



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ March 31, 2008

Contact: Andy Nielsen  
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 \$32,553,389 for the year ended June 30, 2007, a 43 percent increase over 2006. The receipts included \$1,888,718 in property tax, \$106,557 in tax increment financing, \$21,089,570 from charges for service, \$704,283 from operating grants and contributions, \$3,992,883 from capital grants and contributions, \$405,558 from local option sales tax, \$175,210 from unrestricted interest on investments, \$3,921,141 from bond proceeds and \$269,469 from other general receipts.

Disbursements for the year totaled \$29,900,511, a 23 percent increase over the prior year, and included \$1,245,231 for capital projects, \$847,801 for public safety and \$742,258 for culture and recreation. Also, disbursements for business type activities totaled \$ 25,431,043.

The significant increase in receipts is due primarily to an increase in charges for service for the Health Center and an increase in capital grants and contributions. In addition, receipts and disbursements increased significantly due to the receipt and disbursement of bond proceeds for the construction of a drinking water treatment facility.

A copy of the 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/reports.htm>.

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**CITY OF CLARINDA**

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

**JUNE 30, 2007**

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## City of Clarinda

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Kokenge	Mayor	Jan 2010
Billy C. McComb	Mayor Pro tem	Jan 2008
Charles Richardson	Council Member	Jan 2008
Shawn Fechter	Council Member	Jan 2008
Dave Long	Council Member	Jan 2010
Darrel Wichman	Council Member	Jan 2010
John Clark	Hospital Board of Trustees, Chairman	Jan 2010
Dallas Glenn	Hospital Board of Trustees, Vice Chairman	Jan 2008
Joy Tunnicliff	Hospital Board of Trustees, Secretary/Treasurer	Jan 2008
Judy Lane	Hospital Board of Trustees	(Resigned)
Becky Brownlee	Hospital Board of Trustees (Appointed)	Nov 2009
Randy Pullen	Hospital Board of Trustees	Jan 2010
Keith Heuser	Hospital Chief Executive Officer	Indefinite
Gary Walter	City Manager	(Resigned)
Gary McClarnon	City Manager (Appointed April 2007)	Indefinite
Gary McClarnon	Clerk/Treasurer	Indefinite
Sanford Turner	Attorney	Indefinite

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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, 2007, 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 76% of the cash basis net assets and 91% 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.

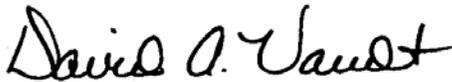
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2007, 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 6, 2008, 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 internal control over financial reporting or 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 30 through 32 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 four years ended June 30, 2006 (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, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, 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 6, 2008

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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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 8.4%, or approximately \$362,000, from fiscal 2006 to fiscal 2007. Property and other city tax increased \$149,819.
- Disbursements of the City's governmental activities decreased 9.2%, or approximately \$454,000, in fiscal 2007 from fiscal 2006. Culture and recreation disbursements decreased \$204,627.
- The City's governmental funds cash balance increased 33%, or approximately \$221,000, from June 30, 2006 to June 30, 2007.

### **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 funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **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, 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 and the sanitary sewer system. 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 four Enterprise Funds to provide separate information for the Clarinda Regional Health Center and Affiliate, the water and the sewer funds, considered to be major funds of the City, and the storm water fund.

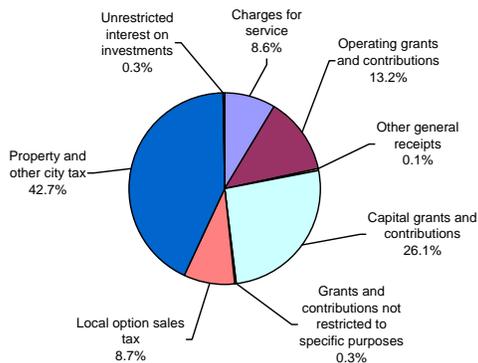
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

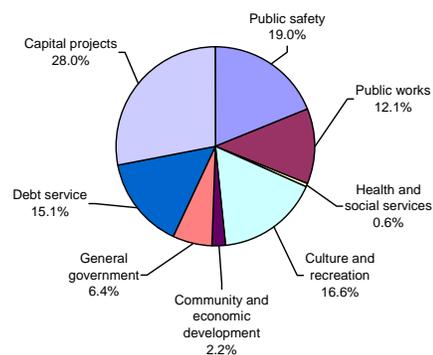
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$669,057 to \$889,673. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended	
	June 30,	
	2007	2006
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 404,657	339,997
Operating grants and contributions	620,364	588,692
Capital grants and contributions	1,223,741	1,115,236
General receipts:		
Property and other city tax	1,995,275	1,845,456
Local option sales tax	405,558	392,645
Grants and contributions not restricted to specific purposes	15,888	13,207
Unrestricted interest on investments	14,450	16,667
Sale of capital assts	5,000	11,445
Other general receipts	5,151	4,953
<b>Total receipts</b>	<b>4,690,084</b>	<b>4,328,298</b>
<b>Disbursements:</b>		
Public safety	847,801	977,718
Public works	542,108	450,075
Health and social services	27,928	38,293
Culture and recreation	742,258	946,885
Community and economic development	99,414	115,454
General government	287,921	349,429
Debt service	676,807	673,165
Capital projects	1,245,231	1,372,219
<b>Total disbursements</b>	<b>4,469,468</b>	<b>4,923,238</b>
Excess (deficiency) of receipts over (under) disbursements before transfers	220,616	(594,940)
Transfers, net	-	153,902
Increase (decrease) in cash basis net assets	220,616	(441,038)
Cash basis net assets beginning of year	669,057	1,110,095
<b>Cash basis net assets end of year</b>	<b>\$ 889,673</b>	<b>669,057</b>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 8.4%, or approximately \$362,000. The total cost of all programs and services decreased approximately \$454,000, or 9.2%, with no new programs added this year. The increase in receipts was primarily the result of the receipt of property and other city tax and several capital grants and contributions. The decrease in disbursements was primarily due to budget cuts placed into effect in January 2007, resulting in decreases in public safety, culture and recreation and general government disbursements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended	
	June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Clarinda Regional Health Center and Affiliate	\$ 18,870,668	13,839,172
Water	1,060,262	858,831
Sewer	691,003	630,143
Storm water	62,980	56,949
Operating grants and contributions	83,919	-
Capital grants and contributions	2,769,142	1,194,972
General receipts:		
Unrestricted interest on investments	160,760	66,077
Bond proceeds	3,921,141	1,793,567
Other general receipts	243,430	49,738
Total receipts	<u>27,863,305</u>	<u>18,489,449</u>
Disbursements:		
Clarinda Regional Health Center and Affiliate	16,935,564	15,140,575
Water	7,723,719	3,683,127
Sewer	763,133	572,367
Storm water	8,627	3,190
Total disbursements	<u>25,431,043</u>	<u>19,399,259</u>
Excess (deficiency) of receipts over (under) disbursements before transfers	2,432,262	(909,810)
Transfers, net	-	(153,902)
Increase (decrease) in cash basis net assets	2,432,262	(1,063,712)
Cash basis net assets beginning of year	2,936,059	3,999,771
Cash basis net assets end of year	<u>\$ 5,368,321</u>	<u>2,936,059</u>

Total business type activities receipts for the fiscal year were \$27,863,305 compared to \$18,489,449 last year. This significant change was due primarily to the increase in charges for service for the Health Center of \$5,031,496 and an increase of \$2,127,574 due to bond proceeds. Also, there was an increase in capital grants and contributions of \$1,574,170 over the prior year.

Total disbursements for the fiscal year increased 31% to a total of \$25,431,043. Water disbursements increased \$4,040,592, due primarily to the construction of a drinking water treatment facility.

The above changes in receipts and disbursements resulted in an increase in the cash balances of \$2,432,262 to an ending balance of \$5,368,321.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Clarinda completed the year, its governmental funds reported a combined fund balance of \$889,673, an increase of more than \$220,000 above last year's total of \$669,057. 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 \$58,482 from the prior year to a deficit of \$419,156. Total receipts increased 5% and disbursements decreased 19.2%. There were no transfers from the water and sewer funds
- The Special Revenue, Road Use Tax Fund cash balance decreased \$30,431 to \$192,111 during the fiscal year.
- The Debt Service Fund cash balance increased to \$36,078 during the fiscal year. Property tax increased \$99,890 to pay for general obligation debt and is also supported by \$90,427 in local option sales tax used for property tax relief.
- The Capital Projects Fund cash balance increased \$60,679 to \$595,088 during the fiscal year. The increase was due to funding received in the current year for several new capital projects.

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

- The cash balance of the Clarinda Regional Health Center and Affiliate Fund increased \$2,326,177 to \$4,122,015. Receipts increased 38%, or \$5,318,884, due to an increase in charges for service and disbursements increased 11.9%, or \$1,794,989.
- The cash balance of the Water Fund increased \$27,967 to \$597,962. The receipts and disbursements increased due to a grant and bond proceeds used for construction of a drinking water treatment facility.
- The Sewer Fund cash balance increased \$23,765 to \$540,232, due primarily to increased sewer fees and the sanitary sewer project.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 24, 2007 and resulted in an increase in operating receipts and disbursements related to hospital receipts and disbursements being approximately \$2,500,000 more than anticipated. Also, other disbursements increased as a result of a water supply capital project totaling \$1,300,000 and the creation of the public works department. Even with this budget amendment, the City exceeded the amount budgeted in the capital projects function before the amendment was approved.

Charges for service actual receipts were more than the final budgeted amount due to the Health Center and the increase in the fee structure at the Lied Center. Tax increment financing (TIF) receipts were more than budgeted due to inclusion of the Tax Rebate program in the Business Park. Capital projects actual disbursements were less than budgeted due to not completing the construction on the drinking water treatment facility. Actual disbursements for the public safety, culture and recreation, community and economic development and general government functions were lower than the final budgeted amount due to extensive budget cuts. Business type activities actual disbursements were less than budgeted due to delays in the construction of the drinking water treatment facility.

## DEBT ADMINISTRATION

At June 30, 2007, the City had \$12,367,050 in bonds and other long-term debt outstanding, compared to \$9,878,258 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation notes	\$ 3,555,000	4,090,000
Revenue notes/bonds	6,279,708	2,743,567
Loans	22,071	43,709
Clarinda Regional Health Center and Affiliate revenue bonds	1,187,171	1,371,421
Clarinda Regional Health Center and Affiliate capital leases	1,323,100	1,629,561
Total	\$ 12,367,050	9,878,258

Debt increased as a result of the issuance of water revenue bonds during fiscal year 2007.

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 \$3,577,071 is significantly below its constitutional debt limit of \$8,019,133.

## 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 2008 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 FY 2008 as compared to FY 2007 due to the property re-assessments in Page County. The General Fund balance is expected to increase slightly by the close of FY 2008.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$90,000 by the close of 2008.

## 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, 2007

	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	\$ 847,801	8,118	114,329	-
Public works	542,108	11,793	474,232	-
Health and social services	27,928	-	-	-
Culture and recreation	742,258	287,232	29,003	-
Community and economic development	99,414	-	-	-
General government	287,921	97,514	2,800	-
Debt service	676,807	-	-	-
Capital projects	1,245,231	-	-	1,223,741
Total governmental activities	4,469,468	404,657	620,364	1,223,741
Business type activities:				
Clarinda Regional Health Center and Affiliate	16,935,564	18,870,668	-	-
Water	7,723,719	1,060,262	-	2,769,142
Sewer	763,133	691,003	83,919	-
Storm water	8,627	62,980	-	-
Total business type activities	25,431,043	20,684,913	83,919	2,769,142
Total primary government	\$ 29,900,511	21,089,570	704,283	3,992,883
<b>Component Unit</b>				
Clarinda Economic Development Corporation	\$ 92,129	-	-	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Water bond proceeds				
Sale of assets				
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:				
Streets				
Debt service				
Capital projects				
Other purposes				
Permanent funds				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
(725,354)	-	(725,354)	-
(56,083)	-	(56,083)	-
(27,928)	-	(27,928)	-
(426,023)	-	(426,023)	-
(99,414)	-	(99,414)	-
(187,607)	-	(187,607)	-
(676,807)	-	(676,807)	-
(21,490)	-	(21,490)	-
(2,220,706)	-	(2,220,706)	-
-	1,935,104	1,935,104	-
-	(3,894,315)	(3,894,315)	-
-	11,789	11,789	-
-	54,353	54,353	-
-	(1,893,069)	(1,893,069)	-
(2,220,706)	(1,893,069)	(4,113,775)	-
			92,129
\$ 1,300,075	-	1,300,075	-
106,557	-	106,557	-
588,643	-	588,643	-
405,558	-	405,558	-
15,888	243,430	259,318	53,100
14,450	160,760	175,210	1,418
-	3,921,141	3,921,141	-
5,000	-	5,000	-
5,151	-	5,151	13,126
2,441,322	4,325,331	6,766,653	67,644
220,616	2,432,262	2,652,878	(24,485)
669,057	2,936,059	3,605,116	154,402
\$ 889,673	5,368,321	6,257,994	129,917
\$ 192,111	-	192,111	-
36,078	1,028,022	1,064,100	-
595,088	248,093	843,181	-
324,886	-	324,886	-
160,666	-	160,666	129,917
(419,156)	4,092,206	3,673,050	-
\$ 889,673	5,368,321	6,257,994	129,917

City of Clarinda

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

As of and for the year ended June 30, 2007

	General	Special Revenue Road Use Tax	Debt Service
<b>Receipts:</b>			
Property tax	\$ 847,429	-	570,274
Tax increment financing	-	-	-
Other city tax	31,676	-	18,369
Licenses and permits	9,712	-	-
Use of money and property	27,195	-	-
Intergovernmental	68,233	474,232	-
Charges for service	286,852	-	-
Miscellaneous	120,169	-	-
Total receipts	<u>1,391,266</u>	<u>474,232</u>	<u>588,643</u>
<b>Disbursements:</b>			
Operating:			
Public safety	605,504	-	-
Public works	14,051	504,663	-
Health and social services	27,928	-	-
Culture and recreation	617,908	-	-
Community and economic development	69,250	-	-
General government	264,364	-	-
Debt service	-	-	676,808
Capital projects	-	-	-
Total disbursements	<u>1,599,005</u>	<u>504,663</u>	<u>676,808</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(207,739)</u>	<u>(30,431)</u>	<u>(88,165)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	5,000	-	-
Operating transfers in	265,944	-	105,473
Operating transfers out	(4,723)	-	-
Total other financing sources (uses)	<u>266,221</u>	<u>-</u>	<u>105,473</u>
Net change in cash balances	58,482	(30,431)	17,308
Cash balances beginning of year	(477,638)	222,542	18,770
Cash balances end of year	<u>\$ (419,156)</u>	<u>192,111</u>	<u>36,078</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	36,078
Unreserved, undesignated, reported in:			
General fund	(419,156)	-	-
Special revenue funds	-	192,111	-
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ (419,156)</u>	<u>192,111</u>	<u>36,078</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	410,862	1,828,565
-	106,557	106,557
-	419,227	469,272
-	-	9,712
-	4,157	31,352
1,197,590	-	1,740,055
-	-	286,852
26,152	66,398	212,719
<u>1,223,742</u>	<u>1,007,201</u>	<u>4,685,084</u>
-	242,297	847,801
-	23,394	542,108
-	-	27,928
-	124,350	742,258
-	27,496	96,746
-	23,557	287,921
-	-	676,808
1,247,898	-	1,247,898
<u>1,247,898</u>	<u>441,094</u>	<u>4,469,468</u>
<u>(24,156)</u>	<u>566,107</u>	<u>215,616</u>
-	-	5,000
85,835	-	457,252
(1,000)	(451,529)	(457,252)
<u>84,835</u>	<u>(451,529)</u>	<u>5,000</u>
60,679	114,578	220,616
534,409	370,974	669,057
<u>595,088</u>	<u>485,552</u>	<u>889,673</u>
-	-	36,078
-	-	(419,156)
-	324,886	516,997
595,088	-	595,088
-	160,666	160,666
<u>595,088</u>	<u>485,552</u>	<u>889,673</u>

**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, 2007

	Enterprise				Total
	Clarinda Regional Health Center and Affiliate	Water	Sewer	Nonmajor Storm Water	
Operating receipts:					
Charges for service	\$ 18,722,203	1,051,713	691,003	62,980	20,527,899
Miscellaneous	148,465	8,549	-	-	157,014
Total operating receipts	18,870,668	1,060,262	691,003	62,980	20,684,913
Operating disbursements:					
Business type activities	15,906,789	645,173	332,158	8,627	16,892,747
Excess of operating receipts over operating disbursements	2,963,879	415,089	358,845	54,353	3,792,166
Non-operating receipts (disbursements):					
Intergovernmental	-	-	83,919	-	83,919
Rural water reimbursements	-	2,769,142	-	-	2,769,142
Unrestricted contributions	243,430	-	-	-	243,430
Interest on investments	147,643	1,141	11,976	-	160,760
Water bond proceeds	-	3,921,141	-	-	3,921,141
Acquisition of capital and other assets	(274,102)	(6,721,993)	(223,870)	-	(7,219,965)
Debt service	(754,673)	(356,553)	(207,105)	-	(1,318,331)
Total non-operating receipts (disbursements)	(637,702)	(387,122)	(335,080)	-	(1,359,904)
Net change in cash balances	2,326,177	27,967	23,765	54,353	2,432,262
Cash balances beginning of year	1,795,838	569,995	516,467	53,759	2,936,059
Cash balances end of year	\$ 4,122,015	597,962	540,232	108,112	5,368,321
<b>Cash Basis Fund Balances</b>					
Reserved for:					
Debt service	\$ 500,000	-	528,022	-	1,028,022
Capital project	-	248,093	-	-	248,093
Unreserved	3,622,015	349,869	12,210	108,112	4,092,206
Total cash basis fund balances	\$ 4,122,015	597,962	540,232	108,112	5,368,321

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2007

**(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 and Clarinda 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 Clarinda Library Foundation and Clarinda Fire and Rescue were organized under Chapter 504A of the Code of Iowa as non-profit corporations. 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 Members are 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 two categories:

*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 category. 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 enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental 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 waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Clarinda 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. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function. However, disbursements exceeded the amount budgeted in the capital projects function before the amendment was approved.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 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 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 and sewer refunding revenue notes are as follows:

Year Ending June 30,	General Obligation		Sewer Refunding		Total	
	Notes		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 550,000	127,285	185,000	26,028	735,000	153,313
2009	480,000	111,485	190,000	20,385	670,000	131,870
2010	500,000	96,245	195,000	14,210	695,000	110,455
2011	520,000	79,393	205,000	7,482	725,000	86,875
2012	530,000	60,825	-	-	530,000	60,825
2013 - 2017	890,000	111,580	-	-	890,000	111,580
2018	85,000	3,740	-	-	85,000	3,740
Total	\$ 3,555,000	590,553	775,000	68,105	4,330,000	658,658

The resolutions 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.

On October 19, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank 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. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred.

At June 30, 2007, the City had drawn \$5,714,708, including a \$65,000 initiation fee, of the \$6,500,000 authorized. A formal repayment schedule has not been adopted for the debt. The City has made a principal payment of \$210,000 and an interest payment of \$72,006, leaving a balance of \$5,504,708 at June 30, 2007.

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, 2007 for the Health Center is as follows:

	Amount
Health Center Revenue Bonds, 1997 Series A	\$ 432,275
Health Center Revenue Bonds, 1997 Series B	754,896
Capital leases	1,323,100
Total	<u>\$ 2,510,271</u>

The Health Center revenue bonds, 1997 Series A, require monthly payments of principal and interest. The interest rate is adjustable every five years beginning in October 2002. The interest rate at June 30, 2007 was 3.65% per annum. Principal and interest payments are due through September 2012.

The Health Center revenue bonds, 1997 Series B, require monthly payments of principal and interest. The interest rate is adjustable every five years beginning in October 2003. The interest rate at June 30, 2007 was 3.70% per annum. Principal and interest payments are due through September 2013.

The 1997 Series A and B revenue bond agreements require the Health Center to maintain a minimum of 40% of the outstanding bond balance, but not less than \$500,000, in Board-designated funds at all times. In connection with the Health Center revenue bonds, 1997 Series A and B, the Health Center is required to comply with specific covenants outlined within the loan agreement. The Health Center was in compliance with the covenants or appropriate waivers were obtained on November 26, 2007.

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 8.00% per annum. Leases are secured by equipment.

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 649,886	89,590	739,476
2009	598,791	66,475	665,266
2010	468,633	44,907	513,540
2011	370,777	24,547	395,324
2012	233,746	12,188	245,934
2013 - 2015	188,438	4,547	192,985
Total	<u>\$ 2,510,271</u>	<u>242,254</u>	<u>2,752,525</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 plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$76,397, \$79,859, and \$77,375, respectively, equal to the required contributions for each year. The Health Center's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were approximately \$428,000, \$391,000 and \$387,000, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 sick leave payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 78,000
Sick leave	<u>18,000</u>
Total	<u>\$ 96,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

The Health Center's liability for earned compensated absences payable to employees is approximately \$443,000 at June 30, 2007.

**(6) Rural Community 2000 Program Loan**

During the year ended June 30, 1992, the City was awarded a loan of \$301,406 for water system improvements from the Iowa Department of Economic Development's Rural Community 2000 Program. The loan requires fifteen annual payments of \$22,512, including 2% per annum interest on the unpaid balance. The balance outstanding on this loan at June 30, 2007 was \$22,071. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 22,071	441	<u>22,512</u>

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 234,019
	Emergency	30,925
	Capital Projects	1,000
		<u>265,944</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	15,046
	Local Option Sales Tax	90,427
		<u>105,473</u>
Capital Projects	General	4,723
	Special Revenue:	
	Local Option Sales Tax	81,112
		<u>85,835</u>
Total		<u>\$ 457,252</u>

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

**(8) 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 556 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 300 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, 2007 were \$45,217.

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 \$5,000,000 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 \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2007, 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 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual 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 recognized under the plan by the Health Center for the year ended June 30, 2007 were approximately \$891,000.

**(9) Community Economic Betterment Account (CEBA) Loan**

On February 14, 2006, the City of Clarinda 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 City's liability for repayment of this note 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 2). Repayments on the loan are made to the City by NSK Corporation and the City forwards the repayments to the Department. The loan balance at June 30, 2007 was \$1,000,000.

**(10) Commitments**

In September 2005, the City awarded a construction contract for the Clarinda Water Treatment Plant for \$9,050,000 and issued \$6,500,000 of water revenue bonds to pay a portion of the costs of the treatment plant. The unpaid balance on the contract is \$39,830 at June 30, 2007.

**(11) Deficit Fund Balance**

The General Fund had a deficit fund balance of \$419,156 at June 30, 2007. The City has established a finance committee to address this issue.

**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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,828,565	-	-
Tax increment financing	106,557	-	-
Other city tax	469,272	-	-
Licenses and permits	9,712	-	-
Use of money and property	31,352	160,760	1,014
Intergovernmental	1,740,055	2,769,142	-
Charges for service	286,852	20,527,899	-
Miscellaneous	212,719	484,363	66,398
Total receipts	4,685,084	23,942,164	67,412
<b>Disbursements:</b>			
Public safety	847,801	-	44,168
Public works	542,108	-	-
Health and social services	27,928	-	-
Culture and recreation	742,258	-	9,636
Community and economic development	96,746	-	-
General government	287,921	-	-
Debt service	676,808	-	-
Capital projects	1,247,898	-	-
Business type activities	-	25,431,043	-
Total disbursements	4,469,468	25,431,043	53,804
Excess (deficiency) of receipts over (under) disbursements	215,616	(1,488,879)	13,608
Other financing sources, net	5,000	3,921,141	-
Excess of receipts and other financing sources over disbursements	220,616	2,432,262	13,608
Balances beginning of year	669,057	2,936,059	109,798
Balances end of year	\$ 889,673	5,368,321	123,406

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,828,565	1,818,655	1,818,655	9,910
106,557	60,000	90,000	16,557
469,272	435,519	435,519	33,753
9,712	9,000	9,000	712
191,098	18,000	18,000	173,098
4,509,197	3,768,525	4,020,525	488,672
20,814,751	18,390,000	20,790,000	24,751
630,684	73,500	1,073,500	(442,816)
<u>28,559,836</u>	<u>24,573,199</u>	<u>28,255,199</u>	<u>304,637</u>
803,633	908,818	872,818	69,185
542,108	414,300	564,300	22,192
27,928	39,000	39,000	11,072
732,622	849,145	779,145	46,523
96,746	115,000	120,000	23,254
287,921	347,906	347,906	59,985
676,808	676,808	676,808	-
1,247,898	-	1,300,000	52,102
25,431,043	24,877,266	27,377,266	1,946,223
<u>29,846,707</u>	<u>28,228,243</u>	<u>32,077,243</u>	<u>2,230,536</u>
(1,286,871)	(3,655,044)	(3,822,044)	2,535,173
<u>3,926,141</u>	<u>4,495,565</u>	<u>4,495,565</u>	<u>(569,424)</u>
2,639,270	840,521	673,521	1,965,749
3,495,318	7,278,001	7,278,001	(3,782,683)
<u>6,134,588</u>	<u>8,118,522</u>	<u>7,951,522</u>	<u>(1,816,934)</u>

City of Clarinda

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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 \$3,849,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function. However, disbursements exceeded the amount budgeted in the capital projects function before the amendment was approved.

**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, 2007

	Local				Special
	Option		Tax		
	Sales	Employee	Increment	Emergency	Library
	Tax	Benefits	Financing		Memorial
Receipts:					
Property tax	\$ -	380,759	-	30,103	-
Tax increment financing	-	-	106,557	-	-
Other city tax	405,558	12,847	-	822	-
Use of money and property	-	-	-	-	3,143
Miscellaneous	-	-	-	-	-
Total receipts	405,558	393,606	106,557	30,925	3,143
Disbursements:					
Operating:					
Public safety	-	198,129	-	-	-
Public works	-	23,394	-	-	-
Culture and recreation	-	108,864	-	-	5,850
Community and economic development	-	-	27,496	-	-
General government	-	23,557	-	-	-
Total disbursements	-	353,944	27,496	-	5,850
Excess (deficiency) of receipts over (under) disbursements	405,558	39,662	79,061	30,925	(2,707)
Other financing uses:					
Operating transfers out	(405,558)	-	(15,046)	(30,925)	-
Net change in cash balances	-	39,662	64,015	-	(2,707)
Cash balances beginning of year	-	-	76,891	-	23,619
Cash balances end of year	\$ -	39,662	140,906	-	20,912
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ -	39,662	140,906	-	20,912
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ -	39,662	140,906	-	20,912

See accompanying independent auditor's report.

Revenue		Permanent			
Library Foundation	Clarinda Fire and Rescue	Cemetery Perpetual Care	Library Bequest		Total
-	-	-	-	-	410,862
-	-	-	-	-	106,557
-	-	-	-	-	419,227
604	410	-	-	-	4,157
13,027	53,371	-	-	-	66,398
13,631	53,781	-	-	-	1,007,201
-	44,168	-	-	-	242,297
-	-	-	-	-	23,394
9,636	-	-	-	-	124,350
-	-	-	-	-	27,496
-	-	-	-	-	23,557
9,636	44,168	-	-	-	441,094
3,995	9,613	-	-	-	566,107
-	-	-	-	-	(451,529)
3,995	9,613	-	-	-	114,578
58,307	51,491	60,666	100,000	-	370,974
62,302	61,104	60,666	100,000	-	485,552
62,302	61,104	-	-	-	324,886
-	-	60,666	100,000	-	160,666
62,302	61,104	60,666	100,000	-	485,552

City of Clarinda  
Schedule of Indebtedness  
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
City:			
General obligation notes:			
Refunding	Apr 1, 2003	1.80-3.65 %	\$ 2,855,000
Library	Aug 1, 2003	1.50-4.40	1,000,000
Corporate purpose	Aug 1, 2004	3.40-4.45	1,130,000
Total			
Revenue notes/bonds:			
Sewer refunding capital loan	May 1, 2002	3.00-4.25%	\$ 465,000
Sewer refunding	Apr 1, 2003	2.35-3.65	945,000
Water	Oct 19, 2005 *	3.00	6,500,000
Total			
Loans:			
Rural Community 2000 Program	1992	2.00%	\$ 301,406
Clarinda Regional Health Center and Affiliate:			
Revenue bonds 1997 Series A			
Revenue bonds 1997 Series B			
Capital leases:			
Equipment			
Total			

\* The agreement also requires the City to annually pay 9.25% 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
2,125,000	-	475,000	1,650,000	65,730
835,000	-	60,000	775,000	30,128
1,130,000	-	-	1,130,000	44,950
<b>\$ 4,090,000</b>	-	535,000	3,555,000	140,808
90,000	-	90,000	-	3,825
860,000	-	85,000	775,000	28,280
1,793,567	3,921,141	210,000	5,504,708	124,041
<b>\$ 2,743,567</b>	3,921,141	385,000	6,279,708	156,146
43,709	-	21,638	22,071	874
<b>\$ 505,014</b>	-	72,739	432,275	17,591
866,407	-	111,511	754,896	31,365
1,629,561	157,615	464,076	1,323,100	57,391
<b>\$ 3,000,982</b>	157,615	648,326	2,510,271	106,347

City of Clarinda

Note Maturities

June 30, 2007

Year Ending June 30,	General Obligation Notes							Total
	Refunding		Library		Corporate Purpose			
	Issued Apr 1, 2003		Issued Aug 1, 2003		Issued Aug 1, 2004			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2008	2.90%	\$ 490,000	2.65%	\$ 60,000		-	550,000	
2009	3.10	270,000	2.95	60,000	3.40%	\$ 150,000	480,000	
2010	3.30	285,000	3.15	65,000	3.60	150,000	500,000	
2011	3.50	300,000	3.35	65,000	3.80	155,000	520,000	
2012	3.65	305,000	3.55	65,000	4.00	160,000	530,000	
2013		-	3.70	70,000	4.15	165,000	235,000	
2014		-	3.85	70,000	4.30	175,000	245,000	
2015		-	4.00	75,000	4.45	175,000	250,000	
2016		-	4.20	80,000		-	80,000	
2017		-	4.30	80,000		-	80,000	
2018		-	4.40	85,000		-	85,000	
Total		<u>\$ 1,650,000</u>		<u>\$ 775,000</u>		<u>\$ 1,130,000</u>	<u>3,555,000</u>	

See accompanying independent auditor's report.

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Revenue Notes		
Sewer Refunding		
Issued Apr 1, 2003		
Year	Interest	
Ending	Rates	Amount
June 30,		
2008	3.05%	\$ 185,000
2009	3.25	190,000
2010	3.45	195,000
2011	3.65	205,000
Total		<u>\$ 775,000</u>

**Schedule 4**

## City of Clarinda

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

For the Last Five Years

	2007	2006	2005	2004	2003
<b>Receipts:</b>					
Property tax	\$ 1,828,565	1,726,674	1,586,760	1,475,004	1,467,847
Tax increment financing	106,557	62,759	11,685	-	-
Other city tax	469,272	451,297	395,003	403,456	358,398
Licenses and permits	9,712	9,938	9,512	8,948	9,187
Use of money and property	31,352	30,480	62,875	44,514	31,929
Intergovernmental	1,740,055	1,592,450	573,785	726,244	575,731
Charges for service	286,852	275,526	264,716	256,303	311,380
Miscellaneous	212,719	167,729	934,953	710,787	483,361
<b>Total</b>	<b>\$ 4,685,084</b>	<b>4,316,853</b>	<b>3,839,289</b>	<b>3,625,256</b>	<b>3,237,833</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	\$ 847,801	977,718	940,357	921,658	968,317
Public works	542,108	450,075	441,016	467,568	490,103
Health and social services	27,928	38,293	33,371	3,500	-
Culture and recreation	742,258	946,885	843,964	842,821	999,046
Community and economic development	96,746	115,454	136,940	160,694	134,748
General government	287,921	349,429	386,249	328,775	94,155
Debt service	676,808	673,165	2,230,532	1,870,911	559,977
Capital projects	1,247,898	1,372,219	1,384,965	1,828,052	345,739
<b>Total</b>	<b>\$ 4,469,468</b>	<b>4,923,238</b>	<b>6,397,394</b>	<b>6,423,979</b>	<b>3,592,085</b>

See accompanying independent auditor's report.

City of Clarinda  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607	None	\$ 665
U.S. Department of Transportation:			
Office of Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0017-02-2005	202,912
Total direct			<u>203,577</u>
Indirect:			
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Seat Belt Use Incentive Grant	20.604	07-157-Task 33	3,898
U.S. Department of Treasury:			
Iowa Department of Economic Development:			
Temporary State Fiscal Relief (Jobs and Growth Tax Reconciliation Act of 2003)	21.000	05-CEBA-031	1,000,000
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	FS-73-05-DWSRF-009	2,067,574
Total indirect			<u>3,071,472</u>
Total			<u>\$ 3,275,049</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clarinda and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Clarinda**



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

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 our 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Clarinda's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Clarinda's financial statements that is more than inconsequential will not be prevented or detected by the City of Clarinda's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Clarinda's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe any of the significant deficiencies described in the accompanying Schedule of Findings and Questioned Costs are material weaknesses.

#### 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

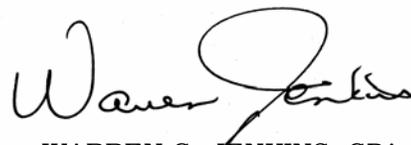
The City of Clarinda's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Clarinda's responses and, accordingly, we express no opinion 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 may report, including federal awarding agencies and pass-through entities. 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 6, 2008



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Clarinda, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The City of Clarinda's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Clarinda's management. Our responsibility is to express an opinion on the City of Clarinda's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clarinda's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Clarinda's compliance with those requirements.

In our opinion, the City of Clarinda complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Clarinda is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Clarinda's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Clarinda's internal control over compliance.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, 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 may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2008

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements which 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.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 21.000 Temporary State Fiscal Relief (Jobs and Growth Tax Reconciliation Act of 2003) and CFDA 66.468 – Capitalization Grants for Drinking Water.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Clarinda did not qualify as a low-risk auditee.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

**SIGNIFICANT DEFICIENCIES:**

II-A-07 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 approve the monthly reconciliations.

Conclusion – Response accepted.

II-B-07 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 contact Data Technologies to see if it is feasible to have software require password changes.

Conclusion – Response accepted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-C-07 Segregation of Duties – 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 duties is not possible. All payments must be approved by the Board before payment can be made.

Conclusion – 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, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

IV-A-07 Certified Budget – During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function. However, the amount budgeted for the capital projects function was exceeded before a budget amendment was approved. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will more closely evaluate budget amounts before spending funds.

Conclusion – Response accepted.

IV-B-07 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.

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

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Name, Title, and Business Connection	Transaction Description	Amount
Charles Richardson, Council Member, Owner of Johnson Tire and Muffler	Vehicle repair	\$ 896

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In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

IV-E-07 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.

IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-07 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.

IV-H-07 Revenue Notes/Bonds – No instances of non-compliance with the requirements of the sewer refunding revenue note or water revenue bond resolutions were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-I-07 Financial Condition – The General Fund had a deficit balance at June 30, 2007 of \$419,156.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The City is now budgeting receipts in excess of disbursements and will continue to lower the deficit by budgeting in this manner.

Conclusion – Response accepted.

IV-J-07 City Code of Ordinances – The City code of ordinances has not been recodified since 2001.

Recommendation – Chapter 380.8(2) of the Code of Iowa requires the City Code of Ordinances be recodified at least once every five years.

Response – The City recodified the City Code effective July 4, 2007.

Conclusion – Response accepted.

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City of Clarinda

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Paul F. Kearney, CGFM, Senior Auditor  
Melissa M. Wellhausen, CPA, Senior Auditor  
Tracey Gerrish, Assistant Auditor



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