,202
	-	-	98,204
	-	772,876	979,738
	-	-	415,224
	-	1,000	50,831
	476	30,200	62,271
	-	21,696	60,686
	407,129	1,545,671	9,013,524
	-	382,195	2,770,408
	-	467,274	1,053,163
	-	-	5,534
	-	116,934	1,111,277
	-	14,919	2,095,704
	-	66,628	808,193
	-	269,010	1,344,247
	706,000	-	706,000
	69,774	-	90,024
	775,774	1,316,960	9,984,550
	(368,645)	228,711	(971,026)
	-	2,100	23,290
	-	-	1,620,000
	-	-	13,865
	369,766	-	1,609,128
	-	(237,658)	(2,563,020)
	369,766	(235,558)	703,263
	1,121	(6,847)	(267,763)
	32,208	2,541,887	7,346,675
\$	33,329	\$ 2,535,040	\$ 7,078,912

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, 2014**

Net change in fund balances - governmental funds \$ (267,763)

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		1,707,315
Depreciation:		
General government	(17,415)	
Culture and recreation	(209,558)	
Public safety	(300,502)	
Public works	(696,471)	
	(696,471)	(1,223,946)

Proceeds from sale of capital assets		(23,290)
Gain on sale of capital assets		23,290

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

Intergovernmental	(34,420)	
Special assessments	52,788	
Forgiveable loan	1,675,000	
Other revenue	(2,745)	
	(2,745)	1,690,623

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	1,622	
Change in other postemployment benefits obligation	(40,640)	
Change in other accrued liabilities	(71,504)	
	(71,504)	(110,522)

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	(1,620,000)	
Repayment of bond principal	706,000	
Increase in accrued interest payable	(3,820)	
	(917,820)	
Change in net position of governmental activities	\$ 877,887	

See Notes to Basic Financial Statements.

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clear Lake, Iowa

Statement of Net Position
 Proprietary Funds
 June 30, 2014

Assets	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Current assets:					
Cash and cash equivalents	\$ 497,659	\$ 40,678	\$ 48,006	\$ 33,543	\$ 619,886
Certificates of deposit	450,000	720,000	375,000	90,000	1,635,000
Receivables, net of allowance for uncollectible amounts:					
Accounts, consumers	84,012	32,928	10,479	43,988	171,407
Unbilled usage	16,362	6,244	1,947	8,220	32,773
Due from other funds	-	-	4,174	-	4,174
Inventories	71,217	-	-	-	71,217
Total current assets	1,119,250	799,850	439,606	175,751	2,534,457
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	143,498	-	266,690	-	410,188
Construction in progress	1,221,902	417	1,110	-	1,223,429
Depreciable:					
Buildings and land improvements	1,132,527	319,193	25,000	32,484	1,509,204
Infrastructure	11,559,542	6,860,253	8,156,525	-	26,576,320
Machinery and equipment	690,107	288,752	-	5,885	984,744
Accumulated depreciation	(4,710,849)	(2,210,621)	(2,765,472)	(7,744)	(9,694,686)
Total noncurrent assets	10,036,727	5,257,994	5,683,853	30,625	21,009,199
Total assets	\$ 11,155,977	\$ 6,057,844	\$ 6,123,459	\$ 206,376	\$ 23,543,656

See Notes to Basic Financial Statements.

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Liabilities and Net Position					
Current liabilities:					
Accounts and contracts payable	\$ 635,970	\$ 1,722	\$ 9,943	\$ 35,622	\$ 683,257
Accrued liabilities	59,136	60,871	367	837	121,211
Deposits	62,113	-	-	-	62,113
Compensated absences	14,784	2,730	-	503	18,017
Bonds and loan notes payable	212,000	120,000	-	-	332,000
Total current liabilities	984,003	185,323	10,310	36,962	1,216,598
Noncurrent liabilities:					
Other postemployment benefits obligation	17,714	8,337	-	-	26,051
Bonds payable	592,000	-	-	-	592,000
Total noncurrent liabilities	609,714	8,337	-	-	618,051
Total liabilities	1,593,717	193,660	10,310	36,962	1,834,649
Net position:					
Net investment in capital assets	9,232,727	5,137,994	5,683,853	30,625	20,085,199
Unrestricted	329,533	726,190	429,296	138,789	1,623,808
Total net position	9,562,260	5,864,184	6,113,149	169,414	21,709,007
Total liabilities and net position	\$ 11,155,977	\$ 6,057,844	\$ 6,123,459	\$ 206,376	\$ 23,543,656

City of Clear Lake, Iowa

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2014

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 813,573	\$ 347,612	\$ 119,374	\$ 504,441	\$ 1,785,000
Water tower rent	16,500	-	-	-	16,500
Miscellaneous	1,512	-	-	-	1,512
Total operating revenues	831,585	347,612	119,374	504,441	1,803,012
Operating expenses:					
Personal services	415,724	137,909	5,395	31,382	590,410
Contractual services	150,289	7,768	17,466	430,674	606,197
Commodities	38,892	24,910	2,504	3,992	70,298
Other	92,584	299	614	-	93,497
Depreciation	273,003	152,264	161,816	2,212	589,295
Total operating expenses	970,492	323,150	187,795	468,260	1,949,697
Operating income (loss)	(138,907)	24,462	(68,421)	36,181	(146,685)
Nonoperating revenues (expenses):					
Investment earnings	2,380	1,801	871	284	5,336
Interest expense	(34,064)	(4,800)	-	-	(38,864)
Loss on sale of capital assets	(5,712)	-	-	-	(5,712)
Total nonoperating revenues (expenses)	(37,396)	(2,999)	871	284	(39,240)
Income (loss) before transfers and capital contributions	(176,303)	21,463	(67,550)	36,465	(185,925)
Capital contributions	21,046	32,656	28,060	-	81,762
Transfers in	830,864	23,053	113,975	-	967,892
Transfers out	-	-	-	(14,000)	(14,000)
Change in net position	675,607	77,172	74,485	22,465	849,729
Total net position, beginning of year	8,886,653	5,787,012	6,038,664	146,949	20,859,278
Total net position, end of year	\$ 9,562,260	\$ 5,864,184	\$ 6,113,149	\$ 169,414	\$ 21,709,007

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2014

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 814,365	\$ 346,098	\$ 121,590	\$ 504,450	\$ 1,786,503
Receipts from other	18,012	-	-	-	18,012
Payments to suppliers	(244,372)	(10,810)	(21,274)	(435,857)	(712,313)
Payments to employees	(413,727)	(136,550)	(5,395)	(31,466)	(587,138)
Net cash provided by operating activities	174,278	198,738	94,921	37,127	505,064
Cash flows from noncapital financing activities:					
Transfers in	830,864	23,053	113,975	-	967,892
Transfers out	-	-	-	(14,000)	(14,000)
Net cash provided by (used in) noncapital financing activities	830,864	23,053	113,975	(14,000)	953,892
Cash flows from capital and related financing activities:					
Purchase of capital assets	(825,445)	(18,684)	(114,214)	-	(958,343)
Payment on debt	(205,000)	-	-	-	(205,000)
Payments from other funds	17,372	-	2,226	-	19,598
Interest on debt	(34,063)	(4,800)	-	-	(38,863)
Net cash (used in) capital and related financing activities	(1,047,136)	(23,484)	(111,988)	-	(1,182,608)
Cash flows from investing activities:					
Purchase of investments	-	(220,000)	(150,000)	(15,000)	(385,000)
Maturities of investments	200,000	-	-	-	200,000
Interest received	2,380	1,801	871	284	5,336
Net cash provided by (used in) investing activities	202,380	(218,199)	(149,129)	(14,716)	(179,664)
Increase (decrease) in cash and cash equivalents	160,386	(19,892)	(52,221)	8,411	96,684
Cash and cash equivalents, beginning of year	337,273	60,570	100,227	25,132	523,202
Cash and cash equivalents, end of year	<u>\$ 497,659</u>	<u>\$ 40,678</u>	<u>\$ 48,006</u>	<u>\$ 33,543</u>	<u>\$ 619,886</u>

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)
 Proprietary Funds
 Year Ended June 30, 2014

	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)	\$ (138,907)	\$ 24,462	\$ (68,421)	\$ 36,181	\$ (146,685)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	273,003	152,264	161,816	2,212	589,295
Change in assets and liabilities:					
Receivables	(4,932)	(1,514)	2,216	9	(4,221)
Inventories	(5,922)	-	-	-	(5,922)
Deposits	5,724	-	-	-	5,724
Accounts payable and accrued liabilities	43,315	22,167	(690)	(1,191)	63,601
Compensated absences	(1,859)	(456)	-	(84)	(2,399)
Other postemployment benefits obligation	3,856	1,815	-	-	5,671
Net cash provided by operating activities	\$ 174,278	\$ 198,738	\$ 94,921	\$ 37,127	\$ 505,064
Schedule of noncash items, capital and related financing activities,					
Capital contributions of capital assets	\$ 21,046	\$ 32,656	\$ 28,060	\$ -	\$ 81,762
Acquisition of capital assets through contracts payable	\$ 491,486	\$ -	\$ -	\$ -	\$ 491,486

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

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

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

Basis of presentation:

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

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

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 funds:

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

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

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

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

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 2014 based on the 2013 assessed valuations. These taxes are due in two installments, on September 1, 2014 and the following March 1, 2015 with a 1.5 percent per month penalty for delinquent payment. Since the 2014 tax levy is budgeted and levied for the fiscal year 2015, 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

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

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, 2014 for the unvested employee sick leave hours totals approximately \$661,000.

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: property taxes, intergovernmental, special assessments, loans and other. 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

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 \$390,295 for tax levy purposes and \$1,314,248 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

Note 2. Deposits and Investments

As of June 30, 2014, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	\$ 9,599,519
Cash and investments held by the Clear Lake Library Foundation	260,045
	<u>\$ 9,859,564</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	\$ 54,874
Franklin Utilities	N/A	10,668
Lord Abbett Core Fixed Inc	N/A	28,719
Corporate Bond - Hydro Quebec	01/15/27	13,468

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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, 2014, 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 - \$13,468; Coca-Cola Co., equity - \$11,982; ConocoPhillips, equity-\$10,750; General Mills Inc., equity - \$13,496 and Procter & Gamble Co., equity - \$12,011.

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, 2014, 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, 2014, 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

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	June 30, 2013		June 30, 2014	
	Balance	Additions	Deletions	Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,070,993	\$ -	\$ -	\$ 3,070,993
Construction-in-progress	239,738	929,058	158,691	1,010,105
Total capital assets, not being depreciated	3,310,731	929,058	158,691	4,081,098
Capital assets, being depreciated:				
Buildings and improvements	8,977,665	290,324	-	9,267,989
Infrastructure	23,679,490	317,024	-	23,996,514
Machinery and equipment	5,610,911	329,600	107,350	5,833,161
Total capital assets, being depreciated	38,268,066	936,948	107,350	39,097,664
Less accumulated depreciation for:				
Buildings and improvements	2,100,886	226,840	-	2,327,726
Infrastructure	9,596,469	551,910	-	10,148,379
Machinery and equipment	3,651,962	445,196	107,350	3,989,808
Total accumulated depreciation	15,349,317	1,223,946	107,350	16,465,913
Total capital assets, being depreciated, net	22,918,749	(286,998)	-	22,631,751
Governmental activities capital assets, net	\$ 26,229,480	\$ 642,060	\$ 158,691	\$ 26,712,849

City of Clear Lake, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2013		June 30, 2014	
	Balance	Additions	Deletions	Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 410,188	\$ -	\$ -	\$ 410,188
Construction-in-progress	261,490	1,125,468	163,529	1,223,429
Total capital assets, not being depreciated	671,678	1,125,468	163,529	1,633,617
Buildings and improvements	1,509,204	-	-	1,509,204
Infrastructure	26,059,118	564,202	47,000	26,576,320
Machinery and equipment	979,293	5,451	-	984,744
Total capital assets, being depreciated	28,547,615	569,653	47,000	29,070,268
Less accumulated depreciation for:				
Buildings and improvements	990,203	35,677	-	1,025,880
Infrastructure	7,666,984	495,846	41,288	8,121,542
Machinery and equipment	489,492	57,772	-	547,264
Total accumulated depreciation	9,146,679	589,295	41,288	9,694,686
Total capital assets, being depreciated, net	19,400,936	(19,642)	5,712	19,375,582
Business-type activities capital assets, net	\$ 20,072,614	\$ 1,105,826	\$ 169,241	\$ 21,009,199

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

Governmental Activities:	
General government	\$ 17,415
Culture and recreation	209,558
Public safety	300,502
Public works	696,471
Total depreciation expense, governmental activities	\$ 1,223,946
Business-Type Activities:	
Water	\$ 273,003
Sewer rental	152,264
Storm water	161,816
Solid waste	2,212
Total depreciation expense, business-type activities	\$ 589,295

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, 2014 is as follows:

Governmental Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation loan notes	\$ 730,500	\$ -	\$ 46,000	\$ 684,500	\$ 46,000
General obligation bonds	3,190,000	1,620,000	660,000	4,150,000	750,000
Compensated absences	159,562	157,940	159,562	157,940	157,940
	<u>\$ 4,080,062</u>	<u>\$ 1,777,940</u>	<u>\$ 865,562</u>	<u>\$ 4,992,440</u>	<u>\$ 953,940</u>
Business-Type Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation loan notes	\$ 354,000	\$ -	\$ 85,000	\$ 269,000	\$ 87,000
General obligation bonds	655,000	-	120,000	535,000	125,000
Note payable	120,000	-	-	120,000	120,000
Compensated absences	20,416	18,017	20,416	18,017	18,017
	<u>\$ 3,620,219</u>	<u>\$ 18,017</u>	<u>\$ 225,416</u>	<u>\$ 942,017</u>	<u>\$ 350,017</u>

General obligation bonds and loan notes:

Governmental activities:

On March 31, 2014, the City issued \$1,620,000 of Taxable General Obligation Economic Development Bonds, Series 2014 with an interest rate ranging from 2 percent to 3.24 percent. The bonds have an outstanding balance of \$1,620,000 which matures in annual amounts ranging from \$140,000 to \$185,000 through June 1, 2024.

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 bonds have an outstanding balance of \$820,000 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 \$350,000 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 \$334,500 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 \$40,000 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 \$1,670,000 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

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 \$535,000 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 \$269,000 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, 2014 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,008,000	\$ 137,032	\$ 1,145,032
2016	995,000	112,435	1,107,435
2017	784,000	93,878	877,878
2018	581,000	75,108	656,108
2019	452,000	59,343	511,343
2020	457,000	47,866	504,866
2021	467,000	34,920	501,920
2022	217,000	20,968	237,968
2023	228,000	15,552	243,552
2024	233,000	9,300	242,300
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>\$ 5,638,500</u>	<u>\$ 613,625</u>	<u>\$ 6,252,125</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

Note 4. Long-Term Debt (Continued)

Annual debt service requirements to service the notes payable outstanding as of June 30, 2014, 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>
2015	\$ 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, 2014, 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*	\$ 800,184,187
Debt limit, 5% of total actual valuation	40,009,209
Debt applicable to debt limit, debt service general obligation loan notes and bonds	5,638,500
Legal debt margin	<u>\$ 34,370,709</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, 2014 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental, major funds:		
General	\$ 941,965	\$ 19,096
Tax Increment Financing	-	940,000
Debt Service	14,922	-
Nonmajor governmental funds	-	1,965
Enterprise, major funds:		
Storm Water	4,174	-
Total	\$ 961,061	\$ 961,061

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	\$ 64,500	\$ 1,009,507
Tax Increment Financing	-	1,315,855
Capital Projects	1,174,862	-
Debt Service	369,766	-
Nonmajor governmental funds	-	237,658
Total governmental activities	\$ 1,609,128	\$ 2,563,020
Business-type activities:		
Major enterprise funds:		
Water	\$ 830,864	\$ -
Sewer Rental	23,053	-
Storm Water	113,975	-
Nonmajor enterprise funds	-	14,000
Total governmental activities	\$ 967,892	\$ 14,000
Total	\$ 2,577,020	\$ 2,577,020

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

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 5.95 percent of their annual covered salary and the City is required to contribute 8.93 percent of annual covered payroll, except for police and fire members in which case the plan members are required to contribute 6.76 percent of their annual covered salary and the City is required to contribute 10.14 percent. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$265,721, \$258,476, and \$245,887, 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 2014, 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, 2013 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

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	6,657
Adjustment to annual required contribution	(8,798)
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	166,425
Net OPEB obligation, end of year	<u><u>\$ 212,736</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2013 and 2012 are as follows in the table below.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 75,911	39.0%	\$ 212,736
June 30, 2013	75,911	39.0	160,425
June 30, 2012	75,043	46.7	120,114

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 \$2,377,681 and the ratio of the UAAL to the covered payroll was 24.66 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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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 \$10,300,000. The remaining contractual amounts on these projects total approximately \$4,051,000 as of June 30, 2014.

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 2032. 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 \$8,500,000 as of June 30, 2014. During the year ended June 30, 2014, the City paid approximately \$171,000 under these agreements.

In addition to providing incremental property tax payment incentives, the City agreed, on February 18, 2014, to provide financial assistance to a company with a forgivable loan of \$1,675,000. The principal of the loan will be forgiven over 10 years commencing July 1, 2018 provided the company is in compliance with the developer agreement. Annually, on August 1, the City is to formally notify the company of the amount forgiven.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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, 2014, 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, 2014:

- GASB Statement No. 66, Technical Corrections – 2012: This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement also amends GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.
- GASB Statement No. 67, Financial Reporting for Pension Plans: 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.

Notes to Basic Financial Statements

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: 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 implementation of the above statements did not have a material impact to the City's financial statements.

As of June 30, 2014, 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. 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.

City of Clear Lake, Iowa

Notes to Basic Financial Statements

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

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013, will be effective upon the implementation of GASB Statement No. 68. Beginning with the year ending June 30, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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

THIS PAGE INTENTIONALLY LEFT BLANK

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]
2014	7/1/2012	\$ -	\$ 586,394	\$ 586,394	- %	\$ 2,377,681	24.66%
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

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, 2014

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	\$ 5,589,982	\$ -	\$ 5,589,982
Other taxes	1,479,386	-	1,479,386
Special assessments	277,202	-	277,202
Licenses and permits	98,204	-	98,204
Intergovernmental	979,738	-	979,738
Charges for services	415,224	1,785,000	2,200,224
Fines and forfeitures	50,831	-	50,831
Use of money and property	62,271	5,336	67,607
Miscellaneous	60,686	18,012	78,698
Total revenues	9,013,524	1,808,348	10,821,872
Expenditures/expenses:			
Public safety	2,770,408	-	2,770,408
Public works	1,053,163	-	1,053,163
Health and social services	5,534	-	5,534
Culture and recreation	1,111,277	-	1,111,277
Community and economic development	2,095,704	-	2,095,704
General government	808,193	-	808,193
Capital outlay	1,344,247	-	1,344,247
Debt service	796,024	-	796,024
Business-type	-	1,994,273	1,994,273
Total expenditures/expenses	9,984,550	1,994,273	11,978,823
Excess (deficiency) of revenues over (under) expenditures/expenses	(971,026)	(185,925)	(1,156,951)
Other financing sources (uses), net	703,263	1,035,654	1,738,917
Net change in fund balance	(267,763)	849,729	581,966
Balance, beginning of year	7,346,674	20,859,278	28,205,952
Balance, end of year	\$ 7,078,911	\$ 21,709,007	\$ 28,787,918

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
		Over (Under)
\$ 5,582,376	\$ 5,556,410	\$ 33,572
1,515,434	1,490,434	(11,048)
175,000	275,000	2,202
87,650	93,600	4,604
1,540,472	978,503	1,235
2,241,800	2,216,800	(16,576)
49,900	49,500	1,331
67,135	63,135	4,472
47,500	48,700	29,998
<u>11,307,267</u>	<u>10,772,082</u>	<u>49,790</u>
2,703,286	2,909,783	(139,375)
1,336,638	1,314,797	(261,634)
8,864	7,352	(1,818)
1,092,805	1,270,960	(159,683)
427,934	2,398,835	(303,131)
864,617	849,987	(41,794)
2,624,000	1,549,500	(205,253)
776,187	805,775	(9,751)
<u>5,242,344</u>	<u>3,900,252</u>	<u>(1,905,979)</u>
<u>15,076,675</u>	<u>15,007,241</u>	<u>(3,028,418)</u>
<u>(3,769,408)</u>	<u>(4,235,159)</u>	<u>3,078,208</u>
<u>1,500,000</u>	<u>1,641,500</u>	<u>97,417</u>
<u>\$ (2,269,408)</u>	<u>\$ (2,593,659)</u>	<u>\$ 3,175,625</u>

City of Clear Lake, Iowa

Note to Required Supplementary Information

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. During the year, two budget amendments increased budgeted expenditures and transfers out by a total of \$354,905. The budget amendment was made to adjust revenues and expenditures for capital projects and to adjust revenues for revised estimates in TIF taxes and intergovernmental revenues.

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clear Lake, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue			
	Library	Road Use Tax	Employee Benefits	Lindstrom Flower
Assets				
Cash and cash equivalents	\$ 10,795	\$ 250,175	\$ 109,090	\$ -
Certificates of deposit	40,000	1,350,000	250,000	-
Investments	209,250	-	-	-
Restricted assets, cash	-	-	-	-
Receivables:				
Property taxes	-	-	725,176	-
Other	-	-	113	5,000
Due from other governments	-	60,002	-	-
Due from other funds	-	-	-	-
Total assets	\$ 260,045	\$ 1,660,177	\$ 1,084,379	\$ 5,000
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 339,281	\$ 8,677	\$ 493
Accrued liabilities	-	6,648	585	-
Due to other funds	-	-	-	1,965
Total liabilities	-	345,929	9,262	2,458
Deferred inflows of resources:				
Unavailable revenue, property taxes	-	-	718,151	-
Unavailable revenue, other	-	-	-	-
Total deferred inflows of resources	-	-	718,151	-
Fund Balances:				
Nonspendable, corpus	-	-	-	-
Restricted:				
Donor restricted purposes	260,045	-	-	-
Road use tax	-	1,314,248	-	-
Tax levy purposes	-	-	356,966	-
Law enforcement forfeiture	-	-	-	-
Grant purposes	-	-	-	2,542
Revolving loans	-	-	-	-
Total fund balances	260,045	1,314,248	356,966	2,542
Total liabilities, deferred inflow of resources and fund balances	\$ 260,045	\$ 1,660,177	\$ 1,084,379	\$ 5,000

		Permanent		
Law Enforcement State	Economic Development Revolving Loan	Library	Riley	Total
\$ 6,310	\$ 36,643	\$ -	\$ 280	\$ 413,293
-	200,000	-	7,660	1,847,660
-	-	-	-	209,250
-	-	2,000	348,340	350,340
-	-	-	-	725,176
-	301	-	85	5,499
-	-	-	-	60,002
-	-	-	-	-
<u>\$ 6,310</u>	<u>\$ 236,944</u>	<u>\$ 2,000</u>	<u>\$ 356,365</u>	<u>\$ 3,611,220</u>
\$ 150	\$ -	\$ -	\$ -	\$ 348,601
-	-	-	-	7,233
-	-	-	-	1,965
<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,799</u>
-	-	-	-	718,151
-	230	-	-	230
-	230	-	-	718,381
-	-	2,000	348,340	350,340
-	-	-	8,025	268,070
-	-	-	-	1,314,248
-	-	-	-	356,966
6,160	-	-	-	6,160
-	-	-	-	2,542
-	236,714	-	-	236,714
<u>6,160</u>	<u>236,714</u>	<u>2,000</u>	<u>356,365</u>	<u>2,535,040</u>
<u>\$ 6,310</u>	<u>\$ 236,944</u>	<u>\$ 2,000</u>	<u>\$ 356,365</u>	<u>\$ 3,611,220</u>

City of Clear Lake, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Funds
 Year Ended June 30, 2014

	Special Revenue			
	Library	Road Use Tax	Employee Benefits	Lindstrom Flower
Revenues:				
Property taxes	\$ -	\$ -	\$ 713,338	\$ -
Other taxes	-	-	6,561	-
Intergovernmental	-	772,876	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	25,208	-	656	-
Miscellaneous	15,928	-	-	5,768
Total revenues	41,136	772,876	720,555	5,768
Expenditures:				
Current:				
Public safety	-	-	370,590	-
Public works	-	342,260	125,014	-
Health and social services	-	-	-	-
Culture and recreation	45,531	-	71,403	-
Community and economic development	-	-	8,470	6,449
General government	-	-	66,628	-
Capital outlay	-	269,010	-	-
Total expenditures	45,531	611,270	642,105	6,449
Revenue over (under) expenditures	(4,395)	161,606	78,450	(681)
Other financing sources (uses):				
Proceeds from sale of capital assets	2,100	-	-	-
Transfers out	-	(237,658)	-	-
Total other financing sources (uses)	2,100	(237,658)	-	-
Net change in fund balances	(2,295)	(76,052)	78,450	(681)
Fund balances, beginning of year	262,340	1,390,300	278,516	3,223
Fund balances, end of year	\$ 260,045	\$ 1,314,248	\$ 356,966	\$ 2,542

Permanent					
Law Enforcement State	Economic Development Revolving Loan	Library	Riley	Total	
\$ -	\$ -	\$ -	\$ -	\$	713,338
-	-	-	-	-	6,561
-	-	-	-	-	772,876
1,000	-	-	-	-	1,000
13	3,326	-	997	-	30,200
-	-	-	-	-	21,696
1,013	3,326	-	997	-	1,545,671
11,605	-	-	-	-	382,195
-	-	-	-	-	467,274
-	-	-	-	-	-
-	-	-	-	-	116,934
-	-	-	-	-	14,919
-	-	-	-	-	66,628
-	-	-	-	-	269,010
11,605	-	-	-	-	1,316,960
(10,592)	3,326	-	997	-	228,711
-	-	-	-	-	2,100
-	-	-	-	-	(237,658)
-	-	-	-	-	(235,558)
(10,592)	3,326	-	997	-	(6,847)
16,752	233,388	2,000	355,368	-	2,541,887
\$ 6,160	\$ 236,714	\$ 2,000	\$ 356,365	\$	\$ 2,535,040

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clear Lake, Iowa

Statistical Section Contents

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	60
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	72
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	80
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	85
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	89

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year.

City of Clear Lake, Iowa

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

	2005	2006	2007
Governmental activities:			
Net investment in capital assets	\$ 13,132,062	\$ 13,686,281	\$ 14,917,121
Restricted for:			
Endowments	2,000	2,000	2,000
Donor Restricted Purposes	-	-	-
Tax Increment Financing Districts	30,998	54,488	26,794
Capital Projects	(3,703)	196,157	(102,456)
Employee Benefits	345,599	373,342	328,207
Debt Service	69,576	57,184	36,724
Road Use Tax	797,758	551,300	671,956
Other	-	-	-
Bond Ordinances	-	-	-
Unrestricted	3,039,223	2,925,926	3,515,923
Total governmental activities net position	\$ 17,413,513	\$ 17,846,678	\$ 19,396,269
Business-type activities:			
Net investment in capital assets	\$ 10,792,166	\$ 11,532,643	\$ 12,505,306
Capital Projects	-	-	425,000
Unrestricted	740,893	1,282,501	1,134,810
Total business-type activities net position	\$ 11,533,059	\$ 12,815,144	\$ 14,065,116
Primary government:			
Net investment in capital assets	\$ 23,924,228	\$ 25,218,924	\$ 27,422,427
Restricted			
Endowments	2,000	2,000	2,000
Tax Increment Financing Districts	30,998	54,488	26,794
Capital Projects	(3,703)	196,157	322,544
Employee Benefits	345,599	373,342	328,207
Debt Service	69,576	57,184	36,724
Road Use Tax	797,758	551,300	671,956
Other	-	-	-
Bond Ordinances	-	-	-
Unrestricted	3,776,083	4,208,427	4,650,733
Total primary government net position	\$ 28,942,539	\$ 30,661,822	\$ 33,461,385

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

2008	2009	2010	2011	2012	2013	2014
\$ 15,938,642	\$ 17,053,088	\$ 18,368,294	\$ 19,167,407	\$ 21,265,341	\$ 22,308,980	\$ 23,498,349
2,000	2,000	350,340	350,340	350,340	350,340	350,340
-	-	-	-	-	269,368	268,070
4,083	64,034	305,207	172,603	696,521	-	-
98,212	2,784	75,964	425,156	240,476	-	-
377,369	315,310	246,571	269,683	313,724	278,516	356,966
58,758	120,288	37,090	11,409	17,258	32,208	33,329
997,293	580,938	737,026	1,276,066	859,989	1,390,300	1,314,248
-	-	-	-	1,044,724	250,805	245,646
-	-	-	-	-	-	-
3,948,779	3,865,625	3,685,603	4,189,608	3,322,578	4,828,757	4,520,213
\$ 21,425,136	\$ 22,004,068	\$ 23,806,095	\$ 25,862,272	\$ 28,110,950	\$ 29,709,274	\$ 30,587,161
\$ 13,946,243	\$ 14,868,350	\$ 15,849,755	\$ 17,122,313	\$ 19,088,188	\$ 18,943,614	\$ 20,085,199
-	-	-	-	-	-	-
1,148,657	1,400,957	1,184,590	1,310,917	1,136,927	1,915,664	1,623,808
\$ 15,094,900	\$ 16,269,307	\$ 17,034,345	\$ 18,433,230	\$ 20,225,115	\$ 20,859,278	\$ 21,709,007
\$ 29,884,885	\$ 31,921,438	\$ 34,218,049	\$ 36,289,720	\$ 40,353,529	\$ 41,252,594	\$ 43,583,548
2,000	2,000	350,340	350,340	350,340	350,340	350,340
4,083	64,034	305,207	172,603	696,521	-	-
98,212	2,784	75,964	425,156	240,476	-	-
377,369	315,310	246,571	269,683	313,724	278,516	356,966
58,758	120,288	37,090	11,409	17,258	32,208	33,329
997,293	580,938	737,026	1,276,066	859,989	1,390,300	1,314,248
-	-	-	438,367	1,044,724	520,173	513,716
-	-	-	-	-	-	-
5,097,436	5,266,582	4,870,193	5,046,750	4,459,505	6,744,421	6,144,021
\$ 36,520,036	\$ 38,273,375	\$ 40,840,440	\$ 44,280,094	\$ 48,336,066	\$ 50,568,552	\$ 52,296,168

City of Clear Lake, Iowa

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2005	2006	2007
Expenses:			
Governmental activities:			
General government	\$ 580,841	\$ 735,978	\$ 590,868
Public safety	1,454,035	1,748,284	2,184,541
Public Works	1,199,597	1,789,513	1,713,782
Health and Social Services	19,074	19,075	753
Culture and recreation	714,333	777,635	858,868
Community and Economic Development	536,133	928,582	560,062
Interest on long-term debt	128,062	136,987	202,517
Total governmental activities expenses	4,632,075	6,136,054	6,111,391
Business-type activities:			
Water	705,567	682,199	683,728
Sewer	222,352	229,676	264,105
Stormwater	137,756	132,761	184,625
Solid Waste	351,015	371,503	398,848
Total business-type activities expenses	1,416,690	1,416,139	1,531,306
Total primary government expenses	6,048,765	7,552,193	7,642,697
Program revenue:			
Governmental activities:			
Charges for services:			
General government	26,803	21,880	18,452
Public safety	57,904	182,217	356,314
Public Works	296,893	599,269	586,159
Health and Social Services	3,420	1,914	440
Culture and recreation	123,281	113,464	157,360
Community and Economic Development	54,060	51,967	69,796
Operating grants and contributions:			
General government	2,158	2,311	6,375
Public safety	6,987	14,661	11,035
Public Works	678,275	682,693	682,845
Culture and recreation	16,264	47,268	28,817
Community and Economic Development	72,477	600,110	213,078
Capital grants and contributions:			
General government	-	19,692	-
Public safety	7,579	-	106,344
Public Works	106,680	-	354,668
Culture and recreation	5,485	213,820	534,607
Community and Economic Development	32,841	-	-
Total governmental activities program revenue	1,491,107	2,551,266	3,126,290

(Continued)

2008	2009	2010	2011	2012	2013	2014
\$ 601,917	\$ 625,753	\$ 662,464	\$ 671,300	\$ 801,774	\$ 786,184	\$ 821,462
2,102,457	2,194,306	2,399,055	2,451,105	2,660,297	2,866,571	2,845,418
1,514,707	2,631,816	2,170,696	1,604,354	2,171,034	2,799,841	1,966,908
1,503	1,782	1,359	7,021	558	755	5,534
941,657	996,785	1,045,415	1,059,851	1,141,986	1,118,633	1,160,615
395,956	366,192	794,422	483,490	401,268	360,139	421,814
226,979	203,312	180,297	133,701	186,496	198,537	93,843
5,785,176	7,019,946	7,253,709	6,410,822	7,363,414	8,130,660	7,315,594
674,207	727,924	762,105	814,038	860,874	983,988	1,010,268
261,704	281,190	428,176	262,301	302,831	292,426	327,950
163,951	177,961	182,559	216,995	211,204	209,412	187,795
404,935	430,635	436,612	452,337	463,199	466,056	468,260
1,504,797	1,617,710	1,809,451	1,745,671	1,838,108	1,951,882	1,994,273
7,289,973	8,637,656	9,063,160	8,156,493	9,201,522	10,082,542	9,309,867
18,666	17,734	17,203	17,320	19,725	19,670	19,446
363,815	412,056	383,211	502,376	512,210	381,755	352,406
12,531	13,149	7,982	6,594	103,173	193,488	393,475
1,420	1,365	1,990	2,270	1,515	1,050	2,005
172,612	166,577	170,640	167,209	208,656	152,712	189,150
51,916	41,482	47,612	34,811	44,004	45,000	47,681
-	-	-	-	-	-	-
58,597	42,775	58,348	57,946	64,025	184,297	128,952
719,061	699,561	711,322	747,740	731,630	754,053	772,877
64,862	131,377	60,355	68,746	13,983	135,591	82,383
5,300	9,278	800		4,411	5,000	5,768
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,002,064	692,447	1,002,799	866,172	1,702,704	654,843	-
31,562	33,190	348,340	48,706	14,264	-	-
-	-	-	10,000	-	-	-
2,502,406	2,260,992	2,810,603	2,529,890	3,420,299	2,527,459	1,994,143

City of Clear Lake, Iowa

Changes In Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2005	2006	2007
Business-type activities:			
Charges for services:			
Water	708,817	717,732	744,322
Sewer	297,826	309,394	313,580
Stormwater	78,372	76,346	76,803
Solid Waste	385,125	406,217	420,686
Operating grants and contributions:			
Water	-	-	-
Sewer	-	-	-
Stormwater	-	-	-
Capital grants and contributions:			
Water	45,536	-	30,437
Sewer	36,174	-	54,448
Stormwater	3,200	206,316	62,227
Total business-type activities program revenues	1,555,050	1,716,005	1,702,503
Total primary government program revenues	3,046,157	4,267,271	4,828,793
Net (expense) revenue:			
Governmental activities	(3,140,968)	(3,584,788)	(2,985,101)
Business-type activities	138,360	299,866	171,197
Total primary government net expense	(3,002,608)	(3,284,922)	(2,813,904)
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	3,186,780	3,569,878	3,987,996
Other taxes	1,070,150	1,209,429	1,305,312
Intergovernmental	-	-	-
Investment earnings	87,909	155,920	191,862
Miscellaneous	-	6,360	11,240
Transfers	(226,099)	(923,634)	(961,716)
Capital contributions	-	-	-
Total governmental activities	4,118,740	4,017,953	4,534,694
Business-type activities:			
Investment earnings	19,588	58,585	52,059
Miscellaneous	-	-	65,000
Transfers	226,099	923,634	961,716
Capital contributions	-	-	-
Total business-type activities	245,687	982,219	1,078,775
Total primary government	4,364,427	5,000,172	5,613,469
Changes in net assets:			
Governmental activities	977,772	433,165	1,549,593
Business-type activities	384,047	1,282,085	1,249,972
Total primary government	\$ 1,361,819	\$ 1,715,250	\$ 2,799,565

2008	2009	2010	2011	2012	2013	2014
753,636	769,746	763,823	778,764	832,433	849,962	831,585
311,190	318,707	316,912	325,171	347,628	342,618	347,612
77,966	88,628	102,314	110,623	119,337	117,231	119,374
439,507	454,011	456,814	469,615	481,592	494,766	504,441
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
62,070	-	70,287	60,304	246,465	-	21,046
67,730	-	54,435	58,978	-	-	32,656
277,870	185,446	312,755	75,113	-	-	28,060
1,989,969	1,816,537	2,077,341	1,878,568	2,027,454	1,804,577	1,884,774
4,492,375	4,077,529	4,887,943	4,408,458	5,447,754	4,332,036	3,878,917
(3,282,770)	(4,758,954)	(4,443,106)	(3,880,932)	(3,943,114)	(5,603,201)	(5,321,451)
485,172	198,827	267,890	132,897	189,346	(147,305)	(109,499)
(2,797,598)	(4,560,127)	(4,175,216)	(3,748,035)	(3,753,768)	(5,750,506)	(5,430,950)
4,103,953	4,666,175	5,197,906	5,607,336	6,116,647	6,404,107	5,589,982
1,536,945	1,457,826	1,415,469	1,528,131	1,614,903	1,536,138	1,479,386
-	-	-	-	-	-	-
163,055	90,011	85,456	46,692	38,278	38,350	46,709
1,200	71,543	34,475	-	36,940	-	37,153
(493,521)	(947,667)	(488,174)	(1,260,458)	(1,599,569)	(777,070)	(953,892)
-	-	-	-	-	-	-
5,311,632	5,337,888	6,245,132	5,921,701	6,207,200	7,201,525	6,199,338
51,090	27,913	8,974	5,529	2,970	4,398	5,336
-	-	-	-	-	-	-
493,521	947,667	488,174	1,260,458	1,599,569	777,070	953,892
-	-	-	-	-	-	-
544,611	975,580	497,149	1,265,987	1,602,539	781,468	959,228
5,856,243	6,313,468	6,742,281	7,187,688	7,809,739	7,982,993	7,158,566
2,028,862	578,935	1,802,026	2,040,769	2,264,086	1,598,324	877,887
1,029,783	1,174,407	765,038	1,398,884	1,791,885	634,163	849,729
\$ 3,058,645	\$ 1,753,342	\$ 2,567,064	\$ 3,439,653	\$ 4,055,971	\$ 2,232,487	\$ 1,727,616

City of Clear Lake, Iowa

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

Function / Program	2005	2006	2007
Governmental activities:			
General government	\$ 28,961	\$ 43,883	\$ 24,827
Public safety	72,470	196,878	473,693
Public works	1,081,848	1,281,962	1,623,672
Health and social services	3,420	1,914	440
Culture and recreation	145,030	374,552	720,784
Community development	159,378	652,077	282,874
Interest on long-term debt	-	-	-
Total governmental activities	1,491,107	2,551,266	3,126,290
Business-type activities:			
Water	754,353	717,732	774,759
Sanitary Sewer	334,000	309,394	433,028
Stormwater	81,572	282,662	139,030
Solid Waste	385,125	406,217	420,686
Total business-type activities	1,555,050	1,716,005	1,767,503
Total government	\$ 3,046,157	\$ 4,267,271	\$ 4,893,793

Source: City Records

2008	2009	2010	2011	2012	2013	2014
\$ 18,666	\$ 17,734	\$ 17,203	\$ 17,320	\$ 19,725	\$ 19,670	\$ 19,446
422,412	454,832	441,559	560,322	576,235	566,052	481,358
1,733,656	1,405,157	1,722,103	1,620,506	2,537,507	1,602,384	1,166,352
1,420	1,365	1,990	2,270	1,515	1,050	2,005
269,036	331,144	579,335	284,661	236,903	288,303	271,533
57,216	50,760	48,412	44,811	48,415	50,000	53,449
-	-	-	-	-	-	-
2,502,406	2,260,992	2,810,603	2,529,890	3,420,299	2,527,459	1,994,143
815,706	769,746	834,110	839,068	1,078,898	849,962	852,631
378,920	318,707	371,347	384,149	347,628	342,618	380,268
355,836	274,074	415,069	185,736	119,337	117,231	147,434
439,507	454,011	456,814	469,615	481,592	494,766	504,441
1,989,969	1,816,537	2,077,341	1,878,568	2,027,454	1,804,577	1,884,774
\$ 4,492,375	\$ 4,077,529	\$ 4,887,943	\$ 4,408,458	\$ 5,447,754	\$ 4,332,036	\$ 3,878,917

City of Clear Lake, Iowa

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

	2005	2006	2007
General Fund:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	1,976	2,140	-
Unreserved	2,221,373	1,962,802	2,232,472
Total General Fund	\$ 2,223,349	\$ 1,964,942	\$ 2,232,472
All Other Governmental Funds:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	2,000	2,000	2,000
Unreserved, reported in:			
Special revenue funds	1,597,129	1,367,417	1,403,743
Debt service funds	69,576	57,184	36,724
Capital projects funds	(3,703)	196,157	4,947
Permanent fund	-	-	-
Total all other government funds	\$ 1,665,002	\$ 1,622,758	\$ 1,447,414

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

Source: City Records

2008	2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
-	-	-	-	-	-	-
-	-	-	574,136	530,000	524,043	254,185
-	-	-	2,861,372	2,994,689	4,329,687	4,879,713
-	-	-	-	-	-	-
2,808,130	2,854,234	2,649,619	-	-	-	-
\$ 2,808,130	\$ 2,854,234	\$ 2,649,619	\$ 3,435,508	\$ 3,524,689	\$ 4,853,730	\$ 5,213,898
\$ -	\$ -	\$ -	\$ 350,340	\$ 350,340	\$ 350,340	\$ 350,340
-	-	-	2,593,283	2,549,854	2,223,755	2,218,029
-	-	-	23,804	92,837	14,756	127,985
-	-	-	-	-	(95,906)	(831,340)
2,000	2,000	350,340	-	-	-	-
1,755,909	1,415,253	1,775,004	-	-	-	-
58,758	120,288	37,090	-	-	-	-
98,212	2,784	75,964	-	-	-	-
-	-	1,956	-	-	-	-
\$ 1,914,879	\$ 1,540,325	\$ 2,240,354	\$ 2,967,427	\$ 2,993,032	\$ 2,492,945	\$ 1,865,014

City of Clear Lake, Iowa

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

	2005	2006	2007
Revenues:			
Taxes	\$ 3,186,780	\$ 3,569,878	\$ 3,987,996
Special Assessments	270,686	397,935	349,713
Other Taxes	1,070,150	1,209,429	1,305,312
Intergovernmental	903,733	1,353,832	1,248,161
Licenses and permits	86,559	85,640	102,212
Charges for services	75,545	184,509	391,578
Fines and forfeitures	39,330	45,555	50,471
Use of money and property	103,934	155,920	191,862
Other	91,005	301,594	569,304
Total revenues	5,827,722	7,304,292	8,196,609
Expenditures:			
General government	566,647	591,050	623,057
Public safety	1,430,640	2,268,711	2,083,584
Public Works	747,266	1,036,067	889,792
Health and Social Services	19,074	19,075	753
Culture and recreation	627,879	678,633	792,342
Community and Economic Development	336,317	979,706	558,864
Capital Projects	1,150,076	2,502,231	3,411,103
Debt service:			
Principal	515,000	475,000	685,000
Bond issuance costs	-	10,070	11,279
Interest	129,899	129,916	193,729
Total expenditures	5,522,798	8,690,459	9,249,503
Excess of revenues (under) expenditures	304,924	(1,386,167)	(1,052,894)
Other financing sources (uses):			
Transfers in	1,172,333	1,089,296	1,671,200
Transfers out	(1,398,432)	(2,012,930)	(2,632,916)
Issuance of long-term debt	-	2,000,000	2,000,000
Premium (discount) on long-term debt	-	(12,000)	(14,850)
Proceeds from sale of property	-	21,150	7,250
Total other financing sources (uses)	(226,099)	1,085,516	1,030,684
Net changes in fund balance	\$ 78,825	\$ (300,651)	\$ (22,210)

Debt service as a percentage of noncapital expenditures	14.2%	10.5%	14.6%
---	-------	-------	-------

	2008	2009	2010	2011	2012	2013	2014
\$	4,103,954	\$ 4,666,175	\$ 5,197,906	\$ 5,607,336	\$ 6,116,647	\$ 6,404,107	\$ 5,589,982
	297,684	292,028	528,006	358,120	164,142	242,193	277,202
	1,536,945	1,457,826	1,415,469	1,528,131	1,614,903	1,536,138	1,479,386
	1,372,237	1,388,871	1,033,335	1,513,934	2,297,784	1,781,715	979,738
	84,333	81,327	89,091	74,974	83,560	86,736	98,204
	477,504	485,115	449,556	554,409	541,709	443,211	415,224
	50,759	51,182	45,497	54,842	66,212	54,551	50,831
	163,055	123,033	75,700	57,515	54,816	53,631	62,271
	259,394	150,891	376,857	58,575	61,626	114,875	60,686
	8,345,865	8,696,448	9,211,417	9,807,836	11,001,400	10,717,157	9,013,524
	587,565	607,477	643,855	652,715	787,746	781,256	808,193
	2,049,105	2,256,840	2,607,314	2,341,237	2,569,059	3,769,044	2,770,408
	858,250	1,120,157	1,382,911	891,730	1,193,225	964,090	1,053,163
	1,503	1,782	1,359	7,021	558	754	5,534
	1,003,300	1,056,235	952,128	1,293,417	1,003,264	1,049,044	1,111,277
	395,324	377,937	801,697	480,541	401,870	358,177	2,095,704
	778,067	2,323,084	1,469,348	2,788,797	2,275,009	1,198,646	1,344,247
	800,000	720,000	1,815,000	725,000	921,000	2,141,000	706,000
	-	3,950	10,865	10,557	-	23,339	-
	221,707	197,880	172,286	116,649	175,578	131,226	90,024
	6,694,821	8,665,341	9,856,763	9,307,664	9,327,309	10,416,576	9,984,550
	1,651,044	31,107	(645,346)	500,172	1,674,091	300,581	(971,026)
	833,353	1,454,837	1,593,287	1,669,537	1,582,547	2,708,243	1,609,128
	(1,326,874)	(2,402,504)	(2,081,461)	(2,929,995)	(3,182,116)	(3,485,313)	(2,563,020)
	-	500,000	1,597,500	2,300,000	-	1,260,000	1,620,000
	-	-	(7,366)	(28,750)	-	-	13,865
	-	88,110	38,800	2,000	40,263	45,442	23,290
	(493,521)	(359,557)	1,140,760	1,012,792	(1,559,306)	528,372	703,263
\$	1,157,523	\$ (328,450)	\$ 495,414	\$ 1,512,964	\$ 114,785	\$ 828,953	\$ (267,763)
	17.8%	13.3%	24.6%	13.8%	15.4%	12.4%	9.6%

City of Clear Lake, Iowa

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year	Property	Local Option Sales Tax	Utility		Other Tax	Total
			Replacement Excise Tax	Hotel/Motel Tax		
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
2013	6,404,107	1,220,907	44,066	145,850	125,315	7,940,245
2014	5,589,982	1,159,714	44,256	141,922	133,494	7,069,368
Change						
1st to Last year	75.41%	28.16%	15.40%	211.92%	63.93%	66.07%

Source: City records.

THIS PAGE INTENTIONALLY LEFT BLANK

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
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
2011	2013	286,705,674	79,521,795	2,424,476	619,601
2012	2014	338,866,718	90,909,516	14,956,580	646,158

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
\$ 14,238,488	\$ 290,591,662	0.23%	\$ 8.979020	\$ 503,831,037	57.68%
14,641,073	296,788,947	2.13%	9.356000	556,783,649	53.30%
16,822,336	303,819,245	2.37%	10.048700	596,858,782	50.90%
16,299,062	320,018,028	5.36%	10.048700	631,819,644	50.65%
15,528,647	322,409,631	0.75%	10.048700	685,463,363	47.04%
14,612,499	341,718,808	5.99%	10.048700	729,210,007	46.86%
13,427,933	349,606,547	2.31%	10.048700	747,349,306	46.78%
13,741,114	367,396,512	5.09%	10.540510	775,770,670	47.36%
14,146,002	383,417,548	4.36%	10.540510	785,786,768	48.79%
15,019,630	460,398,602	20.08%	10.540510	800,184,187	57.54%

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	
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	
2011	2013	7.60676	0.23473	1.52415	1.17487	10.54051	
2012	2014	7.81029	0.23179	1.75174	0.74669	10.54051	

Source: City records and County Auditor's office

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

Overlapping Rates				
School District	Cerro Gordo County	North Iowa Area Community College	Clear Lake Sanitary District	Total Rate
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
12.91652	6.77790	0.66163	1.30997	32.20653
11.48331	6.90606	0.64054	1.24120	30.81162

City of Clear Lake, Iowa

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

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Magellan Pipeline Company, LLC	\$ 6,480,558	1	1.41%	*	*	*
Titan Pro Holding, LLC	4,335,652	2	0.94%	*	*	*
Interstate Power & Light Co	3,967,112	3	0.86%	*	*	*
National Bedding Company LLC	3,544,780	4	0.77%	*	*	*
Apple Valley LLC	3,329,750	5	0.72%	*	*	*
Kingland Properties LC	3,265,860	6	0.71%	*	*	*
Teamquest Corporation	2,638,760	7	0.57%	*	*	*
Clear Lake Independent Tele Co	2,613,623	8	0.57%	*	*	*
Petroleum Property Mgmt Inc	2,481,960	9	0.54%	*	*	*
Clear Lake Bank & Trust	2,452,244	10	0.53%	*	*	*
Total	\$ 35,110,299					

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

* Data for 2005 is unavailable

THIS PAGE INTENTIONALLY LEFT BLANK

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
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%
2013	2011	4,098,506	4,098,506	100.00%
2014	2012	4,828,118	4,828,118	100.00%

Source: City records

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

Total Collections to Date

Delinquent Collections	Amount	Percentage of Levy
\$ 4,482	\$ 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%
7,445	4,105,951	100.18%
11,769	4,839,887	100.24%

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		
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
2013	3,920,500	32,208	3,888,292	0.49%	499.97
2014	4,834,500	33,329	4,801,171	0.60%	617.36

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

Source: City records

Business-Type Activities					
Loan Payable	General Obligation Bonds	Total Primary Government	Percentage of Per Capita Income	Per Capita	
\$ -	\$ 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	
120,000	1,009,000	5,017,292	1.79%	645.14	
120,000	804,000	5,725,171	2.01%	736.17	

City of Clear Lake, Iowa

**Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2014
(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	\$ 5,638,500	100.00%	\$ 5,638,500	725.02
Indirect:				
Cerro Gordo County	9,745,000	20.30%	1,978,235	254.37
Clear Lake School District	5,276,540	74.88%	3,951,073	508.05
North Iowa Area Community College	710,000	7.17%	50,907	6.55
Clear Lake Sanitary District	1,575,000	75.98%	1,196,685	153.87
Subtotal, overlapping debt	17,306,540		7,176,900	922.84
Total direct and overlapping debt	22,945,040		\$ 12,815,400	1,647.86

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clear Lake, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2005	2006	2007
Debt limit	\$ 27,706,426	\$ 27,839,182	\$ 29,842,939
Total net debt applicable to limit	2,930,424	4,405,000	5,600,000
Legal debt margin	\$ 24,776,002	\$ 23,434,182	\$ 24,242,939
Total net debt applicable to the limit as a percentage of debt limit	10.58%	15.82%	18.76%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 800,184,187
Debt limit (5% of assessed value)	<u>40,009,209</u>
Debt applicable to limit:	
General obligation bonds	<u>5,638,500</u>
Legal debt margin	<u>\$ 40,009,209</u>

2008	2009	2010	2011	2012	2013	2013
\$ 31,644,412	\$ 34,273,168	\$ 36,460,500	\$ 37,367,465	\$ 38,788,534	\$ 39,289,338	\$ 40,009,209
5,870,000	5,465,000	5,742,500	7,126,500	6,008,500	4,929,500	5,638,500
\$ 25,774,412	\$ 28,808,168	\$ 30,718,000	\$ 30,240,965	\$ 32,780,034	\$ 32,780,034	\$ 34,370,709
18.55%	15.95%	15.75%	19.07%	15.49%	12.55%	14.09%

City of Clear Lake, Iowa

Demographic and Economic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population (1)**	Per Capita Income (2)**	Median Age (2) **	School Enrollment (3)	Unemployment Rate (4)**
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%
2013	43,788	36,120	43.48	1,263	5.30%
2014	43,575	36,625	43.56	1,300	4.40%

- 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	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	640	1	17.81%	500	1	
Dean Snyder Construction	200	2	5.56%			
Serta Mattress Company	150	3	4.17%	90	3	
TeamQuest Corporation	111	3	3.09%	90	3	
Oakwood Care Center	100	5	2.78%	90	3	
Kingland Systems Corporation	75	6	2.09%	60	6	
Clear Lake Bank & Trust	60	7	1.67%			
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 2005 information unavailable

Sources: Clear Lake Chamber of Commerce, US Census Bureau

City of Clear Lake, Iowa

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

	2005	2006	2007	2008	2009
<u>Functions/Program</u>					
Full Time:					
General Government:					
City Administrator	1	1	1	1	1
City Clerk	1	1	1	1	1
Finance/Utilities	3.5	3.5	3	3	3
Building & Zoning Official	1	1	1	1	1
Police:					
Officers	14	14	15	15	15
Civilian Support Supervisor	1	1	1	1	1
Dispatchers	4	4	4	4	5
Fire:					
Ambulance	-	3	3	3	3
Public Works:					
Administration	1.5	1.5	1	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
Subtotal Full Time	43	46	46	46	47
Other:					
General Government:					
Mayor/Council	6	6	6	6	6
Office Clerk - Part Time	-	-	1	1	1
Janitor - Part Time	1	1	1	1	1
Police:					
Officers - Part Time	-	-	-	-	-
Dispatchers - Part Time	3	2	2	2	2
Fire:					
Volunteers	25	22	25	25	25
Ambulance - Part Time	-	10	10	11	10
Public Works:					
Administration - Part Time	-	-	1	1	1
Other Programs/Functions:					
Library - Part Time	14	16	16	16	15
Subtotal Other	49	57	62	63	61
Grand Total	92	103	108	109	108

Source: City records

Note: Does not include seasonal or temporary employees

Employees as of June 30

2010	2011	2012	2013	2014
1	1	1	1	1
1	1	1	1	1
3	3.5	3.5	3.5	2.5
1	1	1	1	1
16	16	16	15	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	6	7
1	1	1	1	1
2	2	2	2	2
2	2.5	2.5	2.5	2.5
3	3	3	3	3
48	49	49	47	47
6	6	6	6	6
1	-	-	-	-
1	1	1	1	1
2	2	2	2	2
1	2	3	2	2
25	25	25	25	25
11	11	11	11	11
1	1	1	1	1
15	14	12	11	12
63	62	61	59	60
111	111	110	106	107

City of Clear Lake, Iowa

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

Function/Program	2004	2005	2006
Police:			
Calls for service	8,592	8,318	8,527
Arrests	420	533	520
Traffic citations	543	635	704
Parking Tickets	446	383	248
Fire:			
Calls for service	284	674	912
Total Fire Calls	186	220	173
Total EMS Calls	98	454	739
Property loss	\$ 554,000	\$ 419,000	\$ 593,000
Building safety:			
Total building permits issued	140	124	126
Total value all permits	\$ 9,723,483	\$ 13,962,026	\$ 12,913,941
New single/multi family dwellings	21	34	26
Library: (reported on a fiscal year)			
Registrations	9,478	8,884	8,812
Total Items Checked out	134,546	136,723	140,801
Park & Recreation:			
Program participants	1,537	1,354	1,629
Shelter reservations	124	130	150
Pool Memberships			
Cemetery:			
Burials	68	51	42
Spaces sold (reported on a fiscal year)	69	49	60
Public Works:			
New construction or reconstruction (miles)	0.40	0.36	1.17
Resurface (miles)	-	1.76	2.40
Water: (reported on a fiscal year)			
Customers	3,805	3,856	3,885
Average daily consumption per customer	188	182	184
Solid Waste: (reported on a fiscal year)			
Garbage collected (ton)	2,335	2,356	2,355
Recycle collected (ton)	340	348	339
Yard waste collected (ton)	1,593	1,453	1,230

Source: Department records

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

Calendar Year						
2007	2008	2009	2010	2011	2012	2013
8,129	7,491	6,531	8,755	9,531	9,220	9,701
607	468	454	383	410	413	431
1,390	1,606	1,943	1,038	628	577	1,117
686	874	500	505	341	142	557
1,095	1,086	923	1,096	1,167	1,162	1,146
158	288	174	214	217	194	224
937	798	749	882	950	968	922
\$ 340,000	\$ 491,000	\$ 297,500	\$ 348,750	\$ 75,600	\$ 450,950	\$ 812,480
161	145	158	144	135	148	129
\$ 18,331,333	\$ 10,722,966	\$ 11,110,377	\$ 6,801,839	\$ 10,505,569	\$ 9,372,236	\$ 15,095,220
25	22	15	11	13	15	11
9,100	9,552	8,244	8,579	7,746	7,848	8,362
141,341	141,579	145,378	144,934	139,654	136,488	121,157
1,429	1,374	1,974	1,801	1,937	1,214	1,107
170	195	194	210	192	226	203
339	340	269	190	204	147	168
44	41	44	48	38	43	48
32	17	16	16	21	25	14
1.11	0.23	0.64	0.16	0.10	1.00	0.05
2.16	2.56	-	-	-	1.59	-
3,924	3,947	3,956	3,965	4,020	3,928	3,945
180	172	167	159	170	165	160
2,396	2,368	2,364	2,372	2,369	2,367	2,267
341	312	284	280	288	276	259
1,240	1,709	1,736	1,487	1,824	1,660	1,878

City of Clear Lake, Iowa

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

Function/Program	2005	2006	2007	2008
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	79.3	79.3	80.3	80.3
Traffic Signals	9	9	9	9
Parks & Recreation:				
Acreage	33	33	33	52
Parks	11	11	11	11
Picnic Shelters	6	6	6	6
Library:				
Facilities	1	1	1	1
Volumes	49,560	48,830	45,374	51,043
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	889,000	864,000	910,000	854,000
Peak Consumption	1,251,000	1,381,000	1,533,000	1,609,000
Water Lines (miles)	52.8	53.5	53.6	54.2
Wastewater:				
Sanitary Sewers (miles)	44.8	44.8	46.5	46.5

Source: Department records

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
1	1	1	1	1	1
80.4	80.4	80.4	80.4	80.4	80.5
10	10	10	10	10	10
52	52	52	52	52	52
11	11	11	11	11	11
6	6	6	6	6	6
1	1	1	1	1	1
52,785	54,369	55,086	56,396	57,656	57,742
1,000,000	2,000,000	2,000,000	2,000,000	1,500,000	1,500,000
823,000	787,668	854,992	824,686	796,285	781,863
1,424,000	1,387,000	1,293,000	1,494,000	1,587,000	1,356,000
55.0	55.0	58.6	58.6	58.6	59.2
47.2	47.2	47.2	47.2	47.3	47.5

THIS PAGE INTENTIONALLY LEFT BLANK

**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, 2014, 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 14, 2014.

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.

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, 2014 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.

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 14, 2014

City of Clear Lake, Iowa

**Schedule of Findings and Responses
Year Ended June 30, 2014**

Part I: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

No matters were reported.

Part II: Other Findings Related to Statutory Reporting

IV-A-14

Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14

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-14

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-14

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

IV-E-14

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-14

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

IV-G-14

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-14

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

IV-I-14

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

IV-J-14

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.