



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 31, 2011

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515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Clarinda, Iowa.

The City's receipts totaled \$53,520,210 for the year ended June 30, 2010, a 118 percent increase from the prior year. The receipts included \$1,950,904 in property tax, \$241,728 in tax increment financing, \$20,094,623 from charges for service, \$800,486 from operating grants and contributions, \$367,115 from capital grants and contributions, \$361,513 from local option sales tax, \$223,570 from unrestricted interest on investments, \$46,450 from hotel/motel tax, \$65,980 from the sale of property, \$29,311,434 from bond proceeds and \$56,407 from other general receipts.

Disbursements for the year totaled \$27,560,619, an 18 percent increase over the prior year, and included \$2,063,475 for debt service, \$947,949 for public safety and \$775,374 for public works. Also, disbursements for business type activities totaled \$21,942,447.

The significant increase in receipts is due primarily to the receipt of Clarinda Regional Health Center bond proceeds of \$26,796,150. The significant increase in disbursements is due primarily to the disbursement of bond proceeds for costs associated with the construction of the new hospital. The City also increased debt service disbursements as a result of two new debt issuances, one of which was used to refund prior debt.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0674-B00F.pdf>.

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**CITY OF CLARINDA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

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**City of Clarinda**

**Officials**

**(Before January 2010)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Kokenge	Mayor	Jan 2010
Darrel Wichman	Mayor Pro tem	Jan 2010
Dave Long	Council Member	Jan 2010
Gary Alger	Council Member	Jan 2012
Jeff McCall	Council Member	Jan 2012
Billy McComb	Council Member	Jan 2012
John Clark	Hospital Board of Trustees, Chairman	Jan 2010
Randy Pullen II	Hospital Board of Trustees, Vice Chairman	Jan 2010
Joy Tunnicliff	Hospital Board of Trustees, Secretary/Treasurer	Jan 2012
Stanley Johnson	Hospital Board of Trustees	Jan 2010
Ronald Richardson	Hospital Board of Trustees	Jan 2012
Melissa Walter	Hospital Chief Executive Officer	Indefinite
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Sanford Turner	Attorney	Indefinite

**(After January 2010)**

Gordon Kokenge	Mayor	Jan 2014
Dave Long	Mayor Pro tem	Jan 2014
Gary Alger	Council Member	Jan 2012
Jeff McCall	Council Member	Jan 2012
Billy McComb	Council Member	Jan 2012
Darrel Wichman	Council Member	Jan 2014
Stanley Johnson	Hospital Board of Trustees, Chairman	Jan 2014
Ronald Richardson	Hospital Board of Trustees, Vice Chairman	Jan 2012
Joy Tunnicliff	Hospital Board of Trustees, Secretary/Treasurer	Jan 2012
Mary Etta Hanson	Hospital Board of Trustees	Jan 2014
Dale McAllister	Hospital Board of Trustees	Jan 2014
Melissa Walter	Hospital Chief Executive Officer	Indefinite
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Ron Bitting	Attorney	Indefinite

**City of Clarinda**



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Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clarinda, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Clarinda's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clarinda Regional Health Center and Affiliate (the Health Center), a major Proprietary Fund, which represents 97% of the cash basis net assets and 90% of the operating receipts of the business type activities of the City of Clarinda. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center, is based solely upon the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clarinda as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2011 on our consideration of the City of Clarinda's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarinda's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 10, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Clarinda provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 80.3%, or approximately \$2,984,000, from fiscal year 2009 to fiscal year 2010. Bond proceeds of approximately \$2,515,000 were received in fiscal year 2010.
- Disbursements of the City's governmental activities increased approximately 54%, or approximately \$1,962,000, from fiscal year 2009 to fiscal year 2010. Debt service disbursements increased approximately \$1,471,000.
- The City's total cash basis net assets increased 257%, or approximately \$25,960,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$1,084,000 and the assets of the business type activities increased approximately \$24,875,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, storm water system, yard waste system and the regional health center. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

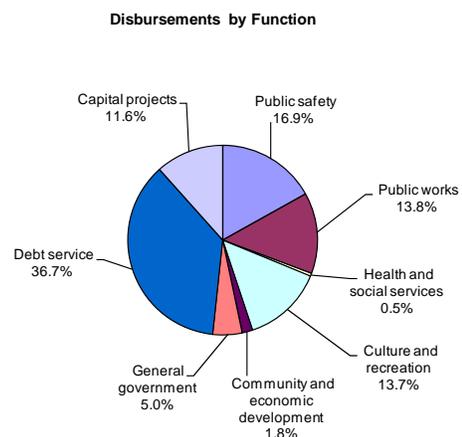
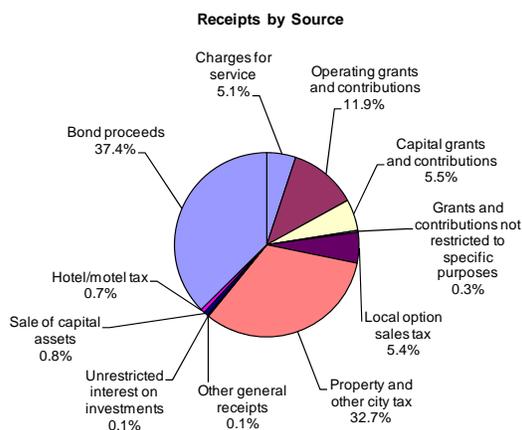
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Clarinda Regional Health Center and Affiliate, Water and Sewer Funds, considered to be major funds of the City, and the storm water and yard waste funds.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,242,759 to \$2,327,095. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 342,933	350,496
Operating grants and contributions	796,818	665,147
Capital grants and contributions	367,115	91,607
General receipts:		
Property and other city tax	2,192,632	2,111,872
Local option sales tax	361,513	369,879
Hotel/motel tax	46,450	49,300
Grants and contributions not restricted to specific purposes	17,734	8,667
Unrestricted interest on investments	8,353	12,535
Sale of capital assets	50,292	50,100
Bond proceeds	2,515,284	-
Other general receipts	3,384	8,503
<b>Total receipts</b>	<b>6,702,508</b>	<b>3,718,106</b>
Disbursements:		
Public safety	947,949	921,107
Public works	775,374	580,188
Health and social services	26,991	21,175
Culture and recreation	767,050	763,169
Community and economic development	103,110	87,326
General government	282,881	252,127
Debt service	2,063,475	592,485
Capital projects	651,342	438,878
<b>Total disbursements</b>	<b>5,618,172</b>	<b>3,656,455</b>
<b>Increase in cash basis net assets</b>	<b>1,084,336</b>	<b>61,651</b>
<b>Cash basis net assets beginning of year</b>	<b>1,242,759</b>	<b>1,181,108</b>
<b>Cash basis net assets end of year</b>	<b>\$ 2,327,095</b>	<b>1,242,759</b>



The City's total receipts for governmental activities increased 80.3%, or approximately \$2,984,000. The total cost of all programs and services remained consistent with the prior year with no new programs added this year. The increase in receipts was primarily the result of a bond issuance of \$2.5 million. Also, there was a large increase in capital grants and contributions of \$275,508 for the fiscal year. The increase in disbursements was primarily due to an increase in debt service disbursements as a result of new debt issuances and the refunding of two older debt issuances. The increase was approximately \$1,471,000 for the fiscal year.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended	
	June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Clarinda Regional Health Center and Affiliate	\$ 17,791,744	18,638,043
Water	1,231,664	1,229,066
Sewer	642,234	702,540
Storm water	62,015	62,413
Yard waste	24,033	-
Operating grants and contributions	3,668	4,594
General receipts:		
Unrestricted interest on investments	215,217	122,658
Bond proceeds	26,796,150	71,605
Other general receipts	50,977	39,509
Total receipts	<u>46,817,702</u>	<u>20,870,428</u>
Disbursements:		
Clarinda Regional Health Center and Affiliate	20,031,091	17,846,925
Water	1,221,596	1,237,902
Sewer	673,131	598,182
Yard waste	12	
Storm water	16,617	48,169
Total disbursements	<u>21,942,447</u>	<u>19,731,178</u>
Increase in cash basis net assets	24,875,255	1,139,250
Cash basis net assets beginning of year	<u>8,877,936</u>	<u>7,738,686</u>
Cash basis net assets end of year	<u>\$ 33,753,191</u>	<u>8,877,936</u>

Total business type activities receipts for the fiscal year were \$46,817,702 compared to \$20,870,428 last year. This increase of approximately \$25,947,000 was due primarily to the receipt of Clarinda Regional Health Center and Affiliate (Health Center) bond proceeds of \$26,796,150. Operating receipts for the Health Center decreased \$846,299.

Total disbursements for the fiscal year increased 11.2% to a total of \$21,942,447. The Health Center disbursements increased approximately \$2,184,000, due primarily to beginning construction of the new hospital in the current year.

The above changes in receipts and disbursements resulted in an increase in the cash balance of \$24,875,255 to an ending balance of \$33,753,191.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Clarinda completed the year, its governmental funds reported a combined fund balance of \$2,327,095, an increase of more than \$1,084,000 over last year's total of \$1,242,759. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$120,818 over the prior year to a deficit of \$36,714. Total receipts increased 5% and disbursements increased 3%.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$125,843 to \$104,487 during the fiscal year.
- The Debt Service Fund cash balance decreased from \$56,102 to \$17,523 during the fiscal year. Receipts decreased \$27,324 as a result of less payments due on general obligation debt. Disbursements increased \$1,470,990 as a result of refunding two previous debt issuances with refunding bond proceeds.
- The Capital Projects Fund cash balance increased \$949,759 to \$1,247,671 during the fiscal year. The increase was due to the receipt of grant and bond proceeds for several new capital projects started in fiscal year 2010.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The cash balance of the Clarinda Regional Health Center and Affiliate Fund increased \$24,818,276 to \$31,992,691. The large increase is primarily due to bond proceeds of \$26,796,150 near the end of the fiscal year. Operating receipts decreased 5%, or \$846,299, due to a decrease in charges for service and operating disbursements increased 2%, or \$346,011.
- The cash balance of the Water Fund increased \$10,714 to \$711,260. Operating receipts and disbursements increased slightly. Operating receipts increased approximately \$2,600 and operating disbursements increased approximately \$25,400.
- The Sewer Fund cash balance decreased \$23,154 to \$802,793, due primarily to additional funds spent for the sanitary sewer project.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 13, 2010 and resulted in an increase of \$2,523,000 in other financing sources related to the issuance of refunding bonds. Also, disbursements increased \$2,260,500, primarily as a result of redeeming bonds being refunded. In addition, disbursements increased due to the purchase of a new police car, the timing of capital projects payments and unplanned costs related to repair at the airport, snow removal, legal fees, grave openings and lobbyist expenses.

Total actual receipts were less than the final budgeted amount, primarily due to actual receipts being less than anticipated for the Clarinda Regional Health Center and Affiliate. Actual miscellaneous receipts exceeded the amount budgeted, primarily due to the sale of property at the Allen Davison Business Park, unanticipated contributions and the receipt of payment from NSK Corporation for default of the Economic Development Set-Aside(EDSA) project. Intergovernmental actual receipts were greater than the amount budgeted due to road use tax money being more than expected, the receipt of I-JOBS grant money which was not budgeted and the receipt of federal grant money for the airport turnaround capital project which was not budgeted. Other city tax was lower than budgeted amounts due to local option sales tax receipts being lower than expected and hotel/motel tax receipts being lower than expected. Capital projects actual disbursements were less than budgeted due to postponing the planned completion of the street resurfacing project and the Lied Center pool dehumidification project until fiscal year 2011. Business type activities actual disbursements were less than budgeted due to actual hospital disbursements being lower than budgeted.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$36,142,131 in bonds and other long-term debt outstanding, compared to \$10,096,227 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes/bonds	\$ 3,160,000	2,525,000
Revenue notes/bonds	5,653,000	6,105,000
Clarinda Regional Health Center and Affiliate revenue bonds	27,000,000	808,874
Clarinda Regional Health Center and Affiliate capital leases	329,131	657,353
Total	\$ 36,142,131	10,096,227

Debt increased as a result of several new debt issuances during fiscal year 2010. The City issued refunding bonds on March 25, 2010, for \$1,470,000 to call the 2003 and 2004 GO Bonds and issued a corporate purpose bond for \$1,100,000 on August 1, 2009. The Clarinda Regional Health Center also issued debt totaling \$27,000,000 during fiscal year 2010.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,160,000 is significantly below its constitutional debt limit of \$9,150,302.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarinda's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's total assessed valuations have increased slightly. Also, funding from the State has decreased due to the State's budget constraints.

Property tax is expected to increase in fiscal year 2011 as compared to fiscal year 2010 due to the property assessed valuations increasing. The General Fund balance is expected to increase slightly by the close of fiscal year 2011.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$65,000 by the close of fiscal year 2011.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary McClarnon, City Manager, 200 South 15th Street, City of Clarinda, Iowa 51632-2298.

## **Basic Financial Statements**

City of Clarinda

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 947,949	8,641	124,150	-
Public works	775,374	20,286	527,814	-
Health and social services	26,991	-	-	-
Culture and recreation	767,050	303,828	67,332	-
Community and economic development	103,110	-	-	-
General government	282,881	10,178	77,522	-
Debt service	2,063,475	-	-	-
Capital projects	651,342	-	-	367,115
Total governmental activities	5,618,172	342,933	796,818	367,115
Business type activities:				
Clarinda Regional Health Center and Affiliate	20,031,091	17,791,744	-	-
Water	1,221,596	1,231,664	-	-
Sewer	673,131	642,234	3,668	-
Yard waste	12	24,033	-	-
Storm water	16,617	62,015	-	-
Total business type activities	21,942,447	19,751,690	3,668	-
Total primary government	\$ 27,560,619	20,094,623	800,486	367,115
<b>Component Unit</b>				
Clarinda Economic Development Corporation	\$ 94,191	-	40,358	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds				
Sale of property				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets:</b>				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
(815,158)	-	(815,158)	-
(227,274)	-	(227,274)	-
(26,991)	-	(26,991)	-
(395,890)	-	(395,890)	-
(103,110)	-	(103,110)	-
(195,181)	-	(195,181)	-
(2,063,475)	-	(2,063,475)	-
(284,227)	-	(284,227)	-
(4,111,306)	-	(4,111,306)	-
-	(2,239,347)	(2,239,347)	-
-	10,068	10,068	-
-	(27,229)	(27,229)	-
-	24,021	24,021	-
-	45,398	45,398	-
-	(2,187,089)	(2,187,089)	-
(4,111,306)	(2,187,089)	(6,298,395)	-
			53,833
1,536,870	-	1,536,870	-
414,034	-	414,034	-
241,728	-	241,728	-
361,513	-	361,513	-
46,450	-	46,450	-
17,734	35,289	53,023	45,000
8,353	215,217	223,570	1,030
2,515,284	26,796,150	29,311,434	-
50,292	15,688	65,980	-
3,384	-	3,384	11,715
5,195,642	27,062,344	32,257,986	57,745
1,084,336	24,875,255	25,959,591	3,912
1,242,759	8,877,936	10,120,695	80,382
2,327,095	33,753,191	36,080,286	84,294
\$ 288,404	-	288,404	-
104,487	-	104,487	-
17,523	1,270,338	1,287,861	-
1,247,671	160,397	1,408,068	-
705,724	26,380,837	27,086,561	84,294
(36,714)	5,941,619	5,904,905	-
\$ 2,327,095	33,753,191	36,080,286	84,294

City of Clarinda

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 1,015,411	-
Tax increment financing	-	-
Other city tax	79,650	-
Licenses and permits	9,281	-
Use of money and property	24,532	-
Intergovernmental	92,748	502,962
Charges for service	312,698	-
Miscellaneous	110,513	-
Total receipts	<u>1,644,833</u>	<u>502,962</u>
Disbursements:		
Operating:		
Public safety	672,835	-
Public works	26,120	628,805
Health and social services	26,991	-
Culture and recreation	634,453	-
Community and economic development	56,241	-
General government	281,565	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>1,698,205</u>	<u>628,805</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(53,372)</u>	<u>(125,843)</u>
Other financing sources (uses):		
Sale of capital assets	-	-
Bond proceeds, net of discount and issuance costs of \$54,716	-	-
Operating transfers in	229,286	-
Operating transfers out	(55,096)	-
Total other financing sources (uses)	<u>174,190</u>	<u>-</u>
Net change in cash balances	120,818	(125,843)
Cash balances beginning of year	(157,532)	230,330
Cash balances end of year	<u>\$ (36,714)</u>	<u>104,487</u>
<b>Cash Basis Fund Balances</b>		
Reserved for debt service	\$ -	-
Unreserved:		
General fund	(36,714)	-
Special revenue funds	-	104,487
Capital projects fund	-	-
Permanent funds	-	-
Total cash basis fund balances	<u>\$ (36,714)</u>	<u>104,487</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
402,694	-	476,533	1,894,638
-	-	241,728	241,728
11,340	-	375,889	466,879
-	-	-	9,281
-	-	2,051	26,583
-	252,647	24,852	873,209
-	-	-	312,698
-	114,468	86,935	311,916
414,034	367,115	1,207,988	4,136,932
-	-	275,114	947,949
-	-	120,449	775,374
-	-	-	26,991
-	-	132,597	767,050
-	-	46,869	103,110
-	-	1,316	282,881
2,063,475	-	-	2,063,475
-	651,342	-	651,342
2,063,475	651,342	576,345	5,618,172
(1,649,441)	(284,227)	631,643	(1,481,240)
-	50,292	-	50,292
1,438,035	1,077,249	-	2,515,284
172,827	127,398	-	529,511
-	(20,953)	(453,462)	(529,511)
1,610,862	1,233,986	(453,462)	2,565,576
(38,579)	949,759	178,181	1,084,336
56,102	297,912	815,947	1,242,759
17,523	1,247,671	994,128	2,327,095
17,523	-	-	17,523
-	-	-	(36,714)
-	-	705,724	810,211
-	1,247,671	-	1,247,671
-	-	288,404	288,404
17,523	1,247,671	994,128	2,327,095

**Exhibit C**

## City of Clarinda

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise				Total
	Clarinda Regional Health Center and Affiliate	Water	Sewer	Nonmajor	
Operating receipts:					
Charges for service	\$ 17,663,937	1,231,664	642,234	85,659	19,623,494
Miscellaneous	127,807	-	3,668	389	131,864
Total operating receipts	17,791,744	1,231,664	645,902	86,048	19,755,358
Operating disbursements:					
Business type activities	17,109,544	725,505	441,569	16,629	18,293,247
Excess of operating receipts over operating disbursements	682,200	506,159	204,333	69,419	1,462,111
Non-operating receipts (disbursements):					
Unrestricted contributions	35,289	-	-	-	35,289
Interest on investments	210,496	646	4,075	-	215,217
Bond proceeds, net of discount of \$203,850	26,796,150	-	-	-	26,796,150
Sale of capital assets	15,688	-	-	-	15,688
Acquisition of capital and other assets	(1,534,910)	(53,678)	(22,152)	-	(1,610,740)
Debt service	(1,386,637)	(442,413)	(209,410)	-	(2,038,460)
Total non-operating receipts (disbursements)	24,136,076	(495,445)	(227,487)	-	23,413,144
Net change in cash balances	24,818,276	10,714	(23,154)	69,419	24,875,255
Cash balances beginning of year	7,174,415	700,546	825,947	177,028	8,877,936
Cash balances end of year	\$ 31,992,691	711,260	802,793	246,447	33,753,191
<b>Cash Basis Fund Balances</b>					
Reserved for:					
Debt service	\$ 649,000	-	621,338	-	1,270,338
Capital projects	-	160,397	-	-	160,397
Bond agreements and other purposes	26,380,837				26,380,837
Unreserved	4,962,854	550,863	181,455	246,447	5,941,619
Total cash basis fund balances	\$ 31,992,691	711,260	802,793	246,447	33,753,191

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Clarinda is a political subdivision of the State of Iowa located in Page County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarinda has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the foregoing criteria, the Clarinda Regional Health Center and Affiliate (the Health Center) is considered to be part of the primary government and, therefore, the financial information for the Health Center is included in the City's financial statements. The financial activities of the Health Center are reported as an Enterprise Fund. Certain disclosures about the Health Center are not included because the Health Center has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Clarinda Regional Health Center and Affiliate.

These financial statements present the City of Clarinda (the primary government), the Clarinda Economic Development Corporation, the Clarinda Library Foundation and Clarinda Fire and Rescue (component units). These component units, discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These nonprofit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit

The Clarinda Economic Development Corporation (CEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The CEDC is governed by a nine-member board. Two members are elected from the City Council of Clarinda. The CEDC is dependent on City funding to maintain its existence.

### Blended Component Units

The Clarinda Library Foundation (Foundation) and Clarinda Fire and Rescue (Fire and Rescue) are legally separate from the City but are so intertwined with the City they are, in substance, part of the City. The Foundation and Fire and Rescue collect donations which are to be used to purchase items not included in the City's budget and to make donations to the City to help finance a new library and fire equipment. The financial transactions have been reported as Special Revenue Funds of the City.

### Jointly Governed Organizations

The City participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Page County Assessor's Conference Board, Page County Emergency Management Commission and Page County Joint E911 Service Board.

### Related Organization

The City Council is also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

## B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Clarinda Regional Health Center and Affiliate Fund is used to account for the operation and maintenance of the Clarinda Regional Health Center and Affiliate.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Clarinda Regional Health Center and Affiliate (Health Center) includes the Clarinda Medical Foundation. Disclosures about the Clarinda Medical Foundation's investments are included in the Health Center's financial statements.

**(3) Long-Term Debt**

Annual debt service requirements to maturity for general obligation notes and bonds, sewer refunding revenue notes and water revenue bonds are as follows:

Year Ending June 30,	General Obligation		Sewer Refunding		Water		Total	
	Notes/Bonds		Revenue Notes		Revenue Bonds		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 600,000	80,961	205,000	7,482	265,000	163,440	1,070,000	251,883
2012	605,000	70,575	-	-	274,000	155,490	879,000	226,065
2013	350,000	61,645	-	-	282,000	147,270	632,000	208,915
2014	355,000	53,870	-	-	292,000	138,810	647,000	
2015	370,000	44,923	-	-	301,000	130,050	671,000	174,973
2016-2020	880,000	96,302	-	-	1,658,000	508,770	2,538,000	605,072
2021-2025	-	-	-	-	1,948,000	243,270	1,948,000	243,270
2026	-	-	-	-	428,000	12,840	428,000	12,840
Total	\$ 3,160,000	408,276	205,000	7,482	5,448,000	1,499,940	8,813,000	1,723,018

During the year ended June 30, 2010, a total of \$1,100,000 of general obligation bonds and \$1,470,000 of general obligation refunding bonds were issued and \$1,935,000 of general obligation notes were retired.

In March 2010, the City issued \$1,470,000 of general obligation refunding bonds. The City used the proceeds of the refunding bonds to retire the remaining outstanding balance of the 2003 general obligation refunding notes and the 2004 general obligation corporate purpose notes. The City refunded the notes to reduce its total debt service payments by \$49,787 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$49,657.

#### Sewer Refunding Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$945,000 of sewer refunding revenue notes issued on April 1, 2003. Proceeds from the notes provided financing for the refunding of prior note issuances. The notes are payable solely from sewer customer net receipts and are payable through 2011. Annual principal and interest payments on the notes are expected to require 102 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$212,482. For the current year, principal and interest paid and total customer net receipts were \$209,210 and \$204,333, respectively.

The resolution providing for the issuance of the sewer refunding revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal at maturity or interest on the notes when there are insufficient funds in the sewer revenue note sinking account.
- (d) Additional monthly transfers shall be made to a sewer improvement account until a specific balance has been accumulated. This account is restricted for the purpose of paying principal or interest on the notes when there are insufficient funds in the sinking or reserve accounts and, to the extent not required for the foregoing, to pay the cost of extraordinary maintenance or repair, renewals and replacements, payment of rentals on any part of the systems and for capital improvements.

#### Water Revenue Bonds

On October 19, 2005, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$6,500,000 of drinking water revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of construction of a drinking water treatment facility. Upon request, the Trustee will reimburse the City for costs as they are incurred. At June 30, 2010, the City had drawn a total of \$6,409,000, including a \$65,000 initiation fee, with \$91,000 of unused proceeds from the \$6,500,000 authorized. During fiscal year 2010, the City made a principal payment of \$257,000 and an interest payment of \$171,150, leaving a principal balance of \$5,448,000 at June 30, 2010.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$6,409,000 of water revenue bonds. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are generally expected to require less than 85 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$6,947,940. For the current year, principal and interest paid and total customer net receipts were \$428,150 and \$506,159, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of such water system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

Clarinda Regional Health Center and Affiliate (the Health Center) Debt

A schedule of long-term debt obligations at June 30, 2010 for the Health Center is as follows:

	<u>Amount</u>
2010 Hospital Revenue Bonds, Series A	\$ 18,900,000
2010 Hospital Revenue Bonds, Series B	6,355,000
2010 Hospital Revenue Bonds, Series C	1,745,000
Capital leases	<u>329,131</u>
Total	<u>\$ 27,329,131</u>

The Health Center revenue bonds, 2010 Series A, require semi-annual payments of interest only through June 2012, at an interest rate of 2.00%. The United States Department of Agriculture – Rural Development (USDA – RD) has made a conditional commitment to lend funds to the Health Center to refund the Series A notes through the purchase of revenue bonds (USDA Direct Loan Bonds) to be issued upon completion of the project, in order to provide permanent financing. The USDA Direct Loan Bonds are scheduled to have a fixed interest rate of 4.00% per annum, with principal and interest payments due through June 2052. The maturities schedule assumes the USDA Direct Loan Bonds will be secured by the Health Center.

The Health Center revenue bonds, 2010 Series B, require semi-annual payments of interest only through June 2012. The interest rate adjusts annually, ranging from 2.00% per annum as of June 30, 2010 to 6.15% per annum as of June 30, 2030. Semi-annual principal and interest payments commence June 2012 and continue through June 2030.

The Health Center revenue bonds, 2010 Series C, require semi-annual payments of interest only through June 2030. Semi-annual payments of principal and interest will commence December 2030 and continue through June 2033. The interest rate is fixed at 6.125% per annum.

The Health Center revenue bonds, 1997 Series A and B were redeemed early on June 30, 2010 with the proceeds from the 2010 bonds. Principal and interest paid in the current year on the 1997 Series A and B bonds were \$835,873.

The Health Center leases certain equipment under capital lease arrangements. Leases require monthly payments of principal and interest at rates ranging from 4.52% to 8.30% per annum. Leases are secured by equipment.

Future payments of principal and interest on the long-term debt obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 216,166	633,472	849,638
2012	301,589	679,650	981,239
2013	465,270	1,181,471	1,646,741
2014	441,850	1,166,445	1,608,295
2015	460,124	1,150,886	1,611,010
2016-2020	2,581,787	5,462,866	8,044,653
2021-2025	3,214,324	4,827,354	8,041,678
2026-2030	4,103,741	3,943,122	8,046,863
2031-2035	3,927,358	2,805,855	6,733,213
2036-2040	2,655,173	2,119,296	4,774,469
2041-2045	3,230,425	1,544,045	4,774,470
2046-2050	3,930,304	844,164	4,774,468
2051-2052	1,801,020	108,767	1,909,787
Total	<u>\$ 27,329,131</u>	<u>26,467,393</u>	<u>53,796,524</u>

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$84,956, \$79,705 and \$75,101 respectively, equal to the required contributions for each year. The Health Center's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were approximately \$541,000, \$483,000 and \$452,000, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 97,000
Compensatory time	<u>20,000</u>
Total	<u>\$117,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

The Health Center's liability for earned compensated absences payable to employees is approximately \$532,400 at June 30, 2010.

**(6) Other Postemployment Benefits (OPEB)**

City

Plan Description - The City operates a single-employer health plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 32 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. (United Healthcare effective July 1, 2010) Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$398 for single coverage and \$931 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$340,103 and plan members eligible for benefits contributed \$22,417 to the plan.

Health Center

Plan Description - The Health Center sponsors a post-retirement medical plan which provides post-termination medical insurance coverage for the participant and the participant's family through age 65. The employees eligible under this policy are all employees who terminate employment at or after age 55 with at least 3 years of service. Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Health Center provides to all full-time employees. The plan coverage terminates upon the participant reaching Medicare eligibility (age 65).

Funding Policy - The Health Center pays for all of active employees' coverage. The amount depends on whether single or family coverage is elected. Upon retirement, the retired participant continuing their coverage pays the premium, including any increase in single premium after retirement. The required contribution is based on projected pay-as-you-go financing requirements. The Health Center contributed \$35,925 to the plan during the year ended June 30, 2010.

Details of the OPEB plan are available in the Clarinda Regional Health Center's audit report for the year ended June 30, 2010. The report may be obtained by writing to the Clarinda Regional Health Center, 823 South 17<sup>th</sup> Street, Clarinda, Iowa 51632.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 198,453
	Emergency	28,403
	Capital Projects	2,430
		<u>229,286</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	90,758
	Tax Increment Financing	63,546
	Capital Projects	18,523
		<u>172,827</u>
Capital Projects	General	55,096
	Special Revenue:	
	Local Option Sales Tax	72,302
		<u>127,398</u>
Total		<u>\$ 529,511</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Development and Rebate Agreement**

The City entered into a development and rebate agreement during the year ended June 30, 2004 to assist in an urban renewal project. The City agreed to rebate incremental property tax paid by the developer in exchange for public improvement infrastructure constructed by the developer as set forth in the urban renewal plan.

In accordance with the fiscal year 2004 development and rebate agreement, the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning with the tax year in which property tax on the completed value of the improvement is first paid. The total amount rebated each year shall represent 100% of the incremental property tax received by the City, not to exceed \$320,000. During the year ended June 30, 2010, the City paid the developer \$46,869 from the incremental property tax received.

No bonds or notes were issued for this project.

**(9) Risk Management**

City

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$54,984.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, property and employee blanket bond. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## Health Center

The Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Health Center's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Health Center also has insurance coverage to provide protection for professional liability losses on a claims made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be insured.

The Health Center has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual claims and to provide claims processing and other administrative duties. Claims are accrued as incurred. The amounts charged to expense include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at the end of the year. Total expenses of \$897,614 were recognized under the plan by the Health Center for the year ended June 30, 2010.

### **(10) Community Economic Betterment Account (CEBA) Loan**

On February 14, 2006, the City received \$1,000,000 from the Iowa Department of Economic Development (Department) under a CEBA loan agreement to promote and assist economic growth through the development and expansion of qualified businesses, the creation of jobs and the expansion of the municipal and county tax base. In accordance with the agreement, the City loaned \$1,000,000 to a qualified business. The loan consists of a \$500,000 forgivable loan and a \$500,000 interest-free conventional loan. Repayment of the conventional loan is to be made in annual installments of \$100,000 beginning the first year from the date CEBA funds are received. The three year forgivable loan does not require any principal or interest payments in the first three years. At the project completion date, if the business has fulfilled at least 50% of its job creation/retention and wage obligation, \$1,340.49 will be forgiven for each new FTE job created/retained and maintained for at least ninety days past the project completion date. Any shortfall will be amortized over a two year period at 6% interest per annum with equal monthly payments. The forgivable loan was forgiven on April 21, 2009. The City's liability for repayment of the conventional loan to the Department is limited to the amounts the City collects through its good faith enforcement of the security interest which secures its loan with NSK Corporation. Therefore, the liability for this loan is not included on the Schedule of Indebtedness (Schedule 3). Repayments on the loan are made to the Department by NSK Corporation. The loan balance at June 30, 2010 was \$200,000.

### **(11) Deficit Balance**

The General Fund had a deficit fund balance of \$36,714 at June 30, 2010. The City has established a finance committee to address this issue.

**City of Clarinda**

**Required Supplementary Information**

City of Clarinda

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,894,638	-	-
Tax increment financing	241,728	-	-
Other city tax	466,879	-	-
Licenses and permits	9,281	-	-
Use of money and property	26,583	215,217	496
Intergovernmental	873,209	-	-
Charges for service	312,698	19,623,494	-
Miscellaneous	311,916	182,841	75,514
Total receipts	<u>4,136,932</u>	<u>20,021,552</u>	<u>76,010</u>
Disbursements:			
Public safety	947,949	-	54,588
Public works	775,374	-	-
Health and social services	26,991	-	-
Culture and recreation	767,050	-	27,808
Community and economic development	103,110	-	-
General government	282,881	-	-
Debt service	2,063,475	-	-
Capital projects	651,342	-	-
Business type activities	-	21,942,447	-
Total disbursements	<u>5,618,172</u>	<u>21,942,447</u>	<u>82,396</u>
Excess (deficiency) of receipts over (under) disbursements	(1,481,240)	(1,920,895)	(6,386)
Other financing sources, net	<u>2,565,576</u>	<u>26,796,150</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,084,336	24,875,255	(6,386)
Balances beginning of year	<u>1,242,759</u>	<u>8,877,936</u>	<u>118,761</u>
Balances end of year	<u>\$ 2,327,095</u>	<u>33,753,191</u>	<u>112,375</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,894,638	1,892,047	1,892,047	2,591
241,728	248,595	248,595	(6,867)
466,879	500,021	500,021	(33,142)
9,281	8,800	8,800	481
241,304	29,000	29,000	212,304
873,209	717,255	717,255	155,954
19,936,192	32,402,630	32,402,630	(12,466,438)
419,243	34,500	34,500	384,743
<u>24,082,474</u>	<u>35,832,848</u>	<u>35,832,848</u>	<u>(11,750,374)</u>
893,361	902,494	943,494	50,133
775,374	696,713	781,713	6,339
26,991	34,000	34,000	7,009
739,242	744,676	759,676	20,434
103,110	103,000	108,000	4,890
282,881	298,147	308,147	25,266
2,063,475	597,646	2,068,146	4,671
651,342	500,000	1,100,000	448,658
21,942,447	31,326,297	31,360,297	9,417,850
<u>27,478,223</u>	<u>35,202,973</u>	<u>37,463,473</u>	<u>9,985,250</u>
(3,395,749)	629,875	(1,630,625)	(1,765,124)
<u>29,361,726</u>	-	<u>2,523,000</u>	<u>26,838,726</u>
25,965,977	629,875	892,375	25,073,602
10,001,934	9,431,603	9,431,603	570,331
<u>35,967,911</u>	<u>10,061,478</u>	<u>10,323,978</u>	<u>25,643,933</u>

City of Clarinda

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units. 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. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,260,500. The budget amendment is reflected in the final budgeted amounts.

Disbursements did not exceed the amounts budgeted during the year ended June 30, 2010.

**Other Supplementary Information**

City of Clarinda

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Local			Special
	Option	Employee	Tax	
	Sales	Benefits	Increment	Emergency
	Tax		Financing	
Receipts:				
Property tax	\$ -	448,962	-	27,571
Tax increment financing	-	-	241,728	-
Other city tax	361,513	13,544	-	832
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	361,513	462,506	241,728	28,403
Disbursements:				
Operating:				
Public safety	-	220,526	-	-
Public works	-	120,449	-	-
Culture and recreation	-	98,999	-	-
Community and economic development	-	-	46,869	-
General government	-	1,316	-	-
Total disbursements	-	441,290	46,869	-
Excess (deficiency) of receipts over (under) disbursements	361,513	21,216	194,859	28,403
Other financing uses:				
Operating transfers out	(361,513)	-	(63,546)	(28,403)
Net change in cash balances	-	21,216	131,313	-
Cash balances beginning of year	-	125,524	276,797	-
Cash balances end of year	\$ -	146,740	408,110	-
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ -	146,740	408,110	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ -	146,740	408,110	-

See accompanying independent auditor's report.

Revenue				Permanent			Total
I Jobs	Library Memorial	Clarinda Library Foundation	Clarinda Fire and Rescue	Cemetery Perpetual Care	Library Endowment	Library Bequest	
-	-	-	-	-	-	-	476,533
-	-	-	-	-	-	-	241,728
-	-	-	-	-	-	-	375,889
-	1,555	141	355	-	-	-	2,051
24,852	-	-	-	-	-	-	24,852
-	-	35,069	40,445	-	11,421	-	86,935
24,852	1,555	35,210	40,800	-	11,421	-	1,207,988
-	-	-	54,588	-	-	-	275,114
-	-	-	-	-	-	-	120,449
-	5,249	27,808	-	-	541	-	132,597
-	-	-	-	-	-	-	46,869
-	-	-	-	-	-	-	1,316
-	5,249	27,808	54,588	-	541	-	576,345
24,852	(3,694)	7,402	(13,788)	-	10,880	-	631,643
-	-	-	-	-	-	-	(453,462)
24,852	(3,694)	7,402	(13,788)	-	10,880	-	178,181
-	17,341	53,636	65,125	60,666	116,858	100,000	815,947
24,852	13,647	61,038	51,337	60,666	127,738	100,000	994,128
24,852	13,647	61,038	51,337	-	-	-	705,724
-	-	-	-	60,666	127,738	100,000	288,404
24,852	13,647	61,038	51,337	60,666	127,738	100,000	994,128

**City of Clarinda**

## City of Clarinda

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise		
	Yard Waste	Storm Water	Total
Operating receipts:			
Charges for service	\$ 23,644	62,015	85,659
Miscellaneous	389	-	389
Total operating receipts	<u>24,033</u>	<u>62,015</u>	<u>86,048</u>
Operating disbursements:			
Business type activities	12	16,617	16,629
Excess of operating receipts over disbursements	24,021	45,398	69,419
Cash balances beginning of year	-	177,028	177,028
Cash balances end of year	<u>\$ 24,021</u>	<u>222,426</u>	<u>246,447</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>\$ 24,021</u>	<u>222,426</u>	<u>246,447</u>

See accompanying independent auditor's report.

City of Clarinda  
Schedule of Indebtedness  
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
City:			
General obligation notes/bonds:			
Refunding notes	Apr 1, 2003	1.80-3.65%	\$ 2,855,000
Library	Aug 1, 2003	1.50-4.40	1,000,000
Corporate purpose notes	Aug 1, 2004	3.40-4.45	1,130,000
Corporate purpose bonds	Aug 1, 2009	1.75-4.00	1,100,000
Refunding bonds	Mar 25, 2010	.8-2.20	1,470,000
Total			
Revenue notes/bonds:			
Sewer refunding	Apr 1, 2003	2.35-3.65%	\$ 945,000
Water	Oct 19, 2005 *	3.00	6,500,000
Total			
Clarinda Regional Health Center and Affiliate:			
Revenue bonds, 1997 Series A			
Revenue bonds, 1997 Series B			
2010 Hospital Revenue Bonds, Series A			
2010 Hospital Revenue Bonds, Series B			
2010 Hospital Revenue Bonds, Series C			
Capital leases:			
Equipment			
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
890,000	-	890,000	-	31,038
655,000	-	65,000	590,000	25,358
980,000	-	980,000	-	39,850
-	1,100,000	-	1,100,000	29,979
-	1,470,000	-	1,470,000	-
<u>\$ 2,525,000</u>	<u>2,570,000</u>	<u>1,935,000</u>	<u>3,160,000</u>	<u>126,225</u>
400,000	-	195,000	205,000	14,210
5,705,000	-	257,000	5,448,000	171,150
<u>\$ 6,105,000</u>	<u>-</u>	<u>452,000</u>	<u>5,653,000</u>	<u>185,360</u>
\$ 278,704	-	278,704	-	10,307
530,170	-	530,170	-	16,392
-	18,900,000	-	18,900,000	-
-	6,355,000	-	6,355,000	-
-	1,745,000	-	1,745,000	-
657,353	-	328,222	329,131	32,137
<u>\$ 1,466,227</u>	<u>27,000,000</u>	<u>1,137,096</u>	<u>27,329,131</u>	<u>58,836</u>

City of Clarinda  
 Note and Bond Maturities  
 June 30, 2010

General Obligation Notes/Bonds								
Year Ending June 30,	Library		Corporate Purpose Bonds		Refunding Bonds		Total	
	Issued Aug 1, 2003		Issued Aug 1, 2009		Issued Mar 25, 2010			
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2011	3.35%	\$ 65,000	1.75%	\$ 60,000	.80%	\$ 475,000	600,000	
2012	3.55	65,000	2.15	65,000	1.10	475,000	605,000	
2013	3.70	70,000	2.55	110,000	1.40	170,000	350,000	
2014	3.85	70,000	2.90	110,000	1.75	175,000	355,000	
2015	4.00	75,000	3.15	120,000	2.20	175,000	370,000	
2016	4.20	80,000	3.40	120,000			200,000	
2017	4.30	80,000	3.60	120,000		-	200,000	
2018	4.40	85,000	3.75	125,000		-	210,000	
2019		-	3.90	135,000		-	135,000	
2020		-	4.00	135,000		-	135,000	
Total		<u>\$ 590,000</u>		<u>\$ 1,100,000</u>		<u>\$ 1,470,000</u>	<u>3,160,000</u>	

See accompanying independent auditor's report.

Revenue Notes/Bonds						
Year Ending June 30,	Sewer Refunding		Water		Total	
	Issued Apr 1, 2003		Issued October 19, 2005			
	Interest Rates	Amount	Interest Rates	Amount		
2011	3.65%	\$ 205,000	3.00%	\$ 265,000	470,000	
2012		-	3.00	274,000	274,000	
2013		-	3.00	282,000	282,000	
2014		-	3.00	292,000	292,000	
2015		-	3.00	301,000	301,000	
2016		-	3.00	311,000	311,000	
2017		-	3.00	321,000	321,000	
2018		-	3.00	331,000	331,000	
2019		-	3.00	342,000	342,000	
2020		-	3.00	353,000	353,000	
2021		-	3.00	365,000	365,000	
2022		-	3.00	377,000	377,000	
2023		-	3.00	389,000	389,000	
2024		-	3.00	402,000	402,000	
2025		-	3.00	415,000	415,000	
2026		-	3.00	428,000	428,000	
Total		<u>\$ 205,000</u>		<u>\$ 5,448,000</u>	<u>5,653,000</u>	

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City of Clarinda

Schedule of Receipts by Sources and Disbursements by Function -  
All Governmental Funds

For the Last Eight Years

	2010	2009	2008
Receipts:			
Property tax	\$ 1,894,638	1,850,058	1,932,527
Tax increment financing	241,728	206,498	124,820
Other city tax	466,879	479,791	465,471
Licenses and permits	9,281	10,428	12,081
Use of money and property	26,583	21,951	36,918
Intergovernmental	873,209	628,433	710,728
Charges for service	312,698	322,411	306,908
Miscellaneous	311,916	148,436	360,480
	<hr/>		
Total	\$ 4,136,932	3,668,006	3,949,933
	<hr/>		
Disbursements:			
Operating:			
Public safety	\$ 947,949	921,107	844,163
Public works	775,374	580,188	594,886
Health and social services	26,991	21,175	19,298
Culture and recreation	767,050	763,169	722,635
Community and economic development	103,110	87,326	120,168
General government	282,881	252,127	244,413
Debt service	2,063,475	592,485	678,285
Capital projects	651,342	438,878	434,650
	<hr/>		
Total	\$ 5,618,172	3,656,455	3,658,498
	<hr/>		

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
1,828,565	1,726,674	1,586,760	1,475,004	1,467,847
106,557	62,759	11,685	-	-
469,272	451,297	395,003	403,456	358,398
9,712	9,938	9,512	8,948	9,187
31,352	30,480	62,875	44,514	31,929
1,740,055	1,592,450	573,785	726,244	575,731
286,852	275,526	264,716	256,303	311,380
212,719	167,729	934,953	710,787	483,361
4,685,084	4,316,853	3,839,289	3,625,256	3,237,833
847,801	977,718	940,357	921,658	968,317
542,108	450,075	441,016	467,568	490,103
27,928	38,293	33,371	3,500	-
742,258	946,885	843,964	842,821	999,046
96,746	115,454	136,940	160,694	134,748
287,921	349,429	386,249	328,775	94,155
676,808	673,165	2,230,532	1,870,911	559,977
1,247,898	1,372,219	1,384,965	1,828,052	345,739
4,469,468	4,923,238	6,397,394	6,423,979	3,592,085

**City of Clarinda**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clarinda, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report includes a reference to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Clarinda Regional Health Center and Affiliate (the Health Center), a major Proprietary Fund, as described in our report on the City of Clarinda's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters which are reported on separately by those other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Clarinda's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarinda's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Clarinda's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the City's financial statements will not be prevented or detected and corrected in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings as items (A), (B) and (C), we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarinda's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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.

The City of Clarinda's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Clarinda's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clarinda and other parties to whom the City of Clarinda. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarinda during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 10, 2011

City of Clarinda  
Schedule of Findings  
Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – There was no evidence of review by an independent person of the monthly reconciliations of the Clerk’s balances to the bank accounts and investments.

Recommendation – To improve financial accountability and control, the monthly reconciliations should be reviewed by an independent person and evidence of this review should be documented.

Response – The City will appoint a Council Member to review monthly reconciliations.

Conclusion – Response accepted.

- (B) Electronic Data Processing Systems – The City does not have written policies for requiring changes to passwords every 60 to 90 days.

Recommendation – The City should develop a written policy requiring changes to passwords every 60 to 90 days.

Response – The City will work towards a written policy requiring password changes every 60 to 90 days.

Conclusion – Response accepted.

- (C) Segregation of Duties - Separately Maintained Records – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are not incompatible. For the separately maintained records of the Library Foundation and Clarinda Fire and Rescue, the cash receipts listing, bank deposits, the posting of cash receipts to the cash receipts journal, disbursement preparation and check signing are all performed by the same person. Also, prenumbered receipts are not issued for all collections.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Library Foundation and Clarinda Fire and Rescue should review their control procedures to obtain the maximum internal control possible under the circumstances.

Responses:

Library Foundation – Due to limited board members, segregation of duties issues are difficult. Nothing is done without a motion from the Board.

Clarinda Fire and Rescue – Due to limited members, segregation of duties is not possible. All payments must be approved by the Board before payment can be made.

Conclusions – Responses acknowledged. The Library Foundation and Clarinda Fire and Rescue should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes/Bonds – No instances of non-compliance with the revenue note and bond resolutions were noted.
- (9) Financial Condition – The General Fund had a deficit balance at June 30, 2010 of \$36,714.  
Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.  
Response – The City continues to work on reducing the General Fund deficit and is currently expecting the deficit to be eliminated by June 2011.  
Conclusion – Response accepted.
- (10) Unclaimed Property – The City has several outstanding checks dated prior to May 2008. These outstanding checks are considered unclaimed property and should be remitted to the State Treasurer in accordance with Chapter 556.11 of the Code of Iowa.  
Recommendation – The City should report all unclaimed property to the State Treasurer annually before November 1 in accordance with Chapter 556.11 of the Code of Iowa.  
Response – The City will start reporting unclaimed property annually before November 1.  
Conclusion – Response accepted.

City of Clarinda

Schedule of Findings

Year ended June 30, 2010

- (11) Transfers - The City periodically transfers money to and from various funds and accounts. One transfer between funds was not approved by the Council prior to the actual transfer. For an additional transfer tested, although the transfer was supported by a resolution approved by the City Council, the resolution was not signed timely by either the Mayor or the City Clerk in accordance with Chapter 380 of the Code of Iowa.

Recommendation - The City should approve all fund/account transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record. In addition, the resolution should be signed by the Mayor or City Clerk to authenticate the resolution record.

Response - The City will not make any transfers in the future without approval by resolution. In addition, all resolutions will be signed timely by the Mayor.

Conclusion - Response accepted.

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City of Clarinda

Staff

This audit was performed by:

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Lori M. Dinville, Staff Auditor  
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