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City of Clear Lake, Iowa

Financial and Compliance Report
Year Ended June 30, 2015

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City of Clear Lake, Iowa

City Officials
June 30, 2015

		Term Expiration Date of Elected Officials
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

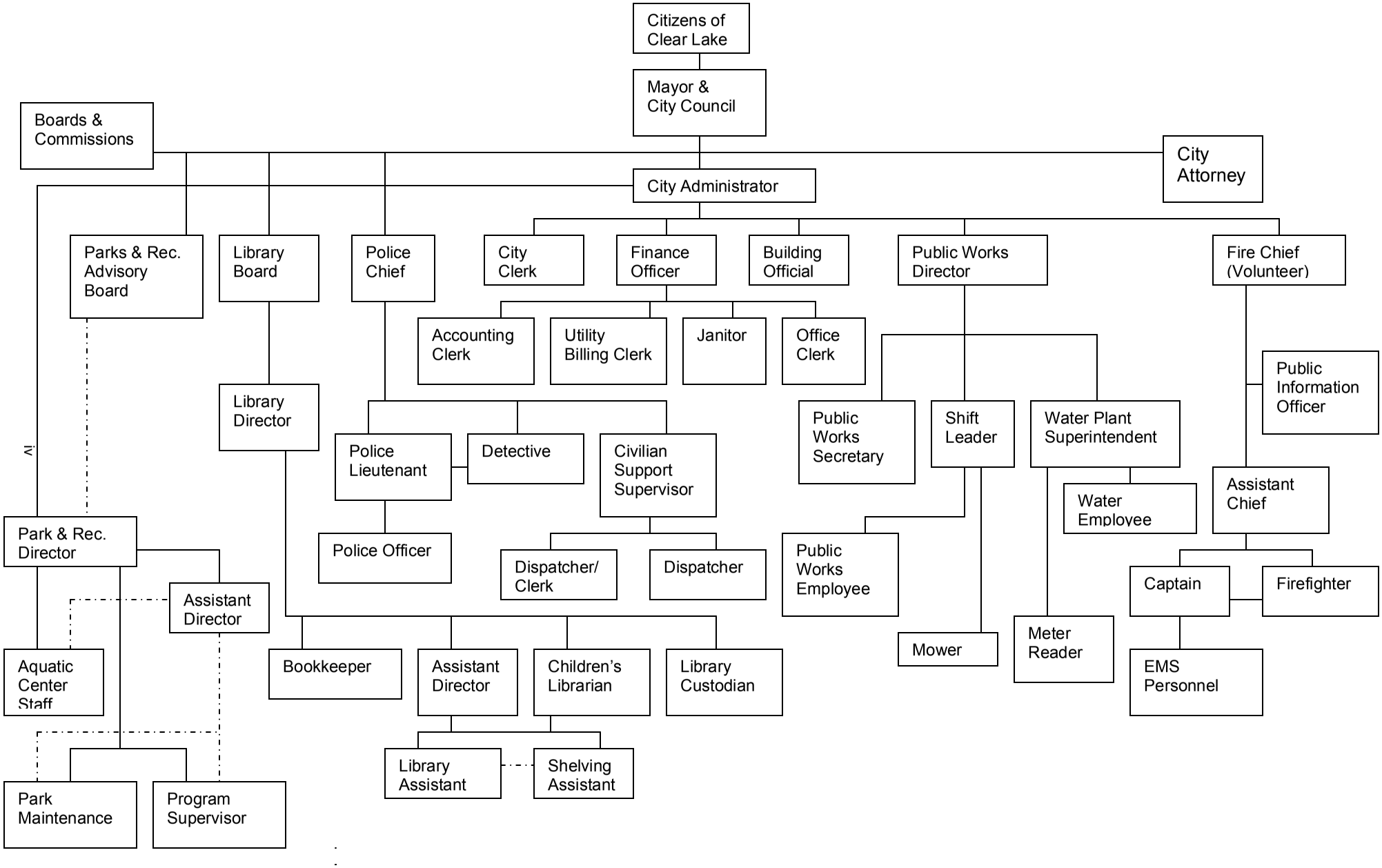
Park and Recreation Board

Chyrl Bergvig
Brenda Anderson
Tim Raber
Darron Jones
Scott Lester
Amy Hogg
Linda Hopper
Randy Miller - Director
Steven Story - Assistant

Library Board

Diane Glynn
Tom Arndorfer
Jana Severtson
Elizabeth Cherry, President
Bennett Smith
Scott Johnson
Jill Pannkuk, Director
Martha Boyes, Asst. Director

City of Clear Lake Organizational Chart



Bohnsack & Frommelt LLP
Certified Public Accountants

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.* As a result, the City's net position for governmental activities, business-type activities, and where applicable, each major fund and aggregate remaining fund information has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information, schedule of the City's proportionate share of the net pension liability for pension retirement system , and schedule of the City's contributions for pension retirement system, on pages 4–14 and 55–62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information of the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 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 19, 2015

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City of Clear Lake, Iowa

Management's Discussion and Analysis
Year Ended June 30, 2015

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, 2015.

Financial Highlights

The assets of the City of Clear Lake, Iowa exceeded its liabilities at the close of the most recent fiscal year by $54,993,803 (net position). Of this amount, $4,131,033 may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2014, assets exceeded liabilities by $51,087,811 after restatement for the pension liability and related deferred outflows. Of this amount, $4,935,664 was unrestricted.

The government's total net position increased by $3,905,992 during the year ended 2015. Governmental activities increased by $941,343 and business-type activities increased by $2,964,649. For fiscal year ended June 30, 2014, total net position increased by $1,727,616. Governmental activities increased by $877,887 and business-type activities increased by $849,729.

As of the close of this current fiscal year, the City of Clear Lake, Iowa' governmental funds reported combined ending fund balances of $5,536,668 a decrease of $1,542,244 in comparison with the prior year. Approximately 51.1 percent of this total amount, $2,827,779, is unassigned fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2014, governmental funds reported combined ending fund balances of $7,078,912, of which $ 4,048,373 or 57.2 percent is unassigned.

At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,887,387 or 98.4 percent of total General Fund expenditures compared to $4,879,713 and 73.4 percent as of June 30, 2014.

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' 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).

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.

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 Storm Water 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.

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.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes (1) a budgetary comparison schedule; (2) the schedule of funding progress for the City's other post-employment benefit plan, and (3) the City's proportionate share of net pension liability and related pension contributions. 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 $54,993,803, which represents an increase of $3,905,992 from 2014.

Of the City of Clear Lake's net position, 88 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 2015	Restated Governmental Activities June 2014	**Business-Type Activities June 2015**	Restated Business-Type Activities June 2014	**Total June 2015**	Restated Total June 2014
Current and other assets	**$ 15,914,861**	$ 17,202,999	**$ 2,473,081**	$ 2,534,457	**$ 18,387,942**	$ 19,737,456
Capital assets	**28,336,554**	26,712,849	**23,429,102**	21,009,199	**51,765,656**	47,722,048
Total assets	**44,251,415**	43,915,848	**25,902,183**	23,543,656	**70,153,598**	67,459,504
Total deferred outflows of resources	**280,042**	239,319	**36,593**	26,403	**316,635**	265,722
Noncurrent liabilities	**3,985,250**	5,449,285	**583,921**	868,030	**4,569,171**	6,317,315
Other liabilities	**2,301,090**	2,243,680	**836,433**	1,216,599	**3,137,523**	3,460,279
Total liabilities	**6,286,340**	7,692,965	**1,420,354**	2,084,629	**7,706,694**	9,777,594
Total deferred inflows of resources	**7,701,394**	6,859,822	**68,342**	-	**7,769,736**	6,859,822
Net position:						
Net investment in capital assets	**25,778,054**	23,498,349	**22,837,102**	20,085,199	**48,615,156**	43,583,548
Restricted	**2,247,614**	2,568,599	**-**	-	**2,247,614**	2,568,599
Unrestricted	**2,518,055**	3,535,432	**1,612,978**	1,400,231	**4,131,033**	4,935,663
Total net position	**$ 30,543,723**	$ 29,602,380	**$ 24,450,080**	$ 21,485,430	**$ 54,993,803**	$ 51,087,810

A restricted portion of the City's net position (4.1 percent as of June 30, 2015) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $4,131,033 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 $3,905,992 during the year ended June 30, 2015. The governmental-type activities' net position increased by $941,343. The total business-type activities' net position increased by $2,964,649. 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.

Table 2 highlights the City's revenues and expenses for the year ended June 30, 2015. 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 2015	Not Restated Governmental Activities 2014	**Business-Type Activities 2015**	Not Restated Business-Type Activities 2014	**Total 2015**	Not Restated Total 2014
Revenues:						
Program revenues:						
Charges for services	**$ 687,747**	$ 1,004,163	**$ 1,798,203**	$ 1,803,012	**$ 2,485,950**	$ 2,807,175
Operating grants and contributions	**1,040,186**	989,980	**-**	-	**1,040,186**	989,980
Capital grants and contributions	**1,070,217**	-	**361,883**	81,762	**1,432,100**	81,762
General revenues:						
Property taxes	**6,822,180**	5,589,982	**-**	-	**6,822,180**	5,589,982
Other taxes	**1,694,310**	1,479,386	**-**	-	**1,694,310**	1,479,386
Investment earnings	**23,282**	46,709	**4,938**	5,336	**28,220**	52,045
Other	**79,201**	37,153	**35,079**	-	**114,280**	37,153
Total revenues	**11,417,123**	9,147,373	**2,200,103**	1,890,110	**13,617,226**	11,037,483
Expenses:						
General government	**$ 800,695**	$ 821,462	**$ -**	$ -	**$ 800,695**	$ 821,462
Public safety	**2,698,039**	2,845,418	**-**	-	**2,698,039**	2,845,418
Public works	**2,603,701**	1,966,908	**-**	-	**2,603,701**	1,966,908
Health and social services	**6,082**	5,534	**-**	-	**6,082**	5,534
Culture and recreation	**1,168,102**	1,160,615	**-**	-	**1,168,102**	1,160,615
Community and econonic development	**443,555**	421,814	**-**	-	**443,555**	421,814
Interest on long-term debt	**106,750**	93,843	**-**	-	**106,750**	93,843
Water	**-**	-	**949,851**	1,010,268	**949,851**	1,010,268
Sewer rental	**-**	-	**264,679**	327,950	**264,679**	327,950
Storm water	**-**	-	**190,202**	187,795	**190,202**	187,795
Solid waste	**-**	-	**479,578**	468,260	**479,578**	468,260
Total expenses	**7,826,924**	7,315,594	**1,884,310**	1,951,882	**9,711,234**	9,309,867
Excess (deficiency) before transfers	**3,590,199**	1,831,779	**315,793**	(104,163)	**3,905,992**	1,727,616
Transfers	**(2,648,856)**	(953,892)	**2,648,856**	953,892	**-**	-
Change in net position	**941,343**	877,887	**2,964,649**	849,729	**3,905,992**	1,727,616
Net position, beginning	**29,602,380**	29,709,274	**21,485,431**	20,859,278	**51,087,811**	50,568,552
Net position, ending	**$ 30,543,723**	$ 30,587,161	**$ 24,450,080**	$ 21,709,007	**$ 54,993,803**	$ 52,296,168

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.

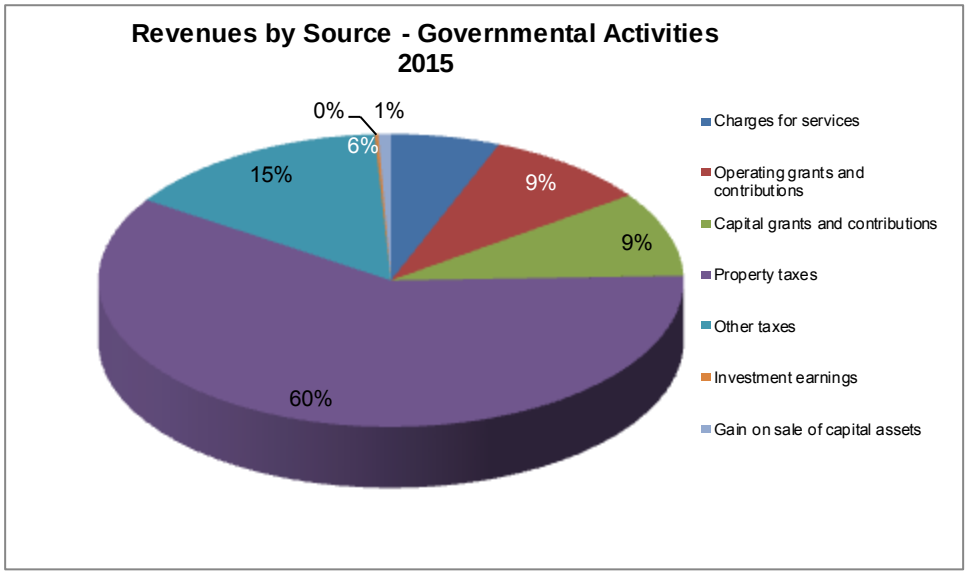
Table 3 - Governmental Activities

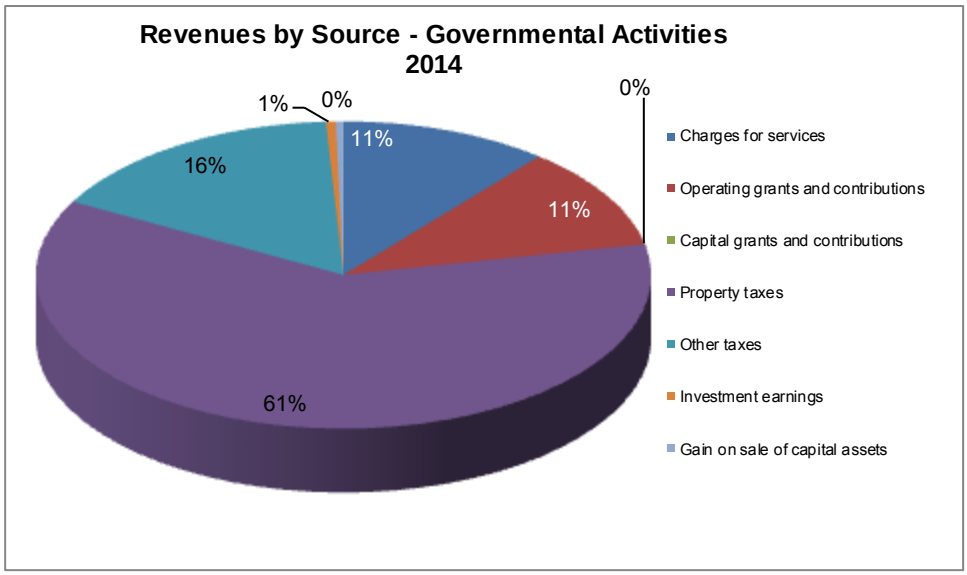
Programs	**Total Cost of Services 2015**	Total Cost of Services 2014	**Net Cost of Services 2015**	Net Cost of Services 2014
Public safety	**$ 2,698,039**	$ 2,845,418	**$ (1,970,846)**	$ (2,364,060)
Public works	**2,603,701**	1,966,908	**(855,645)**	(800,556)
Health and social services	**6,082**	5,534	**(4,287)**	(3,529)
Culture and recreation	**1,168,102**	1,160,615	**(925,739)**	(889,082)
Community and economic development	**443,555**	421,814	**(381,714)**	(368,365)
General government	**800,695**	821,462	**(783,793)**	(802,016)
Interest on long-term debt	**106,750**	93,843	**(106,750)**	(93,843)
Total	**$ 7,826,924**	$ 7,315,594	**$ (5,028,774)**	$ (5,321,451)

Net cost of services is 64.2 percent of total cost of services for the year ended June 30, 2015 and 72.7 percent for the year ended June 30, 2014. As expected, this reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Governmental Activities

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2015 and 2014.

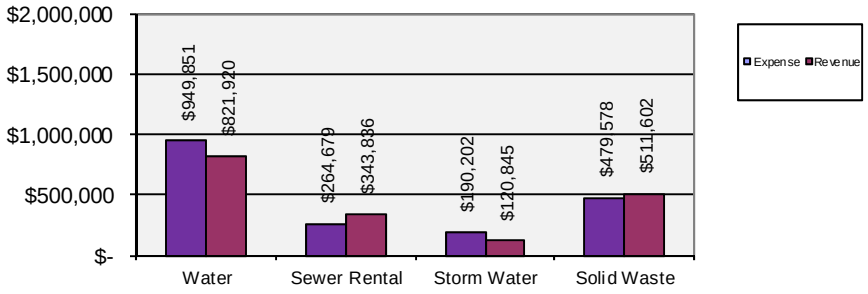




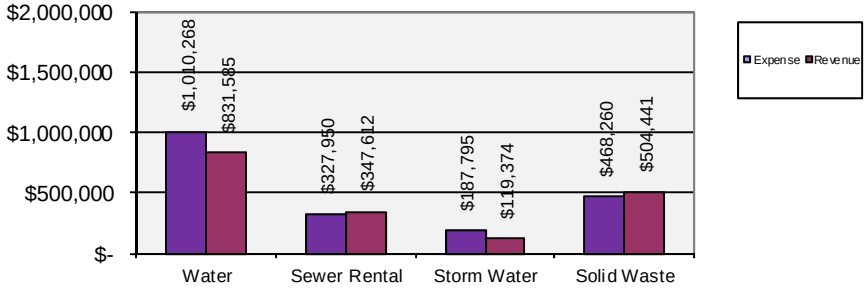
Business-type activities: For the year ended June 30, 2015, business-type activities increased the City of Clear Lake's net position by $2,964,649.

Total business-type activities' revenue for the fiscal year was $2,200,103. All but $40,017 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 2015 and 2014.

Expenses and Program Revenues - Business-Type Activities
2015



Expenses and Program Revenues - Business-Type Activities
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' 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, 2015, the City of Clear Lake, Iowa' governmental funds reported combined ending fund balances of $5,536,668, a decrease of $1,542,244 from June 30, 2014. The City's unassigned balance was $2,827,779 as of June 30, 2015 compared to $4,048,373 as of June 30, 2014. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form - $385,340, 2) legally required to be maintained intact or restricted for particular purposes by enabling legislation or by third parties - $1,897,274 or 3) committed for particular purposes - $426,275.

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 $4,887,387, while total fund balance increased by $90,322. 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 98 percent of total General Fund expenditures for 2015 and 73 percent for 2014, while total fund balance represents approximately 107 percent of General Fund expenditures compared to 78 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 28 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 $90,322 during the current fiscal year.

The Tax Increment Financing (TIF) Fund accounts for revenues collected to be used for economic purposes. Fund balance decreased $1,228,268 from $(831,340) in 2014 to (2,059,608) in 2015. The decrease in TIF fund balance was due to internal loans for capital projects in other funds.

The Capital Projects Fund balance decreased by $83,543 to $44,442 in 2015 from $127,985 in 2014. This decrease was due to expenditures for capital projects in the current year.

The Debt Service Fund balance increased $5,531 from $33,329 in 2014 to $38,860 in 2015. The Debt Service Fund continues to service debt as it becomes due. In the current year, payments of $796,000 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 $2,294,565 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, 2015 was $11,697,043 compared to $9,402,478 as of June 30, 2014.

The Sewer Rental Fund had a change in net position of $352,757. The net position of the Sewer Rental Fund was $6,173,000 compared to $5,820,243 as of June 30, 2014. 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 $298,932. The increase is created from a transfer in to fund for capital projects. The ending net position as of June 30, 2015 was $6,409,176 compared to $6,110,244 as of June 30, 2014.

Budgetary Highlights

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

During the year, one budget amendment increased budgeted expenditures by a total of $1,118,916. The budget amendment was made to adjust revenues and expenditures for capital projects.

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

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, 2015, amounts to $51,765,656 (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 completion of the remodel of city hall and police station, northwest water tower, and north shore drive.

City of Clear Lake's Capital Assets

	Governmental Activities		Business-Type		Total	
	2015	2014	**2015**	2014	**2015**	2014
Land	**$ 3,070,993**	$ 3,070,993	**$ 416,188**	$ 410,188	**$ 3,487,181**	$ 3,481,181
Construction-in-progress	**33,291**	1,010,105	**344,932**	1,223,429	**378,223**	2,233,534
Buildings and improvements	**10,748,424**	9,267,989	**1,509,204**	1,509,204	**12,257,628**	10,777,193
Infrastructure	**25,607,223**	23,996,514	**30,359,418**	26,576,320	**55,966,641**	50,572,834
Machinery and equipment	**6,427,296**	5,833,161	**990,395**	984,744	**7,417,691**	6,817,905
Accumulated depreciation	**(17,550,673)**	(16,465,913)	**(10,191,035)**	(9,694,686)	**(27,741,708)**	(26,160,599)
Total	**$ 28,336,554**	$ 26,712,849	**$ 23,429,102**	$ 21,009,199	**$ 51,765,656**	$ 47,722,048

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, 2015, the City of Clear Lake, Iowa had general obligation loan notes, general obligation bonds and a note payable totaling $4,630,500 compared to $5,758,500 as of June 30, 2014. For the year ended June 30, 2015, the City paid $1,008,000 in principal and $136,460 in interest on outstanding general obligation debt. In addition, the City paid $88,243 principal and $27,879 interest on a notes payable and was forgiven $31,757 principal and $3,322 interest on the note.

Table 5 - Outstanding Debt, June30

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	**2015**	2014	**2015**	2014
General obligation loan notes	**$ 638,500**	$ 684,500	**$ 182,000**	$ 269,000	**$ 820,500**	$ 953,500
General obligation bonds	**3,400,000**	4,150,000	**410,000**	535,000	**3,810,000**	4,685,000
Note payable	**-**	-	**-**	120,000	**-**	120,000
	$ 4,038,500	$ 4,834,500	**$ 592,000**	$ 924,000	**$ 4,630,500**	**$ 5,758,500**

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

Economic Factors and Next Year's Budgets and Rates

- Real property assessed values have continued to rise with tax year 2015 to $819,496,251 from $800,184,187 in 2014.
- The unemployment rate for Cerro Gordo County at June 30, 2015 is 3.8 percent. The rate for Cerro Gordo County decreased from last year's rate of 4.8 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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 1,873,015	$ 896,332	$ 2,769,347
Certificates of deposit	3,624,660	1,267,000	4,891,660
Investments	194,400	-	194,400
Receivables:			
Property taxes	7,131,833	-	7,131,833
Special assessments	340,615	-	340,615
Accounts, net of allowances for uncollectibles of $232,400	189,049	164,867	353,916
Unbilled usage	-	33,012	33,012
Other	6,736	-	6,736
Due from other governments	509,826	30,497	540,323
Internal balances	(15,613)	15,613	-
Inventories	35,000	65,760	100,760
Total current assets	13,889,521	2,473,081	16,362,602
Noncurrent assets:			
Restricted cash and investments	350,340	-	350,340
Forgiveable loan	1,675,000	-	1,675,000
Capital assets:			
Land	3,070,993	416,188	3,487,181
Construction-in-progress	33,291	344,932	378,223
Buildings and improvements	10,748,424	1,509,204	12,257,628
Infrastructure	25,607,223	30,359,418	55,966,641
Machinery and equipment	6,427,296	990,395	7,417,691
Less accumulated depreciation	(17,550,673)	(10,191,035)	(27,741,708)
Total capital assets	28,336,554	23,429,102	51,765,656
Total noncurrent assets	30,361,894	23,429,102	53,790,996
Total assets	44,251,415	25,902,183	70,153,598
Deferred outflows of resources, pension related deferred outflows	280,042	36,593	316,635
Total assets and deferred outflows	$ 44,531,457	$ 25,938,776	$ 70,470,233

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	$ 1,004,720	$ 469,201	$ 1,473,921
Accrued liabilities	294,970	63,231	358,201
Deposits	5,000	64,898	69,898
Unearned revenue	58,434	-	58,434
Accrued interest payable	7,588	-	7,588
Compensated absences	154,378	20,103	174,481
Current portion of bonds and notes	776,000	219,000	995,000
Total current liabilities	2,301,090	836,433	3,137,523
Noncurrent liabilities:			
Other postemployment benefits obligation	227,325	31,722	259,047
Bonds payable	2,670,000	373,000	3,043,000
Net pension liability	495,425	179,199	674,624
Notes payable	592,500	-	592,500
Total noncurrent liabilities	3,985,250	583,921	4,569,171
Total liabilities	6,286,340	1,420,354	7,706,694
Deferred inflows of resources, unavailable revenue,			
Pension related deferred inflows	619,470	68,342	687,812
Unavailable revenue, property taxes	7,081,924	-	7,081,924
Total deferred inflows of resources	7,701,394	68,342	7,769,736
Net Position:			
Net investment in capital assets	25,778,054	22,837,102	48,615,156
Restricted for:			
Nonexpendable endowment corpus	350,340	-	350,340
Donor restricted purposes	247,497	-	247,497
Road use tax	882,745	-	882,745
Tax levy purposes	500,489	-	500,489
Law enforcement forfeiture	16,950	-	16,950
Grant purposes	2,922	-	2,922
Revolving loan fund	237,613	-	237,613
Other	9,058	-	9,058
Unrestricted	2,518,055	1,612,978	4,131,033
Total net position	30,543,723	24,450,080	54,993,803
Total liabilities, deferred inflows of resources and net position	$ 44,531,457	$ 25,938,776	$ 70,470,233

City of Clear Lake, Iowa

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Sales and Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
Public safety	$ 2,698,039	$ 366,486	$ 124,093	$ 236,614
Public works	2,603,701	85,817	828,636	833,603
Health and social services	6,082	1,795		-
Culture and recreation	1,168,102	161,355	81,008	-
Community and economic development	443,555	55,392	6,449	-
General government	800,695	16,902	-	-
Interest on long-term debt	106,750	-	-	-
Total governmental activities	7,826,924	687,747	1,040,186	1,070,217
Business-type activities:				
Water	949,851	821,920	-	101,391
Sewer rental	264,679	343,836	-	148,657
Storm water	190,202	120,845	-	111,835
Solid waste	479,578	511,602	-	-
Total business-type activities	1,884,310	1,798,203	-	361,883
Total primary government	$ 9,711,234	$ 2,485,950	$ 1,040,186	$ 1,432,100

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, as restated
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
$ (1,970,846)	$ -	$ (1,970,846)
(855,645)	-	(855,645)
(4,287)	-	(4,287)
(925,739)	-	(925,739)
(381,714)	-	(381,714)
(783,793)	-	(783,793)
(106,750)	-	(106,750)
(5,028,774)	-	(5,028,774)
-	(26,540)	(26,540)
-	227,814	227,814
-	42,478	42,478
-	32,024	32,024
-	275,776	275,776
(5,028,774)	275,776	(4,752,998)
6,822,180	-	6,822,180
1,694,310	-	1,694,310
23,282	4,938	28,220
79,201	35,079	114,280
(2,648,856)	2,648,856	-
5,970,117	2,688,873	8,658,990
941,343	2,964,649	3,905,992
29,602,380	21,485,431	51,087,811
$ 30,543,723	$ 24,450,080	$ 54,993,803

City of Clear Lake, Iowa

Balance Sheet
Governmental Funds
June 30, 2015

Assets	General	Tax Increment Financing	Capital Projects
Cash and cash equivalents	$ 867,461	$ 35,831	$ 506,053
Certificates of deposit	2,306,000	-	-
Investments	-	-	-
Restricted assets, cash	-	-	-
Receivables, net of allowance:			
Property taxes	3,508,086	2,557,315	-
Special assessments	340,615	-	-
Accounts, consumers net of allowance of $232,400	189,049	-	-
Other, primarly forgiveable loan	19	1,675,000	1,358
Due from other governments	352,696	-	58,464
Due from other funds	2,115,078	-	32,500
Inventories	35,000	-	-
Total assets	$ 9,714,004	$ 4,268,146	$ 598,375
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Acounts and contracts payable	$ 300,067	$ -	$ 521,845
Accrued liabilities	179,217	-	188
Due to other funds	48,113	2,113,000	-
Deposits	5,000	-	-
Unearned revenue	58,434	-	-
Total liabilities	590,831	2,113,000	522,033
Deferred Inflows of Resources, unavailable revenue,			
Property taxes	3,483,756	2,539,754	-
Grants	-	-	31,900
Special assessments	335,197	-	-
Forgiveable loans	-	1,675,000	-
Total deferred inflows of resources	3,818,953	4,214,754	31,900
Fund balances (deficits):			
Nonspendable:			
Endowment corpus	-	-	-
Inventories	35,000	-	-
Restricted:			
Library foundation	-	-	-
Road use tax	-	-	-
Tax levy purposes	-	-	-
Law enforcement forfeiture	-	-	-
Grant purposes	-	-	-
Revolving loan fund	-	-	-
Other	-	-	-
Committed:			
Capital improvement reserve	335,000	-	44,442
Firefighter incentive program	46,833	-	-
Unassigned	4,887,387	(2,059,608)	-
Total fund balances (deficits)	5,304,220	(2,059,608)	44,442
Total liabilities, deferred inflow of resources and fund balances (deficits)	$ 9,714,004	$ 4,268,146	$ 598,375

See Notes to Basic Financial Statements.

Debt Service	Nonmajor Governmental Funds	Total
$ 17,118	$ 446,552	$ 1,873,015
19,000	1,299,660	3,624,660
-	194,400	194,400
-	350,340	350,340
342,806	723,626	7,131,833
-	-	340,615
-	-	189,049
8	5,351	1,681,736
-	98,666	509,826
-	-	2,147,578
-	-	35,000
$ 378,932	$ 3,118,595	$ 18,078,052

$ -	$ 182,808	$ 1,004,720
-	6,613	186,018
-	2,078	2,163,191
-	-	5,000
-	-	58,434
-	191,499	3,417,363
340,072	718,342	7,081,924
-	-	31,900
-	-	335,197
-	-	1,675,000
340,072	718,342	9,124,021
-	350,340	350,340
-	-	35,000
-	247,497	247,497
-	882,745	882,745
38,860	461,629	500,489
-	16,950	16,950
-	2,922	2,922
-	237,613	237,613
-	9,058	9,058
-	-	379,442
-	-	46,833
-	-	2,827,779
38,860	2,208,754	5,536,668
$ 378,932	$ 3,118,595	$ 18,078,052

City of Clear Lake, Iowa

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities
June 30, 2015

Total governmental fund balances			$	5,536,668
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	$	45,887,227		
Accumulated depreciation		(17,550,673)		28,336,554
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:				
Unavailable revenues				2,042,097
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:				
Deferred outflows of resources		280,042		
Deferred inflows of resources		(619,470)		(339,428)
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		(592,500)		
General obligation bonds, current		(730,000)		
General obligation bonds, noncurrent		(2,670,000)		
Accrued interest payable		(7,588)		
Other accrued liabilities		(108,952)		
Compensated absences, current		(154,378)		
Other postemployment benefits obligation		(227,325)		
Net pension liability		(495,425)		(5,032,168)
Net position of governmental activities			$	30,543,723

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2015

	General	Tax Increment Financing	Capital Projects
Revenues:			
Property taxes	$ 3,274,513	$ 2,464,640	$ -
Other taxes	1,684,060	-	-
Special assessments	139,431	-	-
Licenses and permits	104,496	-	-
Intergovernmental	226,510	20,527	634,842
Charges for services	414,522	-	-
Fines and forfeitures	51,782	-	-
Use of money and property	27,866	267	157
Miscellaneous	30,712	-	4,001
Total revenues	5,953,892	2,485,434	639,000
Expenditures:			
Current:			
Public safety	2,202,458	-	-
Public works	718,943	-	-
Health and social services	6,142	-	-
Culture and recreation	914,282	-	-
Community and economic development	244,912	159,759	-
General government	879,878	-	-
Capital outlay	-	-	2,419,925
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	4,966,615	159,759	2,419,925
Revenues over (under) expenditures	987,277	2,325,675	(1,780,925)
Other financing sources (uses):			
Proceeds from sale of capital assets	8,495	-	-
Transfers in	79,000	-	1,805,500
Transfers out	(984,450)	(3,553,943)	(108,118)
Total other financing sources (uses)	(896,955)	(3,553,943)	1,697,382
Net change in fund balances	90,322	(1,228,268)	(83,543)
Fund balances (deficits), beginning	5,213,898	(831,340)	127,985
Fund balances (deficits), ending	$ 5,304,220	$ (2,059,608)	$ 44,442

See Notes to Basic Financial Statements.

Debt Service	Nonmajor Governmental Funds	Total
$ 370,916	$ 712,111	$ 6,822,180
3,063	7,187	1,694,310
-	-	139,431
-	-	104,496
4,563	838,314	1,724,756
-	-	414,522
-	12,149	63,931
630	8,583	37,503
-	19,699	54,412
379,172	1,598,043	11,055,541
-	347,528	2,549,986
-	968,309	1,687,252
-	-	6,142
-	98,405	1,012,687
-	25,302	429,973
-	66,785	946,663
-	-	2,419,925
796,000	-	796,000
108,796	-	108,796
904,796	1,506,329	9,957,424
(525,624)	91,714	1,098,117
-	-	8,495
531,155	-	2,415,655
-	(418,000)	(5,064,511)
531,155	(418,000)	(2,640,361)
5,531	(326,286)	(1,542,244)
33,329	2,535,040	7,078,912
$ 38,860	$ 2,208,754	$ 5,536,668

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, 2015

Net change in fund balances - governmental funds		$	(1,542,244)
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which depreciation exceeded capital outlays in the current year:			
Capital outlay			2,593,029
Depreciation:			
General government	(36,946)		
Culture and recreation	(221,500)		
Public safety	(295,841)		
Public works	(705,731)		(1,260,018)
Contributed capital assets			418,150
Proceeds from sale of capital assets			(8,495)
Loss on sale of capital assets			(118,961)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
Intergovernmental	13,067		
Special assessments	(69,405)		
Other revenue	(230)		(56,568)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Change in compensated absences	3,562		
Change in other postemployment benefits obligation	(40,640)		
Change in net pension liability and related deferred inflows and outflows	149,928		
Change in other accrued liabilities	5,554		118,404
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	-		
Repayment of bond principal	796,000		
Decrease in accrued interest payable	2,046		798,046
Change in net position of governmental activities		$	941,343

See Notes to Basic Financial Statements.

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City of Clear Lake, Iowa

Statement of Net Position
Proprietary Funds
June 30, 2015

Assets	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Current assets:					
Cash and cash equivalents	$ 473,600	$ 193,336	$ 191,225	$ 38,171	$ 896,332
Certificates of deposit	432,000	450,000	275,000	110,000	1,267,000
Receivables, net of allowance for uncollectible amounts:					
Accounts, consumers	80,567	30,543	10,309	43,448	164,867
Unbilled usage	16,622	6,230	1,950	8,210	33,012
Due from other governments	-	-	30,497	-	30,497
Due from other funds	-	-	15,613	-	15,613
Inventories	65,760	-	-	-	65,760
Total current assets	1,068,549	680,109	524,594	199,829	2,473,081
Noncurrent assets:					
Capital assets:					
Nondepreciable:					
Land	149,498	-	266,690	-	416,188
Construction-in-progress	343,822	-	1,110	-	344,932
Depreciable:					
Buildings and land improvements	1,132,527	319,193	25,000	32,484	1,509,204
Infrastructure	14,304,255	7,456,263	8,598,900	-	30,359,418
Machinery and equipment	695,758	288,752	-	5,885	990,395
Accumulated depreciation	(4,902,857)	(2,345,071)	(2,933,150)	(9,957)	(10,191,035)
Total noncurrent assets	11,723,003	5,719,137	5,958,550	28,412	23,429,102
Total assets	12,791,552	6,399,246	6,483,144	228,241	25,902,183
Deferred outflows of resources, pension related deferred outflows	26,152	7,192	475	2,774	36,593
Total assets and deferred outflows of resources	$ 12,817,704	$ 6,406,438	$ 6,483,619	$ 231,015	$ 25,938,776

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	$ 204,975	$ 153,136	$ 71,156	$ 39,934	$ 469,201
Accrued liabilities	44,724	17,683	71	753	63,231
Deposits	64,898	-	-	-	64,898
Compensated absences	15,584	3,816	-	703	20,103
Bonds and loan notes payable	219,000	-	-	-	219,000
Total current liabilities	549,181	174,635	71,227	41,390	836,433
Noncurrent liabilities:					
Other postemployment benefits obligation	21,570	10,152	-	-	31,722
Net pension liability	128,068	35,219	2,328	13,584	179,199
Bonds payable	373,000	-	-	-	373,000
Total noncurrent liabilities	522,638	45,371	2,328	13,584	583,921
Total liabilities	1,071,819	220,006	73,555	54,974	1,420,354
Deferred inflows of resources					
pension related deferred inflows	48,842	13,432	888	5,180	68,342
Net position:					
Net investment in capital assets	11,131,003	5,719,137	5,958,550	28,412	22,837,102
Unrestricted	566,040	453,863	450,626	142,449	1,612,978
Total net position	11,697,043	6,173,000	6,409,176	170,861	24,450,080
Total liabilities, deferred inflows of resources, and net position	$ 12,817,704	$ 6,406,438	$ 6,483,619	$ 231,015	$ 25,938,776

City of Clear Lake, Iowa

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2015

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Enterprise Funds
Operating revenues:					
Charges for services	$ 820,317	$ 343,836	$ 120,845	$ 511,602	$ 1,796,600
Miscellaneous	1,603	-	-	-	1,603
Total operating revenues	821,920	343,836	120,845	511,602	1,798,203
Operating expenses:					
Personal services	315,382	101,769	3,952	25,062	446,165
Contractual services	137,658	12,135	16,144	448,135	614,072
Commodities	38,050	9,474	2,165	4,168	53,857
Other	125,215	1,865	263	-	127,343
Depreciation	297,441	139,436	167,678	2,213	606,768
Total operating expenses	913,746	264,679	190,202	479,578	1,848,205
Operating income (loss)	(91,826)	79,157	(69,357)	32,024	(50,002)
Nonoperating revenues (expenses):					
Investment earnings	1,760	1,864	943	371	4,938
Interest expense	(27,664)	-	-	-	(27,664)
Loss on sale of capital assets	(8,441)	-	-	-	(8,441)
Gain on debt forgiveness	-	35,079	-	-	35,079
Total nonoperating revenues (expenses)	(34,345)	36,943	943	371	3,912
Income (loss) before transfers and capital contributions	(126,171)	116,100	(68,414)	32,395	(46,090)
Capital contributions	101,391	148,657	111,835	-	361,883
Transfers in	2,319,345	88,000	255,511	-	2,662,856
Transfers out	-	-	-	(14,000)	(14,000)
Change in net position	2,294,565	352,757	298,932	18,395	2,964,649
Total net position, beginning of year, as restated	9,402,478	5,820,243	6,110,244	152,466	21,485,431
Total net position, end of year	$ 11,697,043	$ 6,173,000	$ 6,409,176	$ 170,861	$ 24,450,080

See Notes to Basic Financial Statements.

City of Clear Lake, Iowa

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 826,288	$ 346,235	$ 90,515	$ 512,152	$ 1,775,190
Receipts from other	1,603	-	-	-	1,603
Payments to suppliers	(740,873)	115,953	42,345	(448,075)	(1,030,650)
Payments to employees and benefits	(319,751)	(101,350)	(4,116)	(25,820)	(451,037)
Net cash provided by (used) in operating activities	(232,733)	360,838	128,744	38,257	295,106
Cash flows from noncapital financing activities:					
Transfers in	2,319,345	88,000	255,511	-	2,662,856
Transfers out	-	-	-	(14,000)	(14,000)
Net cash provided by (used) in noncapital financing activities	2,319,345	88,000	255,511	(14,000)	2,648,856
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,890,767)	(451,922)	(330,540)	-	(2,673,229)
Payment on debt	(212,000)	(88,243)	-	-	(300,243)
Payments to other funds	-	-	(11,439)	-	(11,439)
Interest on debt	(27,664)	(27,879)	-	-	(55,543)
Net cash (used) in capital and related financing activities	(2,130,431)	(568,044)	(341,979)	-	(3,040,454)
Cash flows from investing activities:					
Purchase of investments	-	-	-	(20,000)	(20,000)
Maturities of investments	18,000	270,000	100,000	-	388,000
Interest received	1,760	1,864	943	371	4,938
Net cash provided by (used) in investing activities	19,760	271,864	100,943	(19,629)	372,938
Increase (decrease) in cash and cash equivalents	(24,059)	152,658	143,219	4,628	276,446
Cash and cash equivalents, beginning of year	497,659	40,678	48,006	33,543	619,886
Cash and cash equivalents, end of year	$ 473,600	$ 193,336	$ 191,225	$ 38,171	$ 896,332

(Continued)

City of Clear Lake, Iowa

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2015

	Water	Sewer Rental	Storm Water	Nonmajor Solid Waste	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used) in operating activities:					
Operating income (loss)	$ (91,826)	$ 79,157	$ (69,357)	$ 32,024	$ (50,002)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:					
Depreciation	297,441	139,436	167,678	2,213	606,768
Change in assets and liabilities:					
Receivables	3,186	2,399	(30,330)	550	(24,195)
Inventories	5,457	-	-	-	5,457
Deferred outflows of resources	(7,282)	(2,003)	1,526	(2,431)	(10,190)
Deposits	2,785	-	-	-	2,785
Accounts payable and accrued liabilities	(445,407)	139,427	60,917	4,228	(240,835)
Compensated absences	800	1,086	-	200	2,086
Other postemployment benefits obligation	3,856	1,815	-	-	5,671
Net penion liability	(50,585)	(13,911)	(2,578)	(3,707)	(70,781)
Deferred inflows of resources	48,842	13,432	888	5,180	68,342
Net cash provided by (used) in operating activities	$ (232,733)	$ 360,838	$ 128,744	$ 38,257	$ 295,106
Schedule of noncash items, capital and related financing activities,					
Contributions of capital assets	$ 101,391	$ 148,657	$ 111,835	$ -	$ 361,883
Debt forgiveness:					
Principal	$ -	$ 31,757	$ -	$ -	$ 31,757
Interest	$ -	$ 3,322	$ -	$ -	$ 3,322

See 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.

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 and community 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.

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.

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 2015 based on the 2014 assessed valuations. These taxes are due in two installments, on September 1, 2015 and the following March 1, 2016 with a 1.5 percent per month penalty for delinquent payment. Since the 2015 tax levy is budgeted and levied for the fiscal year 2016, 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.

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.

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, 2015 for the unvested employee sick leave hours totals approximately $634,000.

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 has one item that qualifies for reporting in this category; the pension related deferred outflows.

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. The City also reports pension related deferred inflows in the government-wide statements and the proprietary fund 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 $500,489 for tax levy purposes and $882,745 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.

Note 2. Deposits and Investments

As of June 30, 2015, the City's cash and investments were as follows:

Cash, cash equivalents and certificates of deposit	$ 7,958,250
Cash and investments held by the Clear Lake Library Foundation	247,497
	$ 8,205,747

The City maintains 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	$ 45,782
Franklin Utilities	N/A	9,646
Lord Abbett Core Fixed Inc	N/A	28,862
Corporate Bond - Hydro Quebec	01/15/27	13,864

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, 2015, 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 - $13,864; Coca-Cola Co., equity - $11,141; General Mills Inc., equity - $14,376, CVS Health Corp., equity - $11,537 and Procter & Gamble Co., equity - $11,892.

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, 2015, 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, 2015, 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.

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	June 30, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 3,070,993	$ -	$ -	$ 3,070,993
Construction-in-progress	1,010,105	33,291	1,010,105	33,291
Total capital assets, not being depreciated	4,081,098	33,291	1,010,105	3,104,284
Capital assets, being depreciated:				
Buildings and improvements	9,267,989	1,491,110	10,675	10,748,424
Infrastructure	23,996,514	1,821,644	210,935	25,607,223
Machinery and equipment	5,833,161	675,239	81,104	6,427,296
Total capital assets, being depreciated	39,097,664	3,987,993	302,714	42,782,943
Less accumulated depreciation for:				
Buildings and improvements	2,327,726	251,135	4,483	2,574,378
Infrastructure	10,148,379	571,950	89,671	10,630,658
Machinery and equipment	3,989,808	436,933	81,104	4,345,637
Total accumulated depreciation	16,465,913	1,260,018	175,258	17,550,673
Total capital assets, being depreciated, net	22,631,751	2,727,975	127,456	25,232,270
Governmental activities capital assets, net	$ 26,712,849	$ 2,761,266	$ 1,137,561	$ 28,336,554

Note 3. Capital Assets (Continued)

	June 30, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 410,188	$ 6,000	$ -	$ 416,188
Construction-in-progress	1,223,429	313,949	1,192,446	344,932
Total capital assets, not being depreciated	1,633,617	319,949	1,192,446	761,120
Buildings and improvements	1,509,204	-	-	1,509,204
Infrastructure	26,576,320	3,901,958	118,860	30,359,418
Machinery and equipment	984,744	5,651	-	990,395
Total capital assets, being depreciated	29,070,268	3,907,609	118,860	32,859,017
Less accumulated depreciation for:				
Buildings and improvements	1,025,880	29,174	-	1,055,054
Infrastructure	8,121,542	538,154	110,419	8,549,277
Machinery and equipment	547,264	39,440	-	586,704
Total accumulated depreciation	9,694,686	606,768	110,419	10,191,035
Total capital assets, being depreciated, net	19,375,582	3,300,841	8,441	22,667,982
Business-type activities capital assets, net	$ 21,009,199	$ 3,620,790	$ 1,200,887	$ 23,429,102

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

Governmental Activities:	
General government	$ 36,946
Culture and recreation	221,500
Public safety	295,841
Public works	705,731
Total depreciation expense, governmental activities	$ 1,260,018
Business-Type Activities:	
Water	$ 297,441
Sewer rental	139,436
Storm water	167,678
Solid waste	2,213
Total depreciation expense, business-type activities	$ 606,768

Note 4. Long-Term Debt

A summary of the changes in bonded and other long-term debt for the year ended June 30, 2015 is as follows:

Governmental Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation loan notes	$ 684,500	$ -	$ 46,000	$ 638,500	$ 46,000
General obligation bonds	4,150,000	-	750,000	3,400,000	730,000
Compensated absences	157,940	154,378	157,940	154,378	154,378
	$ 4,992,440	$ 154,378	$ 953,940	$ 4,192,878	$ 930,378

Business-Type Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation loan notes	$ 269,000	$ -	$ 87,000	$ 182,000	$ 89,000
General obligation bonds	535,000	-	125,000	410,000	130,000
Note payable	120,000	-	120,000	-	-
Compensated absences	18,017	20,103	18,017	20,103	20,103
	$ 3,620,219	$ 20,103	$ 350,017	$ 612,103	$ 239,103

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 $1,480,000 which matures in annual amounts ranging from $150,000 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 $475,000 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 $325,000 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 $313,500 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 matured and are paid in full as of June 30, 2015.

On January 1, 2011, the City issued $2,300,000 General Obligation Fire Station Bonds, Series 2011. These bonds have an outstanding balance of $1,445,000 which matures in remaining annual amounts ranging from $230,000 to $255,000 through June 30, 2021 and bears interest ranging from 1.65 percent to 3.5 percent.

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 $410,000 which matures in remaining annual amounts ranging from $130,000 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 $182,000 which matures in remaining annual amounts from $89,000 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, 2015 are as follows:

Year ending June 30:	Principal	Interest	Total
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
	$ 4,630,500	$ 476,593	$ 5,107,093

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 was to 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 December 31, 2014, the sum of yearly revenues was determined and, since the total amount of revenue produced did not exceed the initial principal amount of $120,000 plus interest accrued at 4%, the balance of $88,243 plus accrued interest of $27,879 was paid by the City to the Clear Lake Sanitary District. The City was forgiven $31,757 of principal and $3,322 of interest for a total gain on debt forgiveness of $35,079.

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Note 4. Long-Term Debt (Continued)

Compensated absences:

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

Legal debt margin: As of June 30, 2015, 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*	$	825,608,023
Debt limit, 5% of total actual valuation		41,280,401
Debt applicable to debt limit, debt service general obligation loan notes and bonds		4,630,500
Legal debt margin	$	36,649,901

* 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.

Note 6. Interfund Receivables, Payables and Transfers

Individual interfund receivables and payables balances as of June 30, 2015 were:

	Total	
	Interfund Receivables	Interfund Payables
Governmental, major funds:		
General	$ 2,115,078	$ 48,113
Tax Increment Financing	-	2,113,000
Capital Projects	32,500	-
Debt Service	-	-
Nonmajor govermental funds	-	2,078
Enterprise, major funds:		
Storm Water	15,613	-
Total	$ 2,163,191	$ 2,163,191

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	$ 79,000	$ 984,450
Tax Increment Financing	-	3,553,943
Capital Projects	1,805,500	108,118
Debt Service	531,155	-
Nonmajor governmental funds	-	418,000
Total governmental activities	$ 2,415,655	$ 5,064,511
Business-type activities:		
Major enterprise funds:		
Water	$ 2,319,345	$ -
Sewer Rental	88,000	-
Storm Water	255,511	-
Nonmajor enterprise funds	-	14,000
Total business-type activities	$ 2,662,856	$ 14,000
Total	$ 5,078,511	$ 5,078,511

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.

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

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Note 8. Pension and Retirement Systems (Continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The Actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.9 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were $262,439.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of $674,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .0170106 percent, which was a decrease of .0086628 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of $99,881. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,544	$ 26,627
Changes of assumptions	42,818	-
Net difference between projected and actual earnings on pension plan investments	-	660,549
Changes in proportion and differences between City contributions and proportionate share of contributions	834	636
City contributions subsequent to the measurement date	262,439	-
Total	$ 316,635	$ 687,812

Note 8. Pension and Retirement Systems (Continued)

Deferred outflows of resources of $262,439 related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	$	(158,845)
2017		(158,845)
2018		(158,845)
2019		(158,845)
2020		1,764
Total	$	(633,616)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00 percent per annum
Salary Increases	4.00 percent to 15.11 percent, including inflation
Investment rate of return	7.50 percent per annum, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 8. Pension and Retirement Systems (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15%	6.76%
Private Equity	13%	11.34%
Real Estate	8%	3.52%
Core Plus Fixed Income	28%	2.06%
Credit Opportunities	5%	3.67%
TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	-0.69%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$ 2,144,826	$ 674,624	$ (565,489)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the City reported payables to the defined benefit pension plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 9. Other Post-employment 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 2015, 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, 2014 were as follows:

	Single	Family
Traditional	$ 694.29	$ 1,735.68
H.S.A.	602.06	1,337.38

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	75,911
Contributions and payments made	29,600
Increase in net OPEB obligation	46,311
Net OPEB obligation, beginning of year	212,736
Net OPEB obligation, end of year	$ 259,047

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2014 and 2013 are as follows in the table below.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 75,911	39.0%	$ 259,047
June 30, 2014	75,911	39.0	212,736
June 30, 2013	75,911	39.0	160,425

Note 9. Other Post-employment Benefits (Continued)

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 $2,324,303 and the ratio of the UAAL to the covered payroll was 25.23 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.

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, 2015 was 28 years.

Note 10. Iowa Department of Economic Development Revolving Loan Fund

Under contract agreement with Iowa Department of Economic Development, the City agreed to establish a $150,000 revolving loan fund on behalf of the Iowa Department of Economic Development. Under the agreement, all principal and interest collections on the loan 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 $3,503,000. The remaining contractual amounts on these projects total approximately $115,000 as of June 30, 2015. On July 20, 2015, the City Council approved an additional contract for $424,000 for water main improvements. On August 17, 2015, the City Council approved a contract for approximately $374,000 for bridge and street improvements.

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 $8,258,000 as of June 30, 2015. During the year ended June 30, 2015, the City paid approximately $160,000 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 development agreement. Annually, on August 1, the City is to formally notify the company of the amount forgiven.

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, 2015, 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, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* issued June 2012. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and 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. Statement No. 68 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

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

the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013. 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 implementation of the above statements did not have a material impact to the City's financial statements except for GASB Statement No. 68 and 71 which required the City to change the accounting and reporting of pension expense, net pension liability, and the related deferred inflows of resources and deferred outflows of resources. As a result, the City's financial statements required a restatement as stated in Note 13. In addition, the new standards required new required supplementary information schedules.

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the City beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* issued June 2015, will be effective for the City beginning with its year ending June 30, 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued June 2015, will be effective for the City beginning with its year ending June 30, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures.*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued June 2015, will be effective for the City beginning with its year ending June 30, 2018. This Statement replaces the requirements of *Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and *No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, will be effective for the City beginning with its year ending June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

Note 13. Accounting Change and Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Net Position June 30, 2014 As Previously Reported	Net Pension Liability at June 30, 2014	Deferred Outflows of Resources Related to Contributions made After the June 30, 2013 Measurement Date	Net Position July 1, 2014 as Restated
Governmental Activities	$ 30,587,161	$ (1,224,100)	$ 239,319	$ 29,602,380
Business-type Activities	21,709,007	(249,979)	26,402	21,485,430
Major Enterprise Funds:				
Water	9,562,260	(178,653)	18,871	9,402,478
Sewer Rental	5,864,184	(49,130)	5,189	5,820,243
Storm Water	6,113,149	(4,906)	2,001	6,110,244
Nonmajor Enterprise Funds	169,414	(17,291)	343	152,466

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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]
2015	**7/1/2012**	**$ -**	**$ 586,394**	**$ 586,394**	**- %**	**$ 2,324,303**	**25.23%**
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

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, 2015

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	$ 6,822,180	$ -	$ 6,822,180
Other taxes	1,694,310	-	1,694,310
Special assessments	139,431	-	139,431
Licenses and permits	104,496	-	104,496
Intergovernmental	1,724,756	-	1,724,756
Charges for services	414,522	1,796,600	2,211,122
Fines and forfeitures	63,931	-	63,931
Use of money and property	37,503	4,938	42,441
Miscellaneous	54,412	36,682	91,094
Total revenues	11,055,541	1,838,220	12,893,761
Expenditures/expenses:			
Public safety	2,549,986	-	2,549,986
Public works	1,687,252	-	1,687,252
Health and social services	6,142	-	6,142
Culture and recreation	1,012,687	-	1,012,687
Community and economic development	429,973	-	429,973
General government	946,663	-	946,663
Capital outlay	2,419,925	-	2,419,925
Debt service	904,796	-	904,796
Business-type	-	1,884,310	1,884,310
Total expenditures/expenses	9,957,424	1,884,310	11,841,734
Excess (deficiency) of revenues over (under) expenditures/expenses	1,098,117	(46,090)	1,052,027
Other financing sources (uses), net	(2,640,361)	3,010,739	370,378
Net change in fund balance	(1,542,244)	2,964,649	1,422,405
Balance, beginning of year, as restated	7,078,912	21,485,431	28,564,343
Balance, end of year	$ 5,536,668	$ 24,450,080	$ 29,986,748

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance
Original	Final	Over (Under)
$ 6,831,509	$ 6,812,525	$ 9,655
1,496,734	1,625,125	69,185
140,000	140,000	(569)
93,600	93,175	11,321
1,614,904	1,682,013	42,743
2,238,800	2,239,300	(28,178)
49,500	61,500	2,431
42,605	42,585	(144)
41,500	48,973	42,121
12,549,152	12,745,196	148,565
2,792,045	2,712,449	(162,463)
1,642,102	1,940,933	(253,681)
8,852	8,836	(2,694)
1,214,192	1,165,221	(152,534)
459,469	560,495	(130,522)
828,615	1,129,040	(182,377)
2,380,000	2,670,000	(250,075)
913,569	904,798	(2)
4,589,062	4,855,050	(2,970,740)
14,827,906	15,946,822	(4,105,088)
(2,278,754)	(3,201,626)	4,253,653
-	67,073	303,305
$ (2,278,754)	$ (3,134,553)	$ 4,556,958

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City of Clear Lake, Iowa

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Ten Fiscal Years*

		2015
City's proportion of the net pension liability		0.017011%
City's proportionate share of the net pension liability	$	674,624
City's covered-employee payroll	$	2,777,512
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		24.29%
Plan fiduciary net pension as a percentage of the total pension liability		87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Notes to Required Supplementary Information.

City of Clear Lake, Iowa

Required Supplementary Information
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

	2015	2014	2013	2012
Statutorily required contribution	$ 262	$ 266	$ 258	$ 246
Contributions in relation to the statutorily required contribution	$ (262)	$ (266)	$ (258)	$ (246)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,778	$ 2,812	$ 2,757	$ 2,763
Contributions as a percentage of covered-employee payroll	9.43%	9.45%	9.38%	8.90%

See Notes to Required Supplementary Information.

2011	2010	2009	2008	2007	2006
$ 219	$ 198	$ 175	$ 159	$ 155	$ 146
$ (219)	$ (198)	$ (175)	$ (159)	$ (155)	$ (146)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,655	$ 2,563	$ 2,426	$ 2,334	$ 2,273	$ 2,125
8.25%	7.73%	7.23%	6.81%	6.80%	6.88%

Note 1. Budgetary 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, one budget amendment increased budgeted expenditures by a total of $1,118,916. The budget amendment was made primarily to adjust revenues and expenditures for capital projects.

Note 2. Iowa Public Employees' Retirement System

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

Note 2. Iowa Public Employees' Retirement System (Continued)

- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Clear Lake, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

			Special Revenue	
	Library	Road Use Tax	Employee Benefits	Lindstrom Flower
Assets				
Cash and cash equivalents	$ 13,097	$ 318,241	$ 96,466	$ -
Certificates of deposit	40,000	650,000	365,000	-
Investments	194,400	-	-	-
Restricted assets, cash	-	-	-	-
Receivables:				
Property taxes	-	-	723,626	-
Other	-	-	138	5,000
Due from other governments	-	98,666	-	-
Total assets	$ 247,497	$ 1,066,907	$ 1,185,230	$ 5,000
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 177,628	$ 5,180	$ -
Accrued liabilities	-	6,534	79	-
Due to other funds	-	-	-	2,078
Total liabilities	-	184,162	5,259	2,078
Deferred inflows of resources:				
Unavailable revenue, property taxes	-	-	718,342	-
Total deferred inflows of resources	-	-	718,342	-
Fund Balances:				
Nonspendable, corpus	-	-	-	-
Restricted:				
Donor restricted purposes	247,497	-	-	-
Road use tax	-	882,745	-	-
Tax levy purposes	-	-	461,629	-
Law enforcement forfeiture	-	-	-	-
Grant purposes	-	-	-	2,922
Revolving loans	-	-	-	-
Total fund balances	247,497	882,745	461,629	2,922
Total liabilities, deferred inflow of resources and fund balances	$ 247,497	$ 1,066,907	$ 1,185,230	$ 5,000

		Permanent		
Law Enforcement State	Economic Development Revolving Loan	Library	Riley	Total
$ 16,950	$ 1,550	$ -	$ 248	$ 446,552
-	236,000	-	8,660	1,299,660
-	-	-	-	194,400
-	-	2,000	348,340	350,340
-	-	-	-	723,626
-	63	-	150	5,351
-	-	-	-	98,666
$ 16,950	$ 237,613	$ 2,000	$ 357,398	$ 3,118,595
$ -	$ -	$ -	$ -	$ 182,808
-	-	-	-	6,613
-	-	-	-	2,078
-	-	-	-	191,499
-	-	-	-	718,342
-	-	-	-	718,342
-	-	2,000	348,340	350,340
-	-	-	9,058	256,555
-	-	-	-	882,745
-	-	-	-	461,629
16,950	-	-	-	16,950
-	-	-	-	2,922
-	237,613	-	-	237,613
16,950	237,613	2,000	357,398	2,208,754
$ 16,950	$ 237,613	$ 2,000	$ 357,398	$ 3,118,595

City of Clear Lake, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2015

	Special Revenue			
	Library	Road Use Tax	Employee Benefits	Lindstrom Flower
Revenues:				
Property taxes	$ -	$ -	$ 712,111	$ -
Other taxes	-	-	7,187	-
Intergovernmental	-	828,636	9,678	-
Fines and forfeitures	-	-	-	-
Use of money and property	5,672	-	955	-
Miscellaneous	13,250	-	-	6,449
Total revenues	18,922	828,636	729,931	6,449
Expenditures:				
Current:				
Public safety	-	-	346,145	-
Public works	-	842,139	126,170	-
Culture and recreation	31,470	-	66,935	-
Community and economic development	-	-	19,233	6,069
General government	-	-	66,785	-
Total expenditures	31,470	842,139	625,268	6,069
Revenue over (under) expenditures	(12,548)	(13,503)	104,663	380
Other financing sources (uses):				
Transfers out	-	(418,000)	-	-
Total other financing sources (uses)	-	(418,000)	-	-
Net change in fund balances	(12,548)	(431,503)	104,663	380
Fund balances, beginning of year	260,045	1,314,248	356,966	2,542
Fund balances, end of year	$ 247,497	$ 882,745	$ 461,629	$ 2,922

		Permanent		
Law Enforcement State	Economic Development Revolving Loan	Library	Riley	Total
$ -	$ -	$ -	$ -	$ 712,111
-	-	-	-	7,187
-	-	-	-	838,314
12,149	-	-	-	12,149
24	899	-	1,033	8,583
-	-	-	-	19,699
12,173	899	-	1,033	1,598,043
1,383	-	-	-	347,528
-	-	-	-	968,309
-	-	-	-	98,405
-	-	-	-	25,302
-	-	-	-	66,785
1,383	-	-	-	1,506,329
10,790	899	-	1,033	91,714
-	-	-	-	(418,000)
-	-	-	-	(418,000)
10,790	899	-	1,033	(326,286)
6,160	236,714	2,000	356,365	2,535,040
$ 16,950	$ 237,613	$ 2,000	$ 357,398	$ 2,208,754

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City of Clear Lake, Iowa

Statistical Section
Contents

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	68
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).	80
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.	88
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.	93
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.	97

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)

	2006	2007	2008
Governmental activities:			
Net investment in capital assets	$ 13,686,281	$14,917,121	$15,938,642
Restricted for:			
Endowments	2,000	2,000	2,000
Donor Restricted Purposes	-	-	-
Tax Increment Financing Districts	54,488	26,794	4,083
Capital Projects	196,157	(102,456)	98,212
Employee Benefits	373,342	328,207	377,369
Debt Service	57,184	36,724	58,758
Road Use Tax	551,300	671,956	997,293
Other	-	-	-
Unrestricted	2,925,926	3,515,923	3,948,779
Total governmental activities net position	$ 17,846,678	$19,396,269	$21,425,136
Business-type activities:			
Net investment in capital assets	$ 11,532,643	$12,505,306	$13,946,243
Capital Projects	-	425,000	-
Unrestricted	1,282,501	1,134,810	1,148,657
Total business-type activities net position	$ 12,815,144	$14,065,116	$15,094,900
Primary government:			
Net investment in capital assets	$ 25,218,924	$27,422,427	$29,884,885
Restricted			
Endowments	2,000	2,000	2,000
Tax Increment Financing Districts	54,488	26,794	4,083
Capital Projects	196,157	322,544	98,212
Employee Benefits	373,342	328,207	377,369
Debt Service	57,184	36,724	58,758
Road Use Tax	551,300	671,956	997,293
Other	-	-	-
Unrestricted	4,208,427	4,650,733	5,097,436
Total primary government net position	$ 30,661,822	$33,461,385	$36,520,036

Note: The City implemented GASB 68 in fiscal year 2015, which included a restatement of net position. The fiscal year 2014 ending net position reflect this restatement.

2009	2010	2011	2012	2013	2014	**2015**
$17,053,088	$18,368,294	$19,167,407	$21,265,341	$22,308,980	$23,498,349	**$25,778,054**
2,000	350,340	350,340	350,340	350,340	350,340	**350,340**
-	-	-	-	269,368	268,070	**247,497**
64,034	305,207	172,603	696,521	-	-	**-**
2,784	75,964	425,156	240,476	-	-	**-**
315,310	246,571	269,683	313,724	278,516	356,966	**461,629**
120,288	37,090	11,409	17,258	32,208	33,329	**38,860**
580,938	737,026	1,276,066	859,989	1,390,300	1,314,248	**882,745**
-	-	-	1,044,724	250,805	245,646	**266,543**
3,865,625	3,685,603	4,189,608	3,322,578	4,828,757	3,535,432	**2,518,055**
$22,004,068	$23,806,095	$25,862,272	$28,110,950	$29,709,274	$29,602,380	**$30,543,723**
$14,868,350	$15,849,755	$17,122,313	$19,088,188	$18,943,614	$20,085,199	**$22,837,102**
-	-	-	-	-	-	**-**
1,400,957	1,184,590	1,310,917	1,136,927	1,915,664	1,400,231	**1,612,977**
$16,269,307	$17,034,345	$18,433,230	$20,225,115	$20,859,278	$21,485,430	**$24,450,079**
$31,921,438	$34,218,049	$36,289,720	$40,353,529	$41,252,594	$43,583,548	**$48,615,156**
2,000	350,340	350,340	350,340	350,340	350,340	**350,340**
64,034	305,207	172,603	696,521	-	-	**-**
2,784	75,964	425,156	240,476	-	-	**-**
315,310	246,571	269,683	313,724	278,516	356,966	**461,629**
120,288	37,090	11,409	17,258	32,208	33,329	**38,860**
580,938	737,026	1,276,066	859,989	1,390,300	1,314,248	**882,745**
-	-	438,367	1,044,724	520,173	513,716	**504,313**
5,266,582	4,870,193	5,046,750	4,459,505	6,744,421	4,935,663	**4,131,032**
$38,273,375	$40,840,440	$44,280,094	$48,336,066	$50,568,552	$51,087,810	**$54,984,075**

City of Clear Lake, Iowa

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

	2006	2007	2008
Expenses:			
Governmental activities:			
General government	$ 735,978	$ 590,868	$ 601,917
Public safety	1,748,284	2,184,541	2,102,457
Public Works	1,789,513	1,713,782	1,514,707
Health and Social Services	19,075	753	1,503
Culture and recreation	777,635	858,868	941,657
Community and Economic Development	928,582	560,062	395,956
Interest on long-term debt	136,987	202,517	226,979
Total governmental activities expenses	6,136,054	6,111,391	5,785,176
Business-type activities:			
Water	682,199	683,728	674,207
Sewer	229,676	264,105	261,704
Stormwater	132,761	184,625	163,951
Solid Waste	371,503	398,848	404,935
Total business-type activities expenses	1,416,139	1,531,306	1,504,797
Total primary government expenses	7,552,193	7,642,697	7,289,973
Program revenue:			
Governmental activities:			
Charges for services:			
General government	21,880	18,452	18,666
Public safety	182,217	356,314	363,815
Public Works	599,269	586,159	12,531
Health and Social Services	1,914	440	1,420
Culture and recreation	113,464	157,360	172,612
Community and Economic Development	51,967	69,796	51,916
Operating grants and contributions:			
General government	2,311	6,375	-
Public safety	14,661	11,035	58,597
Public Works	682,693	682,845	719,061
Culture and recreation	47,268	28,817	64,862
Community and Economic Development	600,110	213,078	5,300
Capital grants and contributions:			
General government	19,692	-	-
Public safety	-	106,344	-
Public Works	-	354,668	1,002,064
Culture and recreation	213,820	534,607	31,562
Community and Economic Development	-	-	-
Total governmental activities program revenue	2,551,266	3,126,290	2,502,406

(Continued)

2009	2010	2011	2012	2013	2014	**2015**
$ 625,753	$ 662,464	$ 671,300	$ 801,774	$ 786,184	$ 821,462	**$ 800,695**
2,194,306	2,399,055	2,451,105	2,660,297	2,866,571	2,845,418	**2,698,039**
2,631,816	2,170,696	1,604,354	2,171,034	2,799,841	1,966,908	**2,603,701**
1,782	1,359	7,021	558	755	5,534	**6,082**
996,785	1,045,415	1,059,851	1,141,986	1,118,633	1,160,615	**1,168,102**
366,192	794,422	483,490	401,268	360,139	421,814	**443,555**
203,312	180,297	133,701	186,496	198,537	93,843	**106,750**
7,019,946	7,253,709	6,410,822	7,363,414	8,130,660	7,315,594	**7,826,924**
727,924	762,105	814,038	860,874	983,988	1,010,268	**949,851**
281,190	428,176	262,301	302,831	292,426	327,950	**264,679**
177,961	182,559	216,995	211,204	209,412	187,795	**190,202**
430,635	436,612	452,337	463,199	466,056	468,260	**479,578**
1,617,710	1,809,451	1,745,671	1,838,108	1,951,882	1,994,273	**1,884,310**
8,637,656	9,063,160	8,156,493	9,201,522	10,082,542	9,309,867	**9,711,234**
17,734	17,203	17,320	19,725	19,670	19,446	**16,902**
412,056	383,211	502,376	512,210	381,755	352,406	**366,486**
13,149	7,982	6,594	103,173	193,488	393,475	**85,817**
1,365	1,990	2,270	1,515	1,050	2,005	**1,795**
166,577	170,640	167,209	208,656	152,712	189,150	**161,355**
41,482	47,612	34,811	44,004	45,000	47,681	**55,392**
-	-	-	-	-	-	**-**
42,775	58,348	57,946	64,025	184,297	128,952	**124,093**
699,561	711,322	747,740	731,630	754,053	772,877	**828,636**
131,377	60,355	68,746	13,983	135,591	82,383	**81,008**
9,278	800		4,411	5,000	5,768	**6,449**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**236,614**
692,447	1,002,799	866,172	1,702,704	654,843	-	**833,603**
33,190	348,340	48,706	14,264	-	-	**-**
-	-	10,000	-	-	-	**-**
2,260,992	2,810,603	2,529,890	3,420,299	2,527,459	1,994,143	**2,798,150**

City of Clear Lake, Iowa

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

	2006	2007	2008
Business-type activities:			
Charges for services:			
Water	717,732	744,322	753,636
Sewer	309,394	313,580	311,190
Stormwater	76,346	76,803	77,966
Solid Waste	406,217	420,686	439,507
Operating grants and contributions:			
Water	-	-	-
Sewer	-	-	-
Stormwater	-	-	-
Capital grants and contributions:			
Water	-	30,437	62,070
Sewer	-	54,448	67,730
Stormwater	206,316	62,227	277,870
Total business-type activities program revenues	1,716,005	1,702,503	1,989,969
Total primary government program revenues	4,267,271	4,828,793	4,492,375
Net (expense) revenue:			
Governmental activities	(3,584,788)	(2,985,101)	(3,282,770)
Business-type activities	299,866	171,197	485,172
Total primary government net expense	(3,284,922)	(2,813,904)	(2,797,598)
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	3,569,878	3,987,996	4,103,953
Other taxes	1,209,429	1,305,312	1,536,945
Investment earnings	155,920	191,862	163,055
Miscellaneous	6,360	11,240	1,200
Transfers	(923,634)	(961,716)	(493,521)
Total governmental activities	4,017,953	4,534,694	5,311,632
Business-type activities:			
Investment earnings	58,585	52,059	51,090
Miscellaneous	-	65,000	-
Transfers	923,634	961,716	493,521
Total business-type activities	982,219	1,078,775	544,611
Total primary government	5,000,172	5,613,469	5,856,243
Changes in net assets:			
Governmental activities	433,165	1,549,593	2,028,862
Business-type activities	1,282,085	1,249,972	1,029,783
Total primary government	$ 1,715,250	$ 2,799,565	$ 3,058,645

2009	2010	2011	2012	2013	2014	**2015**
769,746	763,823	778,764	832,433	849,962	831,585	**821,920**
318,707	316,912	325,171	347,628	342,618	347,612	**343,836**
88,628	102,314	110,623	119,337	117,231	119,374	**120,845**
454,011	456,814	469,615	481,592	494,766	504,441	**511,602**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**-**
-	70,287	60,304	246,465	-	21,046	**101,391**
-	54,435	58,978	-	-	32,656	**148,657**
185,446	312,755	75,113	-	-	28,060	**111,835**
1,816,537	2,077,341	1,878,568	2,027,454	1,804,577	1,884,774	**2,160,086**
4,077,529	4,887,943	4,408,458	5,447,754	4,332,036	3,878,917	**4,958,236**
(4,758,954)	(4,443,106)	(3,880,932)	(3,943,114)	(5,603,201)	(5,321,451)	**(5,028,774)**
198,827	267,890	132,897	189,346	(147,305)	(109,499)	**275,776**
(4,560,127)	(4,175,216)	(3,748,035)	(3,753,768)	(5,750,506)	(5,430,950)	**(4,752,998)**
4,666,175	5,197,906	5,607,336	6,116,647	6,404,107	5,589,982	**6,822,180**
1,457,826	1,415,469	1,528,131	1,614,903	1,536,138	1,479,386	**1,694,310**
90,011	85,456	46,692	38,278	38,350	46,709	**23,282**
71,543	34,475	-	36,940	-	37,153	**79,201**
(947,667)	(488,174)	(1,260,458)	(1,599,569)	(777,070)	(953,892)	**(2,648,856)**
5,337,888	6,245,132	5,921,701	6,207,200	7,201,525	6,199,338	**5,970,117**
27,913	8,974	5,529	2,970	4,398	5,336	**4,938**
-	-	-	-	-	-	**35,079**
947,667	488,174	1,260,458	1,599,569	777,070	953,892	**2,648,856**
975,580	497,149	1,265,987	1,602,539	781,468	959,228	**2,688,873**
6,313,468	6,742,281	7,187,688	7,809,739	7,982,993	7,158,566	**8,658,990**
578,935	1,802,026	2,040,769	2,264,086	1,598,324	877,887	**941,343**
1,174,407	765,038	1,398,884	1,791,885	634,163	849,729	**2,964,649**
$ 1,753,342	$ 2,567,064	$ 3,439,653	$ 4,055,971	$ 2,232,487	$ 1,727,616	**$ 3,905,992**

City of Clear Lake, Iowa

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

Function / Program	2006	2007	2008
Governmental activities:			
General government	$ 43,883	$ 24,827	$ 18,666
Public safety	196,878	473,693	422,412
Public works	1,281,962	1,623,672	1,733,656
Health and social services	1,914	440	1,420
Culture and recreation	374,552	720,784	269,036
Community development	652,077	282,874	57,216
Total governmental activities	2,551,266	3,126,290	2,502,406
Business-type activities:			
Water	717,732	774,759	815,706
Sanitary Sewer	309,394	433,028	378,920
Stormwater	282,662	139,030	355,836
Solid Waste	406,217	420,686	439,507
Total business-type activities	1,716,005	1,767,503	1,989,969
Total government	$ 4,267,271	$ 4,893,793	$ 4,492,375

Source: City Records

2009	2010	2011	2012	2013	2014	**2015**
$ 17,734	$ 17,203	$ 17,320	$ 19,725	$ 19,670	$ 19,446	**$ 16,902**
454,832	441,559	560,322	576,235	566,052	481,358	**727,193**
1,405,157	1,722,103	1,620,506	2,537,507	1,602,384	1,166,352	**1,748,056**
1,365	1,990	2,270	1,515	1,050	2,005	**1,795**
331,144	579,335	284,661	236,903	288,303	271,533	**242,363**
50,760	48,412	44,811	48,415	50,000	53,449	**61,841**
2,260,992	2,810,603	2,529,890	3,420,299	2,527,459	1,994,143	**2,798,150**
769,746	834,110	839,068	1,078,898	849,962	852,631	**923,311**
318,707	371,347	384,149	347,628	342,618	380,268	**492,493**
274,074	415,069	185,736	119,337	117,231	147,434	**232,680**
454,011	456,814	469,615	481,592	494,766	504,441	**511,602**
1,816,537	2,077,341	1,878,568	2,027,454	1,804,577	1,884,774	**2,160,086**
$ 4,077,529	$ 4,887,943	$ 4,408,458	$ 5,447,754	$ 4,332,036	$ 3,878,917	**$ 4,958,236**

City of Clear Lake, Iowa

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

	2006	2007	2008
General Fund:			
Nonspendable	$ -	$ -	$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	2,140	-	-
Unreserved	1,962,802	2,232,472	2,808,130
Total General Fund	$ 1,964,942	$ 2,232,472	$ 2,808,130
All Other Governmental Funds:			
Nonspendable	$ -	$ -	$ -
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	2,000	2,000	2,000
Unreserved, reported in:			
Special revenue funds	1,367,417	1,403,743	1,755,909
Debt service funds	57,184	36,724	58,758
Capital projects funds	196,157	4,947	98,212
Permanent fund	-	-	-
Total all other government funds	$ 1,622,758	$ 1,447,414	$ 1,914,879

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

2009	2010	2011	2012	2013	2014	**2015**
$ -	$ -	$ -	$ -	$ -	$ 80,000	**$ 35,000**
-	-	-	-	-	-	**-**
-	-	574,136	530,000	524,043	254,185	**381,833**
-	-	2,861,372	2,994,689	4,329,687	4,879,713	**4,887,387**
-	-	-	-	-	-	**-**
2,854,234	2,649,619	-	-	-	-	**-**
$ 2,854,234	$ 2,649,619	$ 3,435,508	$ 3,524,689	$ 4,853,730	$ 5,213,898	**$ 5,304,220**
$ -	$ -	$ 350,340	$ 350,340	$ 350,340	$ 350,340	**$ 350,340**
-	-	2,593,283	2,549,854	2,223,755	2,218,029	**1,897,274**
-	-	23,804	92,837	14,756	127,985	**44,442**
-	-	-	-	(95,906)	(831,340)	**(2,059,608)**
2,000	350,340	-	-	-	-	-
1,415,253	1,775,004	-	-	-	-	**-**
120,288	37,090	-	-	-	-	**-**
2,784	75,964	-	-	-	-	**-**
-	1,956	-	-	-	-	**-**
$ 1,540,325	$ 2,240,354	$ 2,967,427	$ 2,993,032	$ 2,492,945	$ 1,865,014	**$ 232,448**

City of Clear Lake, Iowa

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

	2006	2007	2008
Revenues:			
Taxes	$ 3,569,878	$ 3,987,996	$ 4,103,954
Special Assessments	397,935	349,713	297,684
Other Taxes	1,209,429	1,305,312	1,536,945
Intergovernmental	1,353,832	1,248,161	1,372,237
Licenses and permits	85,640	102,212	84,333
Charges for services	184,509	391,578	477,504
Fines and forfeitures	45,555	50,471	50,759
Use of money and property	155,920	191,862	163,055
Other	301,594	569,304	259,394
Total revenues	7,304,292	8,196,609	8,345,865
Expenditures:			
General government	591,050	623,057	587,565
Public safety	2,268,711	2,083,584	2,049,105
Public Works	1,036,067	889,792	858,250
Health and Social Services	19,075	753	1,503
Culture and recreation	678,633	792,342	1,003,300
Community and Economic Development	979,706	558,864	395,324
Capital Projects	2,502,231	3,411,103	778,067
Debt service:			
Principal	475,000	685,000	800,000
Bond issuance costs	10,070	11,279	-
Interest	129,916	193,729	221,707
Total expenditures	8,690,459	9,249,503	6,694,821
Excess of revenues (under) expenditures	(1,386,167)	(1,052,894)	1,651,044
Other financing sources (uses):			
Transfers in	1,089,296	1,671,200	833,353
Transfers out	(2,012,930)	(2,632,916)	(1,326,874)
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)	1,085,516	1,030,684	(493,521)
Net changes in fund balance	$ (300,651)	$ (22,210)	$ 1,157,523
Debt service as a percentage of noncapital expenditures	10.5%	14.6%	17.8%

2009	2010	2011	2012	2013	2014	**2015**
$ 4,666,175	$ 5,197,906	$ 5,607,336	$ 6,116,647	$ 6,404,107	$ 5,589,982	**$ 6,822,180**
292,028	528,006	358,120	164,142	242,193	277,202	**139,431**
1,457,826	1,415,469	1,528,131	1,614,903	1,536,138	1,479,386	**1,694,310**
1,388,871	1,033,335	1,513,934	2,297,784	1,781,715	979,738	**1,724,756**
81,327	89,091	74,974	83,560	86,736	98,204	**104,496**
485,115	449,556	554,409	541,709	443,211	415,224	**414,522**
51,182	45,497	54,842	66,212	54,551	50,831	**63,931**
123,033	75,700	57,515	54,816	53,631	62,271	**37,503**
150,891	376,857	58,575	61,626	114,875	60,686	**54,412**
8,696,448	9,211,417	9,807,836	11,001,400	10,717,157	9,013,524	**11,055,541**
607,477	643,855	652,715	787,746	781,256	808,193	**946,663**
2,256,840	2,607,314	2,341,237	2,569,059	3,769,044	2,770,408	**2,549,986**
1,120,157	1,382,911	891,730	1,193,225	964,090	1,053,163	**1,687,252**
1,782	1,359	7,021	558	754	5,534	**6,142**
1,056,235	952,128	1,293,417	1,003,264	1,049,044	1,111,277	**1,012,687**
377,937	801,697	480,541	401,870	358,177	2,095,704	**429,973**
2,323,084	1,469,348	2,788,797	2,275,009	1,198,646	1,344,247	**2,419,925**
720,000	1,815,000	725,000	921,000	2,141,000	706,000	**796,000**
3,950	10,865	10,557	-	23,339	-	**-**
197,880	172,286	116,649	175,578	131,226	90,024	**108,796**
8,665,341	9,856,763	9,307,664	9,327,309	10,416,576	9,984,550	**9,957,424**
31,107	(645,346)	500,172	1,674,091	300,581	(971,026)	**1,098,117**
1,454,837	1,593,287	1,669,537	1,582,547	2,708,243	1,609,128	**2,415,655**
(2,402,504)	(2,081,461)	(2,929,995)	(3,182,116)	(3,485,313)	(2,563,020)	**(5,064,511)**
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	**8,495**
(359,557)	1,140,760	1,012,792	(1,559,306)	528,372	703,263	**(2,640,361)**
$ (328,450)	$ 495,414	$ 1,512,964	$ 114,785	$ 828,953	$ (267,763)	**$ (1,542,244)**
13.3%	24.6%	13.8%	15.4%	12.4%	9.6%	**12.3%**

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City of Clear Lake, Iowa

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

Fiscal Year	Property	Local Option Sales Tax	Utility Replacement Excise Tax	Hotel/Motel Tax	Other Tax	Total
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
2015	**6,822,180**	**1,346,720**	**43,245**	**159,505**	**144,840**	**8,516,490**
Change 1st to Last year	91.10%	29.59%	10.53%	240.84%	71.89%	78.20%

Source: City records.

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
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
2013	**2015**	**365,763,850**	**103,469,019**	**15,638,106**	**615,993**

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
14,641,073	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%
15,499,526	**500,986,494**	**8.82%**	**10.540510**	**819,496,251**	**61.13%**

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
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	7.93624	0.20677	1.56265	0.83485	10.54051
2013	**2015**	**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
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
12.23909	6.87607	0.66157	1.27051	31.58775
11.48331	**6.90606**	**0.64054**	**1.24120**	**30.81162**

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City of Clear Lake, Iowa

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

	2015			2006		
Taxpayer	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	$ 6,934,447	1	1.38%	$ 7,417,854	1	2.45%
Titan Pro Holding, LLC	4,279,655	2	0.85%			
Interstate Power & Light Co	4,087,809	3	0.82%	4,783,552	2	1.58%
National Bedding Company LLC	3,326,235	4	0.66%	3,646,640	4	1.20%
Apple Valley LLC	3,099,841	5	0.62%	2,145,061	10	0.71%
Kingland Properties LC	3,071,342	6	0.61%	2,780,430	5	0.92%
Clear Lake Bank & Trust	2,689,563	7	0.54%	2,598,037	6	0.86%
Teamquest Corporation	2,441,396	8	0.49%			
Clear Lake Independent Tele Co	2,361,608	9	0.47%	3,810,065	3	1.26%
Petroleum Property Mgmt Inc				2,190,670	9	0.72%
New Cole Sewell Corporation				2,513,433	7	0.83%
North Iowa Hotel Associates LC				2,268,999	8	0.75%
Outing Club	2,340,818	10	0.47%			
Total	$ 34,632,714			$ 34,154,741		

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

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
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%
2015	**2013**	**4,348,272**	**4,348,272**	**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.

Delinquent Collections	Total Collections to Date	
	Amount	Percentage of Levy
$ 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%
9,268	**4,357,540**	**100.21%**

City of Clear Lake, Iowa

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

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: Less Amount Available in Debt Service	Governmental Activities: Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita
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
2015	**4,038,500**	**38,860**	**3,999,640**	**0.49%**	**514.29**

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
$ 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	2.04%	736.17
-	**592,000**	**4,591,640**	**1.59%**	**590.41**

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City of Clear Lake, Iowa

Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2015
(Unaudited)

Governmental Unit	General Obligation Debt Outstanding	Percent Applicable to the City of Clear Lake	City of Clear Lake Share of Debt	Net General Obligation Debt Per Capita
Name of governmental unit:				
Direct, City of Clear Lake	$ 4,630,500	100.00%	$ 4,630,500	595.41
Indirect:				
Cerro Gordo County	10,215,000	20.30%	2,073,645	266.64
Clear Lake School District	1,035,000	74.88%	775,008	99.65
North Iowa Area Community College	480,000	7.17%	34,416	4.43
Clear Lake Sanitary District	1,060,000	75.98%	805,388	103.56
Subtotal, overlapping debt	12,790,000		3,688,457	474.28
Total direct and overlapping debt	17,420,500		$ 8,318,957	1,069.69

City of Clear Lake, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008
Debt limit	$ 27,839,182	$ 29,842,939	$ 31,644,412
Total net debt applicable to limit	4,405,000	5,600,000	5,870,000
Legal debt margin	$ 23,434,182	$ 24,242,939	$ 25,774,412
Total net debt applicable to the limit as a percentage of debt limit	15.82%	18.76%	18.55%

Source: City records and County Auditor's office.

Legal Debt Margin Calculation for Fiscal Year 2015	
Assessed value	**$ 825,608,023**
Debt limit (5% of assessed value)	**41,280,401**
Debt applicable to limit:	
General obligation bonds	**4,630,500**
Legal debt margin	**$ 36,649,901**

2009	2010	2011	2012	2013	2014	**2015**
$ 34,273,168	$ 36,460,500	$ 37,367,465	$ 38,788,534	$ 39,289,338	$ 40,009,209	**$ 41,280,401**
5,465,000	5,742,500	7,126,500	6,008,500	4,929,500	5,638,500	**4,630,500**
$ 28,808,168	$ 30,718,000	$ 30,240,965	$ 32,780,034	$ 32,780,034	$ 34,370,709	**$ 36,649,901**
15.95%	15.75%	19.07%	15.49%	12.55%	14.09%	**11.22%**

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)**
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	36,635	43.56	1,300	4.40%
2015	**43,254**	**37,150**	**44.40**	**1,280**	**3.80%**

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)

	2015			2006		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Opportunity Village	665	1	18.50%	500	1	23.33%
Dean Snyder Construction	200	2	5.56%	130	3	6.07%
Serta Matress Company	150	3	4.17%	86	6	4.01%
TeamQuest Corporation	146	4	4.06%	101	5	4.71%
Oakwood Care Center	87	5	2.42%	109	4	5.09%
Clear Lake Bank & Trust	80	6	2.23%	51	8	2.38%
Michael's Cookies	80	6	2.23%			
Kingland Systems Corporation	57	8	1.59%	45	9	2.10%
Titan Pro	55	9	1.53%			
Yohn Co	50	10	1.39%			
Larson Manufacturing				273	2	12.74%
Andrews Prestressed Concrete				55	7	2.57%
Clear Lake Independent Telephone Co				26	10	1.21%

Sources: Clear Lake Chamber of Commerce, North Iowa Corridor, US Census Bureau

City of Clear Lake, Iowa

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

Functions/Program	2006	2007	2008	2009	2010
Full Time:					
General Government:					
City Administrator	1	1	1	1	1
City Clerk	1	1	1	1	1
Finance/Utilities	3.5	3	3	3	3
Building & Zoning Official	1	1	1	1	1
Police:					
Officers	14	15	15	15	16
Civilian Support Supervisor	1	1	1	1	1
Dispatchers	4	4	4	5	5
Fire:					
Ambulance	3	3	3	3	3
Public Works:					
Administration	1.5	1	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	**46**	**46**	**46**	**47**	**48**
Other:					
General Government:					
Mayor/Council	6	6	6	6	6
Office Clerk - Part Time	-	1	1	1	1
Janitor - Part Time	1	1	1	1	1
Police:					
Officers - Part Time	-	-	-	-	2
Dispatchers - Part Time	2	2	2	2	1
Fire:					
Volunteers	22	25	25	25	25
Ambulance - Part Time	10	10	11	10	11
Public Works:					
Administration - Part Time	-	1	1	1	1
Other Programs/Functions:					
Library - Part Time	16	16	16	15	15
Subtotal Other	**57**	**62**	**63**	**61**	**63**
Grand Total	**103**	**108**	**109**	**108**	**111**

Source: City records

Note: Does not include seasonal or temporary employees

Employees as of June 30				
2011	2012	2013	2014	**2015**
1	1	1	1	**1**
1	1	1	1	**1**
3.5	3.5	3.5	2.5	**2.5**
1	1	1	1	**1**
16	16	15	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	6	7	**7**
1	1	1	1	**1**
2	2	2	2	**2**
2.5	2.5	2.5	2.5	**2.5**
3	3	3	3	**3**
49	**49**	47	47	**47**
6	6	6	6	**6**
-	-	-	-	**-**
1	1	1	1	**1**
2	2	2	2	**1**
2	3	2	2	**2**
25	25	25	25	**25**
11	11	11	11	**12**
1	1	1	1	**1**
14	12	11	12	**12**
62	**61**	59	60	**60**
111	**110**	106	107	**107**

City of Clear Lake, Iowa

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

Function/Program	2005	2006	2007
Police:			
Calls for service	8,318	8,527	8,129
Arrests	533	520	607
Traffic citations	635	704	1,390
Parking Tickets	383	248	686
Fire:			
Calls for service	674	912	1,095
Total Fire Calls	220	173	158
Total EMS Calls	454	739	937
Property loss	$ 419,000	$ 593,000	$ 340,000
Building safety:			
Total building permits issued	124	126	161
Total value all permits	$ 13,962,026	$ 12,913,941	$ 18,331,333
New single/multi family dwellings	34	26	25
Library: (reported on a fiscal year)			
Registrations	8,884	8,812	9,100
Total Items Checked out	136,723	140,801	141,341
Park & Recreation:			
Program participants	1,354	1,629	1,429
Shelter reservations	130	150	170
Pool Memberships			339
Cemtery:			
Burials	51	42	44
Spaces sold (reported on a fiscal year)	49	60	32
Public Works:			
New construction or reconstruction (miles)	0.36	1.17	1.11
Resurface (miles)	1.76	2.40	2.16
Water: (reported on a fiscal year)			
Customers	3,856	3,885	3,924
Average daily consumption per customer	182	184	180
Solid Waste: (reported on a fiscal year)			
Garbage collected (ton)	2,356	2,355	2,396
Recycle collected (ton)	348	339	341
Yard waste collected (ton)	1,453	1,230	1,240

Source: Department records
Note: In 2012 Water Customers did not include Water Garden Meters

Calendar Year						
2008	2009	2010	2011	2012	2013	**2014**
7,491	6,531	8,755	9,531	9,220	9,701	**10,452**
468	454	383	410	413	431	**407**
1,606	1,943	1,038	628	577	1,117	**727**
874	500	505	341	142	557	**328**
1,086	923	1,096	1,167	1,162	1,146	**1,246**
288	174	214	217	194	224	**273**
798	749	882	950	968	922	**973**
$ 491,000	$ 297,500	$ 348,750	$ 75,600	$ 450,950	$ 812,480	**$ 344,800**
145	158	144	135	148	129	**148**
$ 10,722,966	$ 11,110,377	$ 6,801,839	$ 10,505,569	$ 9,372,236	$ 15,095,220	**$ 32,664,667**
22	15	11	13	15	11	**15**
9,552	8,244	8,579	7,746	7,848	8,362	**8,145**
141,579	145,378	144,934	139,654	136,488	121,157	**119,314**
1,374	1,974	1,801	1,937	1,214	1,107	**1,169**
195	194	210	192	226	203	**227**
340	269	190	204	147	168	**168**
41	44	48	38	43	48	**48**
17	16	16	21	25	14	**25**
0.23	0.64	0.16	0.10	1.00	0.05	**-**
2.56	-	-	-	1.59	-	**1.13**
3,947	3,956	3,965	4,020	3,928	3,945	**3,955**
172	167	159	170	165	160	**151**
2,368	2,364	2,372	2,369	2,367	2,267	**2,134**
312	284	280	288	276	259	**224**
1,709	1,736	1,487	1,824	1,660	1,878	**1,905**

City of Clear Lake, Iowa

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

Function/Program	2006	2007	2008	2009
Police, Police Stations:	1	1	1	1
Fire, Fire Stations:	1	1	1	1
Public Works:				
Streets (Miles)	79.3	80.3	80.3	80.4
Traffic Signals	9	9	9	10
Parks & Recreation:				
Acreage	33	33	52	52
Parks	11	11	11	11
Picnic Shelters	6	6	6	6
Library:				
Facilities	1	1	1	1
Volumes	48,830	45,374	51,043	52,785
Water:				
Storage Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Average Daily Consumption	864,000	910,000	854,000	823,000
Peak Consumption	1,381,000	1,533,000	1,609,000	1,424,000
Water Lines (miles)	53.5	53.6	54.2	55.0
Wastewater:				
Sanitary Sewers (miles)	44.8	46.5	46.5	47.2

Source: Department records

2010	2011	2012	2013	2014	**2015**
1	1	1	1	1	**1**
1	1	1	1	1	**1**
80.4	80.4	80.4	80.4	80.5	**80.7**
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**
54,369	55,086	56,396	57,656	57,742	**58,702**
2,000,000	2,000,000	2,000,000	1,500,000	1,500,000	**2,250,000**
787,668	854,992	824,686	796,285	781,863	**762,479**
1,387,000	1,293,000	1,494,000	1,587,000	1,356,000	**1,513,000**
55.0	58.6	58.6	58.6	59.2	**59.5**
47.2	47.2	47.2	47.3	47.5	**47.7**

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City of Clear Lake, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Contract or Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
United States Department of Transportation			
Passed-through:			
Iowa Department of Transportation:			
Highway Planning and Construction Program	02-12-STPU-012	20.205	$ 638,000
Passed-through:			
Iowa Department of Public Safety Governance			
Traffic Safety Bureau:			
Alchohol Impaired Driving Countermeasures			
Incentive Grants I	12-410	20.601	13,985
Total Expenditures of Federal Awards			$ 651,985

See Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the entity.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the City has done everything necessary to establish its right to the revenue and it is available. Pass-through entity identifying numbers are presented where available.

Bohnsack & Frommelt LLP
Certified Public Accountants

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 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Clear Lake, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Clear Lake, Iowa's basic financial statements and have issued our report thereon dated November 19, 2015. Our report included an emphasis of matter paragraph for the implementation of Governmental Accounting Standards Board Statement No. 68.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Clear Lake, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of City of Clear Lake, Iowa'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 entity'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. 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 City of Clear Lake, Iowa'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, 2015 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 of Clear Lake, Iowa'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 of Clear Lake, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 19, 2015

Bohnsack & Frommelt LLP
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Clear Lake, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Clear Lake, Iowa's major federal programs for the year ended June 30, 2015. City of Clear Lake, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Clear Lake, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Clear Lake, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Clear Lake, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Clear Lake, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 19, 2015

Part I: Summary of the Independent Auditor's Results

a) Unmodified opinions were issued on the financial statements.

b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

c) The audit did not disclose any noncompliance which is material to the financial statements.

d) There were no significant deficiencies in internal control over major programs.

e) Unmodified opinions were issued on compliance with requirements applicable to each major program.

f) There were no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g) Major programs were as follows:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i) City of Clear Lake, Iowa did not qualify as a low-risk auditee.

Part II: Findings Relating to the Basic Financial Statements

A. **Internal Control**

No matters reported.

B. **Instances of Noncompliance**

No matters reported.

Part III: Findings and Questioned Costs for Federal Awards

A. **Internal Control for Federal Awards**

No matters reported.

B. **Instances of Noncompliance**

No matters reported

Part IV: Other Findings Related to Statutory Reporting

IV-A-15
Certified Budget – Expenditures for the year ended June 30, 2015 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-15
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.

Part IV: Other Findings Related to Statutory Reporting (Continued)

IV-D-15
Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-15
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-15
Council Minutes – No transactions requiring Council approval which had not been approved by the Council were noted.

IV-G-15
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-15
Revenue Notes – Currently, the City does not have revenue notes.

IV-I-15
Payment of General Obligation Bonds – The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.

IV-J-15
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.