



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**NEWS RELEASE**

FOR RELEASE

November 21, 2002

Contact: Andy Nielsen  
515/281-5515

Auditor of State Richard Johnson today released an audit report on the City of Clarinda, Iowa.

Johnson reported that the City's receipts totaled \$4,674,751 for the year ended June 30, 2002, a nine percent decrease from 2001. The receipts included \$1,501,934 in property tax, \$331,484 in local option sales tax, \$561,835 from the state and \$41,043 in interest on investments. The City also had note proceeds of \$458,025 that are reported as an other financing source.

Disbursements for the year totaled \$5,498,995, a ten percent increase from the prior year, and included \$874,799 for community protection, \$921,450 for human development, \$3,510,359 for home and community environment, \$84,521 for policy and administration and \$107,866 for non-program. The significant increase in disbursements was due primarily to the increased debt service payments to refund certain sewer revenue notes.

A copy of the audit report is available for review in the office of the Auditor of State and in the City Clerk's office.

###



**CITY OF CLARINDA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2002**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Financial Statements:	<u>Exhibit</u>	
Combined Statement of Cash Transactions – All Fund Types	A	8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B	10-11
Statement of Indebtedness	C	12-13
Notes to Financial Statements		14-20
Supplemental Information:	<u>Schedule</u>	
Combining and Individual Schedules of Cash Transactions:		
General Fund	1	22-26
Special Revenue Funds	2	27
Debt Service Fund	3	28
Capital Projects Funds	4	29
Enterprise Funds	5	30-33
Trust and Agency Funds	6	34-35
Note Maturities	7	36
Comparison of Tax and Intergovernmental Receipts	8	37
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		39-40
Schedule of Findings		41-44
Staff		45

**City of Clarinda**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2002)</b>		
Frank A. Snyder	Mayor	Jan 2002
Gary Pullen	Mayor Pro tem	Jan 2004
Rod Nester	Council Member	Jan 2002
Tom Farrens	Council Member	Jan 2002
Gordon Kokenge	Council Member	Jan 2004
Billy C. McComb	Council Member	Jan 2004
<b>(After January 2002)</b>		
Frank A. Snyder	Mayor	Jan 2006
Gary Pullen	Mayor Pro tem	Jan 2004
Gordon Kokenge	Council Member	Jan 2004
Billy C. McComb	Council Member	Jan 2004
Rod Nester	Council Member	Jan 2006
Tom Farrens	Council Member	Jan 2006
Robert Bailey	City Manager/Clerk	Retired
Gary Walter (Appointed)	City Manager/Clerk	Indefinite
Eleanor Moore	Treasurer	Indefinite
Sanford Turner	Attorney	Jan 2004

**City of Clarinda**



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Clarinda, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Clarinda's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinion.

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.

These financial statements referred to above do not include the financial transactions of the Clarinda Municipal Hospital, a component unit of the City of Clarinda, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts of the financial transactions that should have been recorded are not known.

In our opinion, except for the effects on the financial statements of the omission described above, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Clarinda, as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated August 7, 2002 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 7, 2002

**City of Clarinda**



## **Financial Statements**

City of Clarinda  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2002

	General	Governmental Special Revenue
<b>Receipts:</b>		
Property tax	\$ 904,486	339,486
Other City tax	35,391	342,800
Licenses and permits	9,192	-
Use of money and property	44,170	-
Intergovernmental	106,080	455,755
Charges for service	306,552	-
Miscellaneous	163,196	-
<b>Total receipts</b>	<b>1,569,067</b>	<b>1,138,041</b>
<b>Disbursements:</b>		
Community Protection Program	874,799	-
Human Development Program	717,863	-
Home and Community Environment Program	631,071	463,478
Policy and Administration Program	84,521	-
Non-program	-	-
<b>Total disbursements</b>	<b>2,308,254</b>	<b>463,478</b>
Excess (deficiency) of receipts over (under) disbursements	(739,187)	674,563
<b>Other financing sources (uses):</b>		
Sewer revenue refunding note proceeds, net of \$6,975 discount	-	-
Operating transfers in	571,220	-
Operating transfers out	-	(657,020)
<b>Total other financing sources (uses)</b>	<b>571,220</b>	<b>(657,020)</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(167,967)	17,543
Balance beginning of year	257,074	189,452
Balance end of year	<b>\$ 89,107</b>	<b>206,995</b>

See notes to financial statements.

Fund Types		Proprietary	Fiduciary	Total Primary	Total	
Debt	Capital	Fund Type	Fund Type	Government	Component	Reporting Entity
Service	Projects	Enterprise	Trust and Agency	(Memorandum Only)	Unit	(Memorandum Only)
257,962	-	-	-	1,501,934	-	1,501,934
8,461	-	-	-	386,652	-	386,652
-	-	-	-	9,192	-	9,192
-	-	10,201	3,224	57,595	-	57,595
-	-	-	-	561,835	74,744	636,579
-	-	1,449,692	-	1,756,244	-	1,756,244
-	-	49,047	108,787	321,030	5,525	326,555
266,423	-	1,508,940	112,011	4,594,482	80,269	4,674,751
-	-	-	-	874,799	-	874,799
-	203,587	-	-	921,450	-	921,450
555,427	-	1,817,088	-	3,467,064	43,295	3,510,359
-	-	-	-	84,521	-	84,521
-	-	-	107,866	107,866	-	107,866
555,427	203,587	1,817,088	107,866	5,455,700	43,295	5,498,995
(289,004)	(203,587)	(308,148)	4,145	(861,218)	36,974	(824,244)
-	-	458,025	-	458,025	-	458,025
283,800	15,918	500,700	-	1,371,638	-	1,371,638
(88,000)	(15,918)	(610,700)	-	(1,371,638)	-	(1,371,638)
195,800	-	348,025	-	458,025	-	458,025
(93,204)	(203,587)	39,877	4,145	(403,193)	36,974	(366,219)
149,925	210,203	1,107,822	120,120	2,034,596	-	2,034,596
56,721	6,616	1,147,699	124,265	1,631,403	36,974	1,668,377

City of Clarinda

Comparison of Receipts, Disbursements and Changes in Balances  
Actual to Budget - Primary Government

Year ended June 30, 2002

	Actual	Less Funds Not Required to be Budgeted
<b>Receipts:</b>		
Property tax	\$ 1,501,934	-
Other City tax	386,652	-
Licenses and permits	9,192	-
Use of money and property	57,595	-
Intergovernmental	636,579	-
Charges for service	1,756,244	-
Miscellaneous	326,555	108,787
<b>Total receipts</b>	<b>4,674,751</b>	<b>108,787</b>
<b>Disbursements:</b>		
Community Protection Program	874,799	-
Human Development Program	921,450	-
Home and Community Environment Program	3,510,359	-
Policy and Administration Program	84,521	-
Non-program	107,866	107,866
<b>Total disbursements</b>	<b>5,498,995</b>	<b>107,866</b>
Excess (deficiency) of receipts over (under) disbursements	(824,244)	921
Other financing sources, net	458,025	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(366,219)	921
Balance beginning of year	2,034,596	60,097
Balance end of year	<b>\$ 1,668,377</b>	<b>61,018</b>

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
1,501,934	1,499,509	2,425	100%
386,652	405,979	(19,327)	95%
9,192	8,700	492	106%
57,595	100,000	(42,405)	58%
636,579	663,000	(26,421)	96%
1,756,244	1,805,600	(49,356)	97%
217,768	52,200	165,568	417%
<b>4,565,964</b>	<b>4,534,988</b>	<b>30,976</b>	<b>101%</b>
874,799	1,024,696	149,897	85%
921,450	925,684	4,234	100%
3,510,359	2,738,382	(771,977)	128%
84,521	104,259	19,738	81%
-	-	-	
<b>5,391,129</b>	<b>4,793,021</b>	<b>(598,108)</b>	<b>112%</b>
(825,165)	(258,033)		
458,025	300,000		
(367,140)	41,967		
1,974,499	2,194,505		
<b>1,607,359</b>	<b>2,236,472</b>		

City of Clarinda  
Statement of Indebtedness  
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General obligation notes:</b>			
General corporate purpose	Jul 1, 1994	4.40-5.50%	\$ 260,000
General corporate purpose	Mar 1, 1996	4.15-5.10	2,155,000
Essential corporate purpose	May 1, 1997	4.50-5.65	2,855,000
Total			
<b>Revenue bonds:</b>			
Water	Jul 1, 1988	5.50-8.75%	\$ 695,000
<b>Revenue notes:</b>			
Water capital loan	Sep 1, 1992	3.75-5.70%	\$ 280,000
Sewer capital loan	Feb 1, 1994	3.75-5.90	355,000
Sewer refunding capital loan	Jul 1, 1996	4.95-5.50	505,000
Sewer capital loan	Jul 1, 1996	4.75-6.15	1,220,000
Sewer refunding capital loan	May 1, 2002	3.00-4.25	465,000
Total			
<b>Loans (note 7):</b>			
Rural Community 2000 Program	1992	2.00%	\$ 301,406

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
140,000	-	30,000	110,000	7,510
1,705,000	-	120,000	1,585,000	82,945
2,125,000	-	200,000	1,925,000	114,072
<b>\$ 3,970,000</b>	-	<b>350,000</b>	<b>3,620,000</b>	<b>204,527</b>
135,000	-	135,000	-	4,725
100,000	-	25,000	75,000	4,969
300,000	-	300,000	-	17,075
240,000	-	240,000	-	12,970
1,060,000	-	40,000	1,020,000	62,290
-	465,000	-	465,000	-
<b>\$ 1,700,000</b>	<b>465,000</b>	<b>605,000</b>	<b>1,560,000</b>	<b>97,304</b>
145,696	-	19,597	126,099	2,914

City of Clarinda

Notes to Financial Statements

June 30, 2002

**(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, culture, recreation, public improvements and general administrative services.

**A. Reporting Entity**

Except as discussed below, 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.

These financial statements present the City of Clarinda (the primary government) and the Clarinda Economic Development Corporation (component unit). This component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. This nonprofit organization was formed under Chapter 504A of the Code of Iowa.

The Clarinda Economic Development Corporation (CEDC) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose 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.

**Excluded Component Unit**

The Clarinda Municipal Hospital was established pursuant to Chapter 392 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Municipal Hospital is governed by a five-member Board elected by the general public. Complete financial statements, presented on a different basis of accounting can be obtained from the Municipal Hospital administrative office.



### Jointly Governed Organizations

The City also participates in a jointly governed organization that provides goods or services to the citizenry of the City but does 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.

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. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

#### Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

#### Proprietary Fund

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

#### Fiduciary Funds

Trust and Agency Funds - The Trust and Agency Funds are utilized to account for monies and properties received and held by the City in a trustee capacity as an agent for individual, private organizations, other governmental units and/or other funds. These include expendable trust funds, non-expendable trust funds and agency funds.

C. 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.

D. Budgets and Budgetary Accounting

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 for non-expendable trust and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2002 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 City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,394,008 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

### (3) Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 360,000	187,567	210,000	80,887	570,000	268,454
2004	380,000	169,898	145,000	72,310	525,000	242,208
2005	400,000	151,307	145,000	66,335	545,000	217,642
2006	420,000	131,388	155,000	59,880	575,000	191,268
2007	440,000	110,405	160,000	52,607	600,000	163,012
2008	465,000	88,045	170,000	44,758	635,000	132,803
2009	260,000	64,017	180,000	34,813	440,000	98,830
2010	280,000	49,848	190,000	24,102	470,000	73,950
2011	300,000	34,447	205,000	12,607	505,000	47,054
2012	315,000	17,798	-	-	315,000	17,798
Total	\$ 3,620,000	1,004,720	1,560,000	448,299	5,180,000	1,453,019

The resolutions providing for the issuance of the 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 separate water and sewer revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to water and sewer reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying principal at maturity or interest on the notes when there is insufficient funds in the water and sewer revenue note sinking accounts.
- (d) Additional monthly transfers shall also be made to water and sewer improvement until specific balances have been accumulated. These accounts are restricted for the purpose of paying principal or interest on the notes when there is 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 repairs, renewals and replacements, payment of rentals on any part of the systems and for capital improvements.

Refunding of Sewer Revenue Notes

In May 2002, the City issued \$465,000 of sewer revenue refunding capital loan notes with interest rates ranging from 3.00% to 4.25% to advance refund \$290,000 of outstanding sewer revenue notes dated February 1, 1994 with interest rates ranging from 5.15% to 5.90%, and \$165,000 of outstanding sewer revenue refunding notes dated July 1, 1996 with interest rates ranging from 5.40% to 5.50%. The net proceeds of \$458,644 (par less discount of \$6,975 plus accrued interest of \$619) were used to advance refund the notes and pay issuance costs. The City advance refunded the note issues to reduce its total debt service payments by approximately \$12,700 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$11,500.

**(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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2002, 2001 and 2000 were \$79,714, \$74,581 and \$68,566, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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 also allowed employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. The City's approximate liability for earned compensated absences payable to employees at June 30, 2002, primarily relating to the General Fund, is as follows:

---

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 90,100
Compensatory time	<u>22,700</u>
Total	<u>\$112,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2002.

**(6) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Home and Community Environment Program exceeded the amount budgeted.

**(7) Rural Community 2001 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 2001 Program. The loan requires fifteen annual payments of \$22,512, including two percent per annum interest on the unpaid balance. The balance outstanding on this loan at June 30, 2002 was \$126,099 as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 19,990	2,522	22,512
2004	20,390	2,122	22,512
2005	20,797	1,715	22,512
2006	21,213	1,299	22,512
2007	21,638	874	22,512
2008	22,071	441	22,512
Total	<u>\$ 126,099</u>	<u>8,973</u>	<u>135,072</u>

**(8) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from 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 annual contributions to the Pool for the year ended June 30, 2002 were \$33,858.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also 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 that 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, 2002, settled claims have not exceeded the risk pool or reinsurance company 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.

**(9) Hospital Revenue Bonds**

On February 25, 1997, the City issued \$2,500,000 of hospital revenue bonds under the provisions of Chapter 384 of the Code of Iowa. The bonds and related interest are payable solely from hospital net revenues, and the bond principal and interest do not constitute liabilities of the City.

## **Supplemental Information**

**Schedule 1**

---

City of Clarinda  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

Receipts:	
Property tax	<u>\$ 904,486</u>
Other city tax:	
Mobile home tax	1,349
Utility tax replacement excise tax	28,532
Cable franchise fee	<u>5,510</u>
	<u>35,391</u>
Licenses and permits:	
Beer and liquor	5,748
Cigarette	1,163
Building	635
Electrical and plumbing	1,165
Animal	246
Other	<u>235</u>
	<u>9,192</u>
Use of money and property:	
Interest on investments	28,968
Rents and royalties	10,315
Cemetery lots	<u>4,887</u>
	<u>44,170</u>
Intergovernmental:	
State allocation	82,893
Bank franchise tax	<u>23,187</u>
	<u>106,080</u>
Charges for service:	
County library	14,500
County Safety Center	34,143
Grave openings	23,705
Swimming pool fees and concessions	208,468
Recreation fees	8,882
Airport sales	11,822
Other fees	<u>5,032</u>
	<u>306,552</u>



City of Clarinda  
 Schedule of Cash Transactions  
 General Fund  
 Year ended June 30, 2002

## Receipts (continued):

## Miscellaneous:

Sales tax collected	3,519
Fines	586
Donations	32,465
Refunds and reimbursements	123,680
Miscellaneous	2,946
	<u>163,196</u>
Total receipts	<u>1,569,067</u>

## Disbursements:

## Community Protection Program:

## Police:

Personal services	672,394
Contractual services	48,435
Commodities	22,309
Capital outlay	51,258
	<u>794,396</u>

## Fire:

Personal services	29,842
Contractual services	16,758
Commodities	8,803
	<u>55,403</u>

## Ambulance:

Contractual services	25,000
	<u>874,799</u>

## Human Development Program:

## Animal control:

Personal services	24,564
Contractual services	2,568
Commodities	1,543
	<u>28,675</u>

## Library:

Personal services	117,447
Contractual services	27,747
Commodities	6,113
Capital outlay	27,383
	<u>178,690</u>

**Schedule 1**

---

City of Clarinda  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

## Disbursements (continued):

## Human Development Program:

## Park:

Personal services	12,819
Contractual services	11,269
Commodities	12,822
Capital outlay	9,362
	<u>46,272</u>

## Recreation:

Personal services	9,563
Contractual services	523
Commodities	2,035
Capital outlay	21,295
	<u>33,416</u>

## Recreation administration:

Personal services	53,401
Contractual services	135
	<u>53,536</u>

## Lied Center:

Personal services	217,995
Contractual services	101,051
Commodities	28,030
Capital outlay	17,899
	<u>364,975</u>

## UHF tower:

Contractual services	11,146
Commodities	1,153
	<u>12,299</u>
	<u>717,863</u>

## Home and Community Environment Program:

## Cemetery:

Personal services	81,842
Contractual services	14,723
Commodities	6,651
	<u>103,216</u>

City of Clarinda  
 Schedule of Cash Transactions  
 General Fund  
 Year ended June 30, 2002

Disbursements (continued):	
Home and Community Environment Program:	
Housing supply and urban renewal:	
Capital outlay	<u>3,374</u>
Economic development:	
Personal services	58,041
Contractual services	7,598
Commodities	60,085
	<u>125,724</u>
Equipment maintenance:	
Personal services	46,586
Contractual services	328
Commodities	3,491
	<u>50,405</u>
Street administration:	
Personal services	46,366
Contractual services	268,974
	<u>315,340</u>
Airport:	
Personal services	3,000
Contractual services	13,409
Commodities	16,603
	<u>33,012</u>
	<u>631,071</u>
Policy and Administration Program:	
Legislative:	
Personal services	<u>3,633</u>
Administration:	
Personal services	13,476
Contractual services	13,129
Commodities	1,848
	<u>28,453</u>
Financial administration:	
Contractual services	<u>3,995</u>

**Schedule 1**

---

City of Clarinda  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

Disbursement (continued):	
Policy and Administration Program:	
Elections:	
Contractual services	1,709
	<hr/>
Legal:	
Personal services	4,000
Contractual services	8,376
	<hr/>
	12,376
	<hr/>
City Hall:	
Contractual services	24,695
Commodities	5,020
Capital outlay	4,640
	<hr/>
	34,355
	<hr/>
	84,521
	<hr/>
Total disbursements	2,308,254
	<hr/>
Deficiency of receipts under disbursements	(739,187)
	<hr/>
Other financing sources:	
Operating transfers in:	
Special Revenue:	
Local Option Sales Tax	106,980
Employees' Benefits	323,785
Emergency	30,455
Enterprise:	
Waterworks Operating	55,000
Sewer Operating	55,000
	<hr/>
Total other financing sources	571,220
	<hr/>
Deficiency of receipts and other financing sources under disbursements	(167,967)
	<hr/>
Balance beginning of year	257,074
	<hr/>
Balance end of year	\$ 89,107
	<hr/> <hr/>

See accompanying independent auditor's report.

City of Clarinda  
 Schedule of Cash Transactions  
 Special Revenue Fund  
 Year ended June 30, 2002

	Road Use Tax	Local Option Sales Tax	Employees' Benefits	Emergency	Total
Receipts:					
Property tax	\$ -	-	311,573	27,913	339,486
Other City tax:					
Mobile home tax	-	-	455	42	497
Utility tax replacement excise tax	-	-	9,937	882	10,819
Local option sales tax	-	331,484	-	-	331,484
	-	331,484	10,392	924	342,800
Intergovernmental:					
Road use tax allocation	455,755	-	-	-	455,755
Total receipts	455,755	331,484	321,965	28,837	1,138,041
Disbursements:					
Home and Community Environment Program:					
Personal services	167,626	-	-	-	167,626
Contractual services	216,188	-	-	-	216,188
Commodities	79,664	-	-	-	79,664
Total disbursements	463,478	-	-	-	463,478
Excess (deficiency) of receipts over (under) disbursements	(7,723)	331,484	321,965	28,837	674,563
Other financing uses:					
Operating transfers out:					
General	-	(106,980)	(323,785)	(30,455)	(461,220)
Debt Service:					
General Obligation Notes	-	(195,800)	-	-	(195,800)
Total other financing uses	-	(302,780)	(323,785)	(30,455)	(657,020)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(7,723)	28,704	(1,820)	(1,618)	17,543
Balance beginning of year	29,940	156,069	1,823	1,620	189,452
Balance end of year	\$ 22,217	184,773	3	2	206,995

See accompanying independent auditor's report.

**Schedule 3**

City of Clarinda  
Combining Schedule of Cash Transactions  
Debt Service Fund  
Year ended June 30, 2002

	General Obligation Notes	Designated for Future Debt Payment	Total
Receipts:			
Property tax	\$ 257,962	-	257,962
Other city tax:			
Mobile home tax	398	-	398
Utility tax replacement excise tax	8,063	-	8,063
	<u>8,461</u>	<u>-</u>	<u>8,461</u>
Total receipts	<u>266,423</u>	<u>-</u>	<u>266,423</u>
Disbursements:			
Home and Community Environment Program:			
Debt Service:			
Principal redemption	350,000	-	350,000
Interest payments	204,527	-	204,527
Contractual services	900	-	900
Total disbursements	<u>555,427</u>	<u>-</u>	<u>555,427</u>
Deficiency of receipts under disbursements	<u>(289,004)</u>	<u>-</u>	<u>(289,004)</u>
Other financing sources (uses):			
Operating transfers in:			
Special Revenue:			
Local Option Sales Tax	195,800	-	195,800
Debt Service:			
General Obligation Notes	-	(88,000)	(88,000)
Designated	88,000	-	88,000
	<u>283,800</u>	<u>(88,000)</u>	<u>195,800</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	<u>(5,204)</u>	<u>(88,000)</u>	<u>(93,204)</u>
Balance beginning of year	<u>5,214</u>	<u>144,711</u>	<u>149,925</u>
Balance end of year	<u>\$ 10</u>	<u>56,711</u>	<u>56,721</u>

See accompanying independent auditor's report.

City of Clarinda  
Combining Schedule of Cash Transactions  
Capital Projects Fund  
Year ended June 30, 2002

	Fire Station	Library	Total
Receipts:			
None	\$ -	-	-
Disbursements:			
Human Development Program:			
Contractual services	-	30,681	30,681
Capital outlay	-	172,906	172,906
Total disbursements	-	203,587	203,587
Deficiency of receipts under disbursements	-	(203,587)	(203,587)
Other financing sources (uses):			
Operating transfers in (out):			
Capital Projects:			
Fire Station	-	15,918	15,918
Library	(15,918)	-	(15,918)
Total other financing sources (uses)	(15,918)	15,918	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(15,918)	(187,669)	(203,587)
Balance beginning of year	15,918	194,285	210,203
Balance end of year	\$ -	6,616	6,616

See accompanying independent auditor's report.

City of Clarinda  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	Waterworks Operating	Water Revenue Note Sinking	Water Reserve	Water Improve- ment
<b>Receipts:</b>				
Use of money and property:				
Interest on investments	\$ -	-	-	1,931
Rent	1,350	-	-	-
	1,350	-	-	1,931
<b>Charges for service:</b>				
Metered water sales	511,772	-	-	-
Bulk water sales	2,237	-	-	-
Rural water sales	194,296	-	-	-
Customer fees and charges	4,027	-	-	-
Sewer rental fees	-	-	-	-
	712,332	-	-	-
<b>Miscellaneous:</b>				
Accrued interest on sale of notes	-	-	-	-
Customer deposits	7,495	-	-	-
Sales tax collected	37,074	-	-	-
Refunds and reimbursements	742	-	-	-
	45,311	-	-	-
Total receipts	758,993	-	-	1,931
<b>Disbursements:</b>				
Home and Community Environment Program:				
Personal services	65,481	-	-	-
Contractual services	428,964	-	-	-
Commodities	718	-	-	-
Capital outlay	10,621	-	-	10,924
Sales tax remitted	37,983	-	-	-
Customer deposit refunds	4,972	-	-	-



Sewer Operating	Sewer Revenue Note Sinking	Sewer Reserve	Sewer Improvement	Advance Utility Collections	Total
-	-	-	6,920	-	8,851
-	-	-	-	-	1,350
-	-	-	6,920	-	10,201
-	-	-	-	-	511,772
-	-	-	-	-	2,237
-	-	-	-	-	194,296
50	-	-	-	-	4,077
737,310	-	-	-	-	737,310
737,360	-	-	-	-	1,449,692
619	-	-	-	-	619
-	-	-	-	169	7,664
549	-	-	-	-	37,623
2,399	-	-	-	-	3,141
3,567	-	-	-	169	49,047
740,927	-	-	6,920	169	1,508,940
142,999	-	-	-	-	208,480
243,552	-	-	-	-	672,516
4,984	-	-	-	-	5,702
-	-	-	-	-	21,545
-	-	-	-	-	37,983
-	-	-	-	-	4,972

City of Clarinda  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	Waterworks Operating	Water Revenue Note Sinking	Water Reserve	Water Improve- ment
<b>Disbursements (continued):</b>				
Home and Community Environment Program:				
Debt service:				
Principal redemption	-	179,597	-	-
Interest payments	-	12,608	-	-
Contractual services	-	450	-	-
Total disbursements	548,739	192,655	-	10,924
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>210,254</b>	<b>(192,655)</b>	<b>-</b>	<b>(8,993)</b>
<b>Other financing sources (uses):</b>				
Note proceeds:				
Sale of revenue notes (net of \$6,975 discount)	-	-	-	-
Operating transfers in (out):				
General	(55,000)	-	-	-
Enterprise:				
Waterworks Operating	-	200,700	-	12,000
Water Revenue Note Sinking	(200,700)	-	-	-
Water Improvement	(12,000)	-	-	-
Sewer Operating	-	-	-	-
Sewer Revenue Note Sinking	-	-	-	-
Sewer Improvement	-	-	-	-
Total other financing sources (uses)	(267,700)	200,700	-	12,000
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>(57,446)</b>	<b>8,045</b>	<b>-</b>	<b>3,007</b>
<b>Balance beginning of year</b>	<b>151,998</b>	<b>56,907</b>	<b>193,227</b>	<b>48,642</b>
<b>Balance end of year</b>	<b>\$ 94,552</b>	<b>64,952</b>	<b>193,227</b>	<b>51,649</b>

See accompanying independent auditor's report.

Sewer Operating	Sewer Revenue Note Sinking	Sewer Reserve	Sewer Improvement	Advance Utility Collections	Total
455,000	125,000	-	-	-	759,597
-	92,335	-	-	-	104,943
-	900	-	-	-	1,350
846,535	218,235	-	-	-	1,817,088
(105,608)	(218,235)	-	6,920	169	(308,148)
458,025	-	-	-	-	458,025
(55,000)	-	-	-	-	(110,000)
-	-	-	-	-	212,700
-	-	-	-	-	(200,700)
-	-	-	-	-	(12,000)
-	276,000	-	12,000	-	288,000
(276,000)	-	-	-	-	(276,000)
(12,000)	-	-	-	-	(12,000)
115,025	276,000	-	12,000	-	348,025
9,417	57,765	-	18,920	169	39,877
166,321	244,599	218,835	26,690	603	1,107,822
175,738	302,364	218,835	45,610	772	1,147,699

City of Clarinda  
Combining Schedule of Cash Transactions  
Trust and Agency Funds  
Year ended June 30, 2002

	Non-Expendable Trust Cemetery Perpetual Care	Expendable Trust Library Bequest
<b>Receipts:</b>		
Use of money and property:		
Interest on investments	\$ -	3,224
Miscellaneous:		
Utility/cable bills collected	-	-
COBRA insurance collected	-	-
<b>Total receipts</b>	<b>-</b>	<b>3,224</b>
<b>Disbursements:</b>		
Non-program:		
Utility/cable bills remitted	-	-
COBRA insurance remitted	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>
<b>Excess of receipts over disbursements</b>	<b>-</b>	<b>3,224</b>
<b>Balance beginning of year</b>	<b>60,666</b>	<b>60,023</b>
<b>Balance end of year</b>	<b>\$ 60,666</b>	<b>63,247</b>

See accompanying independent auditor's report.

Agency Funds		
COBRA Insurance	Utility Payments	Total
-	-	3,224
-	97,101	97,101
11,686	-	11,686
11,686	97,101	108,787
11,686	97,101	112,011
-	97,101	97,101
10,765	-	10,765
10,765	97,101	107,866
921	-	4,145
(568)	(1)	120,120
353	(1)	124,265

**Schedule 7**

City of Clarinda

Note Maturities

June 30, 2002

Year Ending June 30,	General Obligation Notes							
	General		General		Essential		Total	
	Corporate Purpose		Corporate Purpose		Corporate Purpose			
	Issued Jul 1, 1994		Issued Mar 1, 1996		Issued May 1, 1997			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
2003	5.30%	\$ 30,000	4.60%	\$ 130,000	5.05%	\$ 200,000	\$ 360,000	
2004	5.40	40,000	4.70	240,000	5.15	100,000	380,000	
2005	5.50	40,000	4.80	250,000	5.20	110,000	400,000	
2006	-	-	4.90	305,000	5.25	115,000	420,000	
2007	-	-	5.00	320,000	5.30	120,000	440,000	
2008	-	-	5.10	340,000	5.35	125,000	465,000	
2009	-	-	-	-	5.45	260,000	260,000	
2010	-	-	-	-	5.50	280,000	280,000	
2011	-	-	-	-	5.55	300,000	300,000	
2012	-	-	-	-	5.65	315,000	315,000	
Total		<u>\$ 110,000</u>		<u>\$ 1,585,000</u>		<u>\$ 1,925,000</u>	<u>\$ 3,620,000</u>	

Year Ending June 30,	Revenue Notes						
	Water Capital Loan		Sewer Capital Loan		Sewer Refunding Capital Loan		Total
	Issued Sep 1, 1992		Issued Jul 1, 1996		Issued May 1, 2002		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2003	5.70%	\$ 75,000	5.40%	\$ 40,000	3.00%	\$ 95,000	
2004	-	-	5.50	45,000	3.50	100,000	145,000
2005	-	-	5.60	55,000	3.75	90,000	145,000
2006	-	-	5.65	65,000	4.00	90,000	155,000
2007	-	-	5.75	70,000	4.25	90,000	160,000
2008	-	-	5.85	170,000	-	-	170,000
2009	-	-	5.95	180,000	-	-	180,000
2010	-	-	6.05	190,000	-	-	190,000
2011	-	-	6.15	205,000	-	-	205,000
Total		<u>\$ 75,000</u>		<u>\$ 1,020,000</u>		<u>\$ 465,000</u>	<u>\$ 1,560,000</u>

See accompanying independent auditor's report.

City of Clarinda  
 Comparison of Taxes and Intergovernmental Receipts  
 Primary Government

	Years ended June 30,			
	2002	2001	2000	1999
Property tax	\$ 1,501,934	1,764,716	1,521,228	1,556,999
Other City tax:				
Mobile home tax	2,244	2,237	-	-
Utility tax replacement excise tax	47,414	45,760	-	-
Local option sales tax	331,484	336,622	351,843	317,304
Cable franchise fee	5,510	5,353	5,217	4,882
	<u>386,652</u>	<u>389,972</u>	<u>357,060</u>	<u>322,186</u>
Intergovernmental:				
Road use tax allocation	455,755	471,762	481,255	455,080
State allocation	82,893	91,615	91,885	91,815
Grants/loans	-	4,506	21,088	59,208
Bank franchise tax	23,187	24,137	23,370	16,659
	<u>561,835</u>	<u>592,020</u>	<u>617,598</u>	<u>622,762</u>
 Total	 <u>\$ 2,450,421</u>	 <u>2,746,708</u>	 <u>2,495,886</u>	 <u>2,501,947</u>

See accompanying independent auditor's report.

## **Supplemental Information**





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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Clarinda, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 7, 2002. Our report expressed a qualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, due to the omission of the financial transactions of the Clarinda Municipal Hospital which should be included. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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 and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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, 2002 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. Prior year statutory comments have been resolved, except for item (2).

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Clarinda's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Clarinda's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described in the accompanying Schedule of Findings is a material weakness. The prior year reportable condition has not been resolved and is repeated in the Schedule of Findings.

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. 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.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 7, 2002

City of Clarinda

Schedule of Findings

Year ended June 30, 2002

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITION:**

Lied Center Receipts – One important aspect of internal control is developing a formalized written policy for collecting and recording cash receipts. No written policy for collecting and recording was available during our testing of cash at the Lied Center. Multiple individuals are authorized to receipt cash and cash collections are not recorded in a timely manner.

Recommendation – A formalized written policy for collecting and recording cash collections should be developed for the Lied Center. The policy should include, at a minimum, limits on the number of individuals with access to cash. In addition, pre-numbered receipt books should be used and receipts should be issued as cash is collected.

Response – A written policy will be developed for receipts at the Lied Center as per the recommendation.

Conclusion – Response acknowledged. Pre-numbered receipt books should be used.

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

(1) Official Depositories – A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.

(2) Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amount budgeted in the Home and Community Environment Program. Chapter 384.20 of the Code of Iowa states in part that 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 – Special efforts will be made to include all projected expenditures in budget amendments when it is anticipated that disbursements will exceed the budget.

Conclusion – Response accepted.

(3) Questionable Disbursements – The City paid \$52,763 to the Clarinda Economic Development Corporation during fiscal year 2002. These payments may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

City of Clarinda

Schedule of Findings

Year ended June 30, 2002

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation - The Council should document the public purpose served by the disbursement before authorizing further payments. Documentation should include how the funds are to be used to accomplish economic development activities.

Response - The City Council approved a \$125,000 appropriation for economic development in the fiscal year ended 2002 city budget. This was based on an estimated cost of the economic development department for the City of Clarinda, Iowa. The Clarinda Economic Development Corporation provided a profit and loss budget overview for July 2001 through June 2002.

Conclusion - Response acknowledged. Although a profit and loss budget was provided by the Corporation, documentation did not include how funds were used to accomplish economic development activities. An agreement with the Corporation should include requirements addressing subsequent accountability of funding to enable the City to evaluate the public benefits obtained and consider specific criteria in documenting the public purpose.

- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Frank Snyder, Mayor, owner of Snyder Auto Body	Vehicle parts	\$ 48

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor do not appear to represent conflicts of interest since the cumulative total of the transactions was less than \$1,500 during the fiscal year.

- (6) 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 that coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Clarinda

Schedule of Findings

Year ended June 30, 2002

(8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

(9) Revenue Notes – The City has complied with the requirements of the revenue note resolutions.

(10) Other Information Required by Revenue Note Resolutions

Statistical Information

Description	Amount
Number of water customers at June 30, 2002	2,043
Water rates in effect at June 30, 2002	\$3.80 per 1,000 gallons
Number of sewer customers at June 30, 2002	1,953
Sewer rates in effect at June 30, 2002	\$4.10 per 1,000 gallons of water used

Insurance – The following insurance policies were in force at June 30, 2002:

Insurer	Description	Amount	Expiration Date
Iowa Municipalities Workers' Compensation Association	Workers' Compensation employer's liability	\$1,000,000	July 1, 2003
The Hartford Steam Boiler Inspection & Insurance Company	Boiler and machinery liability	3,157,000	Feb 19, 2003
Allied Mutual Insurance Company	Commercial property coverage	13,707,974	Oct 1, 2002
	Commercial inland marine	849,130	
	Commercial crime coverage	10,000	
	Public officials' blanket bond	100,000	

City of Clarinda  
Schedule of Findings  
Year ended June 30, 2002

Insurer	Description	Amount	Expiration Date
Iowa Communities Assurance Pool	General liability	4,000,000	Oct 21, 2002
	Stop Gap liability	4,000,000	
	Special events liability	4,000,000	
	Legal liability - real property of others	4,000,000	
	Fire Department pollution liability	500,000	
	Government officials' liability	4,000,000	
	Government law enforcement liability	4,000,000	
	Automobile - bodily injury liability	4,000,000	
	Employee benefit liability	2,000,000	
Phoenix Aviation Managers, Inc.	Airport coverage -		Oct 26, 2002
	Bodily injury liability	1,000,000	
	Fire damage	50,000	
	Hangar keepers liability	500,000	

---

City of Clarinda

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager  
Paul F. Kearney, CGFM, Senior Auditor  
Shawn P. Limback, CPA, Staff Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State