

# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

## NEWS RELEASE

FOR RELEASE

June 13, 2013

Contact: Andy Nielsen  
515/281-5834

The Office of Auditor of State today released an audit report on the City of Clarinda, Iowa.

The City's receipts totaled \$34,874,817 for the year ended June 30, 2012, a 13.5% decrease from the prior year. The receipts included \$2,139,592 in property tax, \$23,789,557 from charges for service, \$765,014 from operating grants, contributions and restricted interest, \$33,334 from capital grants, contributions and restricted interest, \$413,911 from local option sales tax, \$48,480 from hotel/motel tax, \$94,658 from unrestricted interest on investments, \$7,274,399 from bond proceeds and \$315,872 from other general receipts.

Disbursements for the year totaled \$39,634,078, a 31.9% decrease from the prior year, and included \$1,449,831 for capital projects, \$1,201,605 for debt service, \$1,094,803 for public safety and \$830,245 for culture and recreation. Also, disbursements for business type activities totaled \$33,953,977.

The significant decrease in receipts is due primarily to reduced bond proceeds received by the Clarinda Regional Health Center. Bond proceeds of \$14,105,663 were received in the prior year while current year bond proceeds were \$7,274,399. The significant decrease in disbursements in the current year is due primarily to refunding Hospital revenue bonds in the prior fiscal year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0674-B00F.pdf>.

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

**JUNE 30, 2012**

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**City of Clarinda**

**Officials**

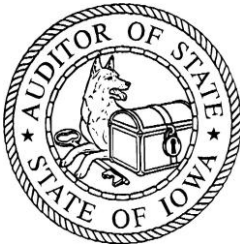
**(Before January 2012)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Kokenge	Mayor	Jan 2014
Jeff McCall	Mayor Pro tem	Jan 2012
Maggie Brown (Appointed)	Council Member	Nov 2011
Gary Alger	Council Member	Jan 2012
Billy McComb	Council Member	Jan 2012
Merlin Hicks	Council Member	Jan 2014
Darrel Wichman	Council Member	Jan 2014
Stanley Johnson	Hospital Board of Trustees, Chair	Jan 2014
Ronald Richardson	Hospital Board of Trustees, Vice Chair	Jan 2012
Joy Tunncliff	Hospital Board of Trustees, Secretary/Treasurer	Jan 2012
Mary Etta Hanson	Hospital Board of Trustees	Jan 2014
Dale McAllister	Hospital Board of Trustees	Jan 2014
Christopher Stipe	Hospital Chief Executive Officer	Indefinite
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Ron Bitting	Attorney	Indefinite

**(After January 2012)**

Gordon Kokenge	Mayor	Jan 2014
Gary Alger	Mayor Pro tem	Jan 2016
Merlin Hicks	Council Member	Jan 2014
Darrel Wichman	Council Member	Jan 2014
Lisa Hull	Council Member	Jan 2016
Jeff McCall	Council Member	Jan 2016
Joy Tunncliff	Hospital Board of Trustees, Chair	Jan 2016
Ronald Richardson	Hospital Board of Trustees, Vice Chair	Jan 2016
Dale McAllister	Hospital Board of Trustees, Secretary/Treasurer	Jan 2014
Stanley Johnson	Hospital Board of Trustees	Jan 2014
Mary Etta Hanson	Hospital Board of Trustees	Jan 2014
Christopher Stipe	Hospital Chief Executive Officer	Indefinite
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Ron Bitting	Attorney	Indefinite

**City of Clarinda**



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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, 2012, 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 83% of the cash basis net assets and 91% of the operating receipts of the business type activities of the City. 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, 2012, 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 May 20, 2013 on our consideration of the City of Clarinda's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 nine years ended June 30, 2011 (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. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 20, 2013



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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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 46.2%, or approximately \$2,020,000, from fiscal year 2011 to fiscal year 2012. The increase was primarily due to receiving bond proceeds of approximately \$2,598,000 in the current fiscal year. Also, capital grants, contributions and restricted interest decreased approximately \$558,000 in fiscal year 2012 due to lower federal grant receipts for projects relating to the Clarinda Municipal Airport.
- Disbursements of the City's governmental activities increased 8.5%, or approximately \$444,000, in fiscal year 2012 from fiscal year 2011. Debt service disbursements increased approximately \$519,000 while public works disbursements decreased approximately \$140,000.
- The City's total cash basis net assets decreased 26.1%, or approximately \$4,759,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$710,000 and the assets of the business type activities decreased approximately \$5,469,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

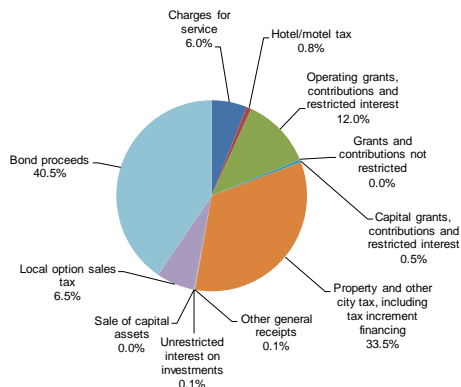
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

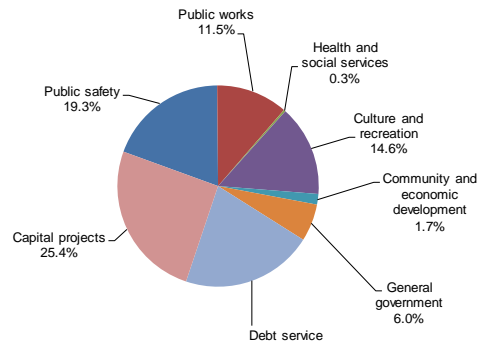
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,461,540 to \$2,171,504. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 380,221	\$ 381,980
Operating grants, contributions and restricted interest	765,014	743,589
Capital grants, contributions and restricted interest	33,334	591,344
General receipts:		
Property and other city tax, including tax increment financing	2,139,592	2,155,588
Local option sales tax	413,911	412,585
Hotel/motel tax	48,480	49,227
Grants and contributions not restricted to specific purposes	1,700	3,234
Unrestricted interest on investments	4,904	6,698
Sale of capital assets	1,000	18,200
Bond proceeds	2,597,813	-
Other general receipts	4,096	7,646
Total receipts	6,390,065	4,370,091
Disbursements:		
Public safety	1,094,803	1,037,992
Public works	652,449	792,443
Health and social services	14,705	26,761
Culture and recreation	830,245	805,352
Community and economic development	96,138	89,868
General government	340,325	302,712
Debt service	1,201,605	682,311
Capital projects	1,449,831	1,498,207
Total disbursements	5,680,101	5,235,646
Change in cash basis net assets	709,964	(865,555)
Cash basis net assets beginning of year	1,461,540	2,327,095
Cash basis net assets end of year	\$ 2,171,504	\$ 1,461,540

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 46.2%, or approximately \$2,020,000. The increase in receipts was primarily the result of the City receiving approximately \$2,598,000 of bond proceeds in fiscal year 2012 compared to no bond proceeds in fiscal year 2011. Capital grants, contributions and restricted interest receipts decreased approximately \$558,000 due to receiving less federal receipts related to airport capital projects. The increase in disbursements was mainly due to an increase in debt service disbursements for the current refunding of the series 2003 general obligation bonds.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Clarinda Regional Health Center and Affiliate	\$ 21,245,385	\$ 19,133,214
Water	1,319,109	1,276,257
Sewer	759,306	716,894
Yard waste	23,811	24,183
Storm water	61,725	61,859
Operating grants, contributions and restricted interest	-	2,787
General receipts:		
Unrestricted interest on investments	89,754	5,411
Bond proceeds	4,676,586	14,105,663
Other general receipts	309,076	638,987
Total receipts	<u>28,484,752</u>	<u>35,965,255</u>
Disbursements:		
Clarinda Regional Health Center and Affiliate	31,866,453	50,951,588
Water	1,232,907	1,234,583
Sewer	670,895	648,597
Yard waste	10,465	15,564
Storm water	173,257	122,054
Total disbursements	<u>33,953,977</u>	<u>52,972,386</u>
Change in cash basis net assets	(5,469,225)	(17,007,131)
Cash basis net assets beginning of year	16,746,060	33,753,191
Cash basis net assets end of year	<u>\$ 11,276,835</u>	<u>\$ 16,746,060</u>

Total business type activities receipts for the fiscal year were \$28,484,752 compared to \$35,965,255 last year. This decrease was due primarily to reduced bond proceeds received for the Clarinda Regional Health Center and Affiliate (Health Center) than in the prior year. Total disbursements for the fiscal year decreased 35.9% to a total of \$33,953,977. Health Center disbursements decreased approximately \$19,085,000, due primarily to the refunding of Hospital revenue bonds in the prior year.

The above changes in receipts and disbursements resulted in a decrease in the cash balance to an ending balance of \$11,276,835.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Clarinda completed the year, its governmental funds reported a combined fund balance of \$2,171,504, an increase of approximately \$710,000 above last year's total of \$1,461,540. 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 \$110,918 from the prior year to \$179,189. Receipts and disbursements increased \$89,954 and \$99,890, respectively.
- The Special Revenue, Road Use Tax Fund cash balance increased \$32,559 to \$136,141. The increase is primarily due to a decrease in public works disbursements during fiscal year 2012.
- The Debt Service Fund cash balance remained relatively constant with an increase of \$1,337 to \$20,686.
- The Capital Projects Fund cash balance increased \$681,613 to \$1,022,629 during the fiscal year. The increase was primarily due to \$2,070,230 of bond proceeds received during the fiscal year exceeding current year capital projects disbursements.

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

- The cash balance of the Enterprise, Clarinda Health Center and Affiliate Fund decreased \$5,547,502 to \$9,371,465. The large decrease is primarily due to the completion of construction of a new hospital. Operating receipts increased 11%, or approximately \$2,112,000, primarily due to increased charges for service. Operating disbursements increased 10.8%, or approximately \$1,959,000.
- The Enterprise, Water Fund cash balance increased \$86,409 to \$839,681. Operating receipts increased 3.4%, or approximately \$43,000, and operating disbursements decreased 6.7%, or approximately \$50,000.
- The Enterprise, Sewer Fund cash balance increased \$89,716 to \$968,666, due primarily to increased charges for service.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 24, 2012 and resulted in an increase of \$600,000 in receipts and other financing sources due to better than expected local option sales tax, an increase in Library and Lied Center receipts and the refunding of the Library general obligation bonds was not originally budgeted. Also, budgeted disbursements increased \$646,000 due to unplanned roof replacements at City Hall and the animal shelter, local match for the airport hangar project, higher communications tower maintenance costs, higher workers' compensation premiums and an economic development payment not originally budgeted in the fiscal year.

Total actual receipts were \$18,415,880 less than the final budgeted amount, primarily due to actual receipts being less than anticipated for the Clarinda Regional Health Center and Affiliate. Total actual disbursements were \$9,738,686 less than the final budgeted amount, due to the capital projects and business type activities functions spending less than budgeted.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$36,095,247 of bonds and other long-term debt outstanding, compared to \$30,076,330 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation notes/bonds	\$ 4,090,000	2,560,000
Revenue notes/bonds	4,909,000	5,183,000
Clarinda Regional Health Center and Affiliate revenue bonds	26,657,249	22,205,663
Clarinda Regional Health Center and Affiliate capital leases	438,978	127,667
Total	\$ 36,095,227	30,076,330

Debt increased as a result of the City issuing the 2011A general obligation corporate purpose and refunding bonds of \$1,650,000 for street, water system, sanitary system and storm sewer improvements, street equipment and for the refunding of the 2003 library bonds. The City also issued 2011B general obligation corporate purpose bonds of \$1,000,000 for street improvement projects, to acquire a fire truck and for improvements to the municipal recreation center. Also, an additional \$4,676,586 was drawn down on the 2010 Hospital Revenue Bonds, Series D. The 2010 Hospital Revenue Bonds, Series D issue was drawn down to fund the current payments due on construction of the new healthcare facility up to the maximum amount of \$18,900,000.

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 \$4,285,220, including the TIF development and rebate agreements of \$195,220, is significantly below its constitutional debt limit of approximately \$9,337,000.

## 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 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 5.9% versus 5.4% a year ago. This compares with the State's unemployment rate of 5.0% and the national rate of 7.8%.

Property tax is expected to decrease slightly in fiscal year 2013 as compared to fiscal year 2012 due to a decrease in the City's total levy rate from \$17.85585 per \$1,000 of taxable valuation in fiscal year 2012 to \$17.7300 per \$1,000 of taxable valuation in fiscal year 2013. The General Fund balance is expected to increase slightly by the close of fiscal year 2013.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$90,000 by the close of fiscal year 2013.

## 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, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 1,094,803	6,492	157,597	-
Public works	652,449	34,888	528,510	-
Health and social services	14,705	-	-	-
Culture and recreation	830,245	328,188	45,157	-
Community and economic development	96,138	-	-	-
General government	340,325	10,653	33,750	-
Debt service	1,201,605	-	-	-
Capital projects	1,449,831	-	-	33,334
Total governmental activities	5,680,101	380,221	765,014	33,334
Business type activities:				
Clarinda Regional Health Center and Affiliate	31,866,453	21,245,385	-	-
Water	1,232,907	1,319,109	-	-
Sewer	670,895	759,306	-	-
Yard waste	10,465	23,811	-	-
Storm water	173,257	61,725	-	-
Total business type activities	33,953,977	23,409,336	-	-
Total primary government	\$ 39,634,078	23,789,557	765,014	33,334
<b>Component Unit:</b>				
Clarinda Economic Development Corporation	\$ 50,304	-	9,618	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds				
Sale of capital 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:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Debt service				
Capital projects				
Bond agreements and other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Clarinda Economic Development Corporation
(930,714)	-	(930,714)	
(89,051)	-	(89,051)	
(14,705)	-	(14,705)	
(456,900)	-	(456,900)	
(96,138)	-	(96,138)	
(295,922)	-	(295,922)	
(1,201,605)	-	(1,201,605)	
(1,416,497)	-	(1,416,497)	
(4,501,532)	-	(4,501,532)	
-	(10,621,068)	(10,621,068)	
-	86,202	86,202	
-	88,411	88,411	
-	13,346	13,346	
-	(111,532)	(111,532)	
-	(10,544,641)	(10,544,641)	
(4,501,532)	(10,544,641)	(15,046,173)	
			(40,686)
1,696,604	-	1,696,604	-
442,988	-	442,988	-
413,911	-	413,911	-
48,480	-	48,480	-
1,700	224,209	225,909	30,000
4,904	89,754	94,658	3,218
2,597,813	4,676,586	7,274,399	-
1,000	84,867	85,867	-
4,096	-	4,096	13,877
5,211,496	5,075,416	10,286,912	6,409
709,964	(5,469,225)	(4,759,261)	6,409
1,461,540	16,746,060	18,207,600	86,939
2,171,504	11,276,835	13,448,339	93,348
\$ 297,378	649,210	946,588	-
136,141	-	136,141	-
271,462	-	271,462	-
1,022,629	-	1,022,629	-
264,705	2,048,985	2,313,690	93,348
179,189	8,578,640	8,757,829	-
\$ 2,171,504	11,276,835	13,448,339	93,348

City of Clarinda

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

As of and for the year ended June 30, 2012

	General	Special Revenue Road Use Tax	Debt Service
<b>Receipts:</b>			
Property tax	\$ 1,183,342	-	431,634
Other city tax	79,390	-	11,354
Licenses and permits	13,667	-	-
Use of money and property	37,389	-	-
Intergovernmental	114,553	528,510	-
Charges for service	329,354	-	-
Miscellaneous	75,989	-	-
Total receipts	<u>1,833,684</u>	<u>528,510</u>	<u>442,988</u>
<b>Disbursements:</b>			
Operating:			
Public safety	800,393	-	-
Public works	25,604	495,951	-
Health and social services	14,705	-	-
Culture and recreation	711,399	-	-
Community and economic development	51,046	-	-
General government	337,746	-	-
Debt service	-	-	1,201,605
Capital projects	-	-	-
Total disbursements	<u>1,940,893</u>	<u>495,951</u>	<u>1,201,605</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(107,209)</u>	<u>32,559</u>	<u>(758,617)</u>
<b>Other financing sources (uses):</b>			
Bond proceeds, net of \$52,187 bond discount and fees	-	-	527,583
Sale of capital assets	1,000	-	-
Operating transfers in	248,299	-	232,371
Operating transfers out	(31,172)	-	-
Total other financing sources (uses)	<u>218,127</u>	<u>-</u>	<u>759,954</u>
Change in cash balances	110,918	32,559	1,337
Cash balances beginning of year	68,271	103,582	19,349
Cash balances end of year	<u>\$ 179,189</u>	<u>136,141</u>	<u>20,686</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Library	-	-	-
Restricted for:			
Public streets	-	136,141	-
Debt service	-	-	20,686
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	179,189	-	-
Total cash basis fund balances	<u>\$ 179,189</u>	<u>136,141</u>	<u>20,686</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	469,992	2,084,968
-	426,271	517,015
-	-	13,667
-	1,508	38,897
32,378	7,157	682,598
-	-	329,354
1,309	47,455	124,753
33,687	952,383	3,791,252
-	294,410	1,094,803
-	130,894	652,449
-	-	14,705
-	118,846	830,245
-	45,092	96,138
-	2,579	340,325
-	-	1,201,605
1,449,831	-	1,449,831
1,449,831	591,821	5,680,101
(1,416,144)	360,562	(1,888,849)
2,070,230	-	2,597,813
-	-	1,000
113,954	-	594,624
(86,427)	(477,025)	(594,624)
2,097,757	(477,025)	2,598,813
681,613	(116,463)	709,964
341,016	929,322	1,461,540
1,022,629	812,859	2,171,504
-	60,666	60,666
-	236,712	236,712
-	-	136,141
-	250,776	271,462
1,022,629	-	1,022,629
-	264,705	264,705
-	-	179,189
1,022,629	812,859	2,171,504

**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, 2012

	Enterprise				Total
	Clarinda Regional Health Center and Affiliate	Water	Sewer	Nonmajor	
Operating receipts:					
Charges for service	\$ 20,703,008	1,319,109	757,747	85,536	22,865,400
Miscellaneous	542,377	-	1,559	-	543,936
Total operating receipts	21,245,385	1,319,109	759,306	85,536	23,409,336
Operating disbursements:					
Business type activities	20,078,898	695,524	462,245	47,127	21,283,794
Excess of operating receipts over operating disbursements	1,166,487	623,585	297,061	38,409	2,125,542
Non-operating receipts (disbursements):					
Unrestricted contributions	224,209	-	-	-	224,209
Interest on investments	87,904	207	1,305	338	89,754
Bond proceeds	4,676,586	-	-	-	4,676,586
Sale of capital assets	84,867	-	-	-	84,867
Acquisition of capital and other assets	(10,608,472)	(94,935)	(208,650)	(136,595)	(11,048,652)
Debt service	(1,179,083)	(442,448)	-	-	(1,621,531)
Net non-operating receipts (disbursements)	(6,713,989)	(537,176)	(207,345)	(136,257)	(7,594,767)
Change in cash balances	(5,547,502)	86,409	89,716	(97,848)	(5,469,225)
Cash balances beginning of year	14,918,967	753,272	878,950	194,871	16,746,060
Cash balances end of year	\$ 9,371,465	839,681	968,666	97,023	11,276,835
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 649,210	-	-	-	649,210
Bond agreements and other purposes	2,048,985	-	-	-	2,048,985
Unrestricted	6,673,270	839,681	968,666	97,023	8,578,640
Total cash basis fund balances	\$ 9,371,465	839,681	968,666	97,023	11,276,835

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2012

**(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. One member is elected from the City Council of Clarinda. The CEDC is dependent on City funding to maintain its existence.

#### Blended Component Units

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

#### Jointly Governed Organizations

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

#### Related Organization

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

### B. Basis of Presentation

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

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

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

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

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

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or

directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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 Enterprise, 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 Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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



**(3) Bonds Payable**

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

Year Ending June 30,	General Obligation Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 545,000	99,212	282,000	147,270	827,000	246,482
2014	560,000	82,505	292,000	138,810	852,000	221,315
2015	575,000	73,543	301,000	130,050	876,000	203,593
2016	405,000	62,517	311,000	121,020	716,000	183,537
2017	405,000	54,208	321,000	111,690	726,000	165,898
2018-2022	1,600,000	108,955	1,768,000	407,670	3,368,000	516,625
2023-2026	-	-	1,634,000	124,500	1,634,000	124,500
Total	\$ 4,090,000	480,940	4,909,000	1,181,010	8,999,000	1,661,950

General Obligation Bonds

On July 15, 2011, the City issued \$1,650,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 0.80% to 2.85% per annum. A portion of the bond proceeds were used for a current refunding of \$525,000 of general obligation bonds dated August 1, 2003. The City refunded the bonds to extend the maturity of the bonds by three years. The total debt service payments between the prior and current debt differ by less than \$1,000, but the City obtained an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$17,600.

Water Revenue Bonds

On October 19, 2005, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$6,500,000 of drinking water revenue bonds with interest at 3% per annum. The total amount borrowed by the City was \$6,409,000. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. 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. During fiscal year 2012, the City made a principal payment of \$274,000 and interest payments totaling \$155,490, leaving a principal balance of \$4,909,000 at June 30, 2012.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bonds. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are generally expected to require less than 85% of net receipts. The total principal and interest remaining to be paid on the bonds is \$6,090,010. For the current year, principal and interest paid and total customer net receipts were \$429,490 and \$623,585, respectively.

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

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

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

A schedule of long-term debt obligations at June 30, 2012 for the Health Center is as follows:

	Amount
2010 Hospital Revenue Bonds, Series B	\$ 6,130,000
2010 Hospital Revenue Bonds, Series C	1,745,000
2010 Hospital Revenue Bonds, Series D	18,782,249
Capital leases	438,978
Total	<u>\$ 27,096,227</u>

The Health Center revenue bonds, 2010 Series B, required semi-annual payments of interest only through June 2012. The interest rate adjusts annually, ranging from 2.00% per annum as of June 30, 2011 to 6.15% per annum as of June 30, 2030. Semi-annual principal and interest payments commence July 2012 and continue through June 2030.

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

The Health Center revenue bonds, 2010 Series D (Building America Bonds – Direct Payment) require semi-annual payments of principal and interest through December 2050. Semi-annual payments of interest are due through December 2012. At that time, semi-annual principal and interest payments will commence and continue through December 2050. The interest rate is fixed at 3.75% per annum. The Series D bonds are being drawn down as necessary to fund the current payments due on construction of the new facility, up to the maximum amount of \$18,900,000. The outstanding amount at June 30, 2012 is \$18,782,249.

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

Future payments of principal and interest on long-term debt obligations of the Health Center outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 651,483	1,149,676	1,801,159
2014	628,205	1,125,930	1,754,135
2015	558,460	1,104,007	1,662,467
2016	497,164	1,085,201	1,582,365
2017	516,433	1,065,933	1,582,366
2018-2022	2,938,824	4,987,605	7,926,429
2023-2027	3,663,599	4,253,485	7,917,084
2028-2032	4,666,939	3,252,561	7,919,500
2033-2037	3,105,677	2,196,650	5,302,327
2038-2042	2,994,042	1,656,308	4,650,350
2043-2047	3,599,138	1,051,212	4,650,350
2048-2051	3,276,263	323,915	3,600,178
Total	<u>\$ 27,096,227</u>	<u>23,252,483</u>	<u>50,348,710</u>

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$107,595, \$93,186 and \$84,956, respectively, equal to the required contributions for each year. The Health Center's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were approximately \$795,000, \$596,000 and \$541,000, respectively, equal to the required contributions for each year.

**(5) Other Postemployment Benefits (OPEB)**

City

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 28 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$515 for single coverage and \$1,390 for family coverage. For the year ended June 30, 2012, the City contributed \$406,334 and plan members eligible for benefits contributed \$55,265 to the plan.

Health Center

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

Funding Policy - The Health Center pays for all of active employees' coverage. The amount depends on whether single or family coverage is elected. Upon retirement, the retired participant continuing their coverage pays the premium, including any increase in single premium after retirement. The required contribution is based on projected pay-as-you-go financing requirements. The Health Center contributed approximately \$55,000 and \$41,000 to the plan during the years ended June 30, 2012 and 2011, respectively.

Details of the OPEB plan are available in the Health Center's audit report for the year ended June 30, 2012. The report may be obtained by writing to the Clarinda Regional Health Center, 220 Essie Davison Drive, Clarinda, Iowa 51632.

**(6) 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, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$109,000
Holiday	11,000
Compensatory time	<u>14,000</u>
Total	<u>\$134,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

The Health Center's liability for earned compensated absences payable to employees is approximately \$628,000 at June 30, 2012.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 248,299</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	82,830
	Tax Increment Financing	63,114
	Capital Projects	<u>86,427</u>
		<u>232,371</u>
Capital Projects	General	31,172
	Special Revenue:	
	Local Option Sales Tax	<u>82,782</u>
		<u>113,954</u>
Total		<u>\$ 594,624</u>

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

**(8) Development and Rebate Agreements**

The City has entered into two development and rebate agreements to assist in urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for public improvement infrastructure constructed by the developers as set forth in the urban renewal plan.

In accordance with the development and rebate agreements, the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of ten years beginning with the tax year in which property tax on the completed value of the improvement is first paid. The total amount rebated

each year shall represent 100% of the incremental property tax received by the City, not to exceed \$470,000. During the year ended June 30, 2012, the City rebated \$45,092 from the incremental property tax received. The total cumulative amount rebated since inception of the agreements is \$274,780. The outstanding balance on the agreements at June 30, 2012 was \$195,220.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City.

**(9) Risk Management**

City

The City is a member of 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 663 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 150% 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, 2012 were \$52,787.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-

sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, property and employee blanket bond in the amount of \$1,000,000, \$25,760,520 and \$250,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Health Center

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

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

The Health Center has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual claims and to provide claims processing and other administrative duties. Claims are accrued as incurred. The amounts charged to expense include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at the end of the year. Total expenses of \$1,283,690 were recognized under the plan by the Health Center for the year ended June 30, 2012.

## **Other 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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 2,084,968	-	-
Other city tax	517,015	-	-
Licenses and permits	13,667	-	-
Use of money and property	38,897	89,754	808
Intergovernmental	682,598	-	7,157
Charges for service	329,354	22,865,400	-
Miscellaneous	124,753	768,145	46,794
<b>Total receipts</b>	<b>3,791,252</b>	<b>23,723,299</b>	<b>54,759</b>
<b>Disbursements:</b>			
Public safety	1,094,803	-	24,001
Public works	652,449	-	-
Health and social services	14,705	-	-
Culture and recreation	830,245	-	13,245
Community and economic development	96,138	-	-
General government	340,325	-	-
Debt service	1,201,605	-	-
Capital projects	1,449,831	-	-
Business type activities	-	33,953,977	-
<b>Total disbursements</b>	<b>5,680,101</b>	<b>33,953,977</b>	<b>37,246</b>
Excess (deficiency) of receipts over (under) disbursements	(1,888,849)	(10,230,678)	17,513
Other financing sources, net	2,598,813	4,761,453	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	709,964	(5,469,225)	17,513
Balances beginning of year	1,461,540	16,746,060	110,886
Balances end of year	<b>\$ 2,171,504</b>	<b>11,276,835</b>	<b>128,399</b>

See accompanying independent auditor's report.



Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,084,968	2,069,529	2,069,529	15,439
517,015	486,723	516,723	292
13,667	8,100	8,100	5,567
127,843	11,000	11,000	116,843
675,441	569,320	569,320	106,121
23,194,754	42,617,500	42,657,500	(19,462,746)
846,104	43,500	43,500	802,604
27,459,792	45,805,672	45,875,672	(18,415,880)
1,070,802	1,108,014	1,118,014	47,212
652,449	676,445	706,445	53,996
14,705	40,000	40,000	25,295
817,000	799,948	834,948	17,948
96,138	88,000	98,000	1,862
340,325	321,164	352,164	11,839
1,201,605	677,076	1,207,076	5,471
1,449,831	3,000,000	3,000,000	1,550,169
33,953,977	41,978,871	41,978,871	8,024,894
39,596,832	48,689,518	49,335,518	9,738,686
(12,137,040)	(2,883,846)	(3,459,846)	(8,677,194)
7,360,266	3,000,000	3,530,000	3,830,266
(4,776,774)	116,154	70,154	(4,846,928)
18,096,714	9,780,964	9,780,964	8,315,750
13,319,940	9,897,118	9,851,118	3,468,822

City of Clarinda

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented 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 the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise 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 \$646,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

## **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, 2012

	Special Revenue			
	Local Option Sales Tax	Employee Benefits	Tax Increment Financing	Library Memorial
<b>Receipts:</b>				
Property tax	\$ -	469,992	-	-
Other city tax	413,911	12,360	-	-
Use of money and property	-	-	-	700
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	413,911	482,352	-	700
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	-	270,409	-	-
Public works	-	130,894	-	-
Culture and recreation	-	103,835	-	1,766
Community and economic development	-	-	45,092	-
General government	-	2,579	-	-
Total disbursements	-	507,717	45,092	1,766
Excess (deficiency) of receipts over (under) disbursements	413,911	(25,365)	(45,092)	(1,066)
<b>Other financing uses:</b>				
Operating transfers out	(413,911)	-	(63,114)	-
Change in cash balances	-	(25,365)	(108,206)	(1,066)
Cash balances beginning of year	-	148,557	358,982	14,180
Cash balances end of year	\$ -	123,192	250,776	13,114
<b>Cash Basis Fund Balances</b>				
<b>Nonspendable:</b>				
Cemetery perpetual care	\$ -	-	-	-
Library	-	-	-	-
<b>Restricted for:</b>				
Debt service	-	-	250,776	-
Other purposes	-	123,192	-	13,114
Total cash basis fund balances	\$ -	123,192	250,776	13,114

See accompanying independent auditor's report.

		Permanent			
Clarinda Library Foundation	Clarinda Fire and Rescue	Cemetery Perpetual Care	Library Endowment	Library Bequest	Total
-	-	-	-	-	469,992
-	-	-	-	-	426,271
411	397	-	-	-	1,508
-	7,157	-	-	-	7,157
6,142	40,652	-	661	-	47,455
6,553	48,206	-	661	-	952,383
-	24,001	-	-	-	294,410
-	-	-	-	-	130,894
13,245	-	-	-	-	118,846
-	-	-	-	-	45,092
-	-	-	-	-	2,579
13,245	24,001	-	-	-	591,821
(6,692)	24,205	-	661	-	360,562
-	-	-	-	-	(477,025)
(6,692)	24,205	-	661	-	(116,463)
63,258	47,628	60,666	136,051	100,000	929,322
56,566	71,833	60,666	136,712	100,000	812,859
-	-	60,666	-	-	60,666
-	-	-	136,712	100,000	236,712
-	-	-	-	-	250,776
56,566	71,833	-	-	-	264,705
56,566	71,833	60,666	136,712	100,000	812,859

**City of Clarinda**

## City of Clarinda

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

As of and for the year ended June 30, 2012

	Enterprise		
	Yard Waste	Storm Water	Total
Operating receipts:			
Charges for service	\$ 23,811	61,725	85,536
Operating disbursements:			
Business type activities	10,465	36,662	47,127
Excess of operating receipts over operating disbursements	13,346	25,063	38,409
Non-operating receipts (disbursements):			
Interest on investments	338	-	338
Acquisition of capital and other assets	-	(136,595)	(136,595)
Net non-operating receipts (disbursements)	338	(136,595)	(136,257)
Change in cash balances	13,684	(111,532)	(97,848)
Cash balances beginning of year	32,640	162,231	194,871
Cash balances end of year	\$ 46,324	50,699	97,023
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 46,324	50,699	97,023

See accompanying independent auditor's report.

City of Clarinda  
Schedule of Indebtedness  
June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
City:			
General obligation bonds:			
Library	Aug 1, 2003	1.50-4.40%	\$ 1,000,000
Corporate purpose	Aug 1, 2009	1.75-4.00	1,100,000
Refunding	Mar 25, 2010	0.80-2.20	1,470,000
Corporate purpose and refunding	Jul 15, 2011	0.80-2.85	1,650,000
Corporate purpose	Oct 28, 2011	0.65-2.55	1,000,000
Total			
Revenue bonds:			
Water	Oct 19, 2005 *	3.00	\$ 6,409,000
Clarinda Regional Health Center and Affiliate:			
2010 Hospital Revenue Bonds, Series B			
2010 Hospital Revenue Bonds, Series C			
2010 Hospital Revenue Bonds, Series D			
Capital leases:			
Equipment			
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance.  
See accompanying independent auditor's report.



Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
525,000	-	525,000	-	2,583
1,040,000	-	65,000	975,000	34,925
995,000	-	475,000	520,000	14,517
-	1,650,000	55,000	1,595,000	27,330
-	1,000,000	-	1,000,000	-
<u>\$ 2,560,000</u>	<u>2,650,000</u>	<u>1,120,000</u>	<u>4,090,000</u>	<u>79,355</u>
<u>5,183,000</u>	<u>-</u>	<u>274,000</u>	<u>4,909,000</u>	<u>155,490</u>
<u>\$ 6,355,000</u>	<u>-</u>	<u>225,000</u>	<u>6,130,000</u>	<u>317,390</u>
1,745,000	-	-	1,745,000	102,789
14,105,663	4,676,586	-	18,782,249	404,351
<u>127,667</u>	<u>435,795</u>	<u>124,484</u>	<u>438,978</u>	<u>5,069</u>
<u>\$ 22,333,330</u>	<u>5,112,381</u>	<u>349,484</u>	<u>27,096,227</u>	<u>829,599</u>

City of Clarinda

Bond Maturities

June 30, 2012

General Obligation Bonds						
Year Ending June 30,	Corporate Purpose		Refunding		Corporate Purpose and Refunding	
	Issued Aug 1, 2009		Issued Mar 25, 2010		Issued Jul 15, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	2.55%	\$ 110,000	1.40%	\$ 170,000	0.8%	\$ 165,000
2014	2.90	110,000	1.75	175,000	1.10	170,000
2015	3.15	120,000	2.20	175,000	1.35	170,000
2016	3.40	120,000		-	1.60	175,000
2017	3.60	120,000		-	1.90	175,000
2018	3.75	125,000		-	2.25	180,000
2019	3.90	135,000		-	2.50	185,000
2020	4.00	135,000		-	2.70	185,000
2021		-		-	2.85	190,000
Total		<u>\$ 975,000</u>		<u>\$ 520,000</u>		<u>\$ 1,595,000</u>

Revenue Bonds		
Year Ending June 30,	Water	
	Issued Oct 19, 2005	
	Interest Rates	Amount
2013	3.00%	\$ 282,000
2014	3.00	292,000
2015	3.00	301,000
2016	3.00	311,000
2017	3.00	321,000
2018	3.00	331,000
2019	3.00	342,000
2020	3.00	353,000
2021	3.00	365,000
2022	3.00	377,000
2023	3.00	389,000
2024	3.00	402,000
2025	3.00	415,000
2026	3.00	428,000
Total		<u>\$ 4,909,000</u>

See accompanying independent auditor's report.

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Corporate Purpose		
Issued Oct 28, 2011		
Interest		
Rates	Amount	Total
0.65%	\$ 100,000	545,000
0.80	105,000	560,000
1.00	110,000	575,000
1.30	110,000	405,000
1.55	110,000	405,000
1.85	115,000	420,000
2.15	115,000	435,000
2.40	115,000	435,000
2.55	120,000	310,000
	<u>\$ 1,000,000</u>	<u>4,090,000</u>

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City of Clarinda

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

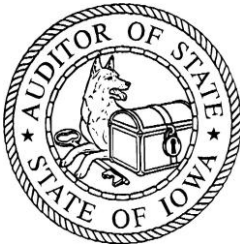
For the Last Ten Years

	2012	2011	2010
Receipts:			
Property tax	\$ 2,084,968	2,043,926	1,894,638
Tax increment financing	-	60,400	241,728
Other city tax	517,015	518,382	466,879
Licenses and permits	13,667	10,165	9,281
Use of money and property	38,897	10,605	26,583
Intergovernmental	682,598	1,182,714	873,209
Charges for service	329,354	346,033	312,698
Miscellaneous	124,753	179,666	311,916
Total	\$ 3,791,252	4,351,891	4,136,932
Disbursements:			
Operating:			
Public safety	\$ 1,094,803	1,037,992	947,949
Public works	652,449	792,443	775,374
Health and social services	14,705	26,761	26,991
Culture and recreation	830,245	805,352	767,050
Community and economic development	96,138	89,868	103,110
General government	340,325	302,712	282,881
Debt service	1,201,605	682,311	2,063,475
Capital projects	1,449,831	1,498,207	651,342
Total	\$ 5,680,101	5,235,646	5,618,172

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004	2003
1,850,058	1,932,527	1,828,565	1,726,674	1,586,760	1,475,004	1,467,847
206,498	124,820	106,557	62,759	11,685	-	-
479,791	465,471	469,272	451,297	395,003	403,456	358,398
10,428	12,081	9,712	9,938	9,512	8,948	9,187
21,951	36,918	31,352	30,480	62,875	44,514	31,929
628,433	710,728	1,740,055	1,592,450	573,785	726,244	575,731
322,411	306,908	286,852	275,526	264,716	256,303	311,380
148,436	360,480	212,719	167,729	934,953	710,787	483,361
<b>3,668,006</b>	<b>3,949,933</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>
921,107	844,163	847,801	977,718	940,357	921,658	968,317
580,188	594,886	542,108	450,075	441,016	467,568	490,103
21,175	19,298	27,928	38,293	33,371	3,500	-
763,169	722,635	742,258	946,885	843,964	842,821	999,046
87,326	120,168	96,746	115,454	136,940	160,694	134,748
252,127	244,413	287,921	349,429	386,249	328,775	94,155
592,485	678,285	676,808	673,165	2,230,532	1,870,911	559,977
438,878	434,650	1,247,898	1,372,219	1,384,965	1,828,052	345,739
<b>3,656,455</b>	<b>3,658,498</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>

**City of Clarinda**



OFFICE OF AUDITOR OF STATE  
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Mary Mosiman, CPA  
Auditor of State

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 20, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report includes a reference to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Clarinda Regional Health Center and Affiliate (the Health Center), a major Proprietary Fund, as described in our report on the City of Clarinda's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters which are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting, we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected in a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) through (D) to be significant deficiencies.

#### Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Clarinda's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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 the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Clarinda's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clarinda and other parties to whom the City of Clarinda may report and 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.

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 20, 2013



City of Clarinda

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Utility Reconciliation – Reconciliations of utility billings, collections and delinquent accounts are not documented for each billing cycle. The City does not retain a monthly delinquent utility listing.

Recommendation – Procedures should be established to document reconciliation of utility billings, collections, and delinquent accounts for each billing period. An independent person should review the utility reconciliation and document this review. The City should retain a copy of the monthly delinquent utility listing.

Response – The utility reconciliation will be documented, including the monthly delinquent listing at month end. The City Manager will review the monthly reconciliation for each billing cycle. The review will be initiated by the City Manager.

Conclusion – Response accepted.

- (B) Segregation of Duties – While there was evidence of review of the monthly reconciliations of the Clerk's balances to the bank accounts and investments by an independent person, this review was not performed timely. Also, there was no evidence the bank reconciliation review included the review of checks which cleared in the monthly bank statements.

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

Response – The Utility Billing Clerk will review the monthly reconciliation of Clerk's balances to the bank accounts. This monthly review will take place in a reasonable amount of time and will include appropriate documentation.

Conclusion – Response accepted.

- (C) Computer 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 is currently working with Data Technologies (software vendor) to program City software to require password changes every 60 to 90 days.

Conclusion – Response accepted.

City of Clarinda

Schedule of Findings

Year ended June 30, 2012

- (D) Segregation of Duties - Separately Maintained Records – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are 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 utilizing currently available staff, including administrative personnel.

Responses:

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Clarinda  
Schedule of Findings  
Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – Except as noted in comment (10), no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.
- (9) Unclaimed Property – The City has several outstanding checks dated prior to May 2009 which are considered to be unclaimed property.

Recommendation – The City should report and remit all unclaimed property to the State Treasurer annually before November 1 in accordance with Chapter 556.11 of the Code of Iowa.

Response – The City will report and remit unclaimed property to the State Treasurer annually.

Conclusion – Response accepted.

- (10) Lied Public Library Endowment and Project Funds – During the year ended June 30, 2008, the City, Lied Public Library Board of Trustees and the Clarinda Foundation (Foundation) entered into an agreement creating the Lied Public Library Endowment and Library Projects Fund of the Foundation. At the time of the agreement, the City transferred \$221,335, the remaining balance of donations the City received for the construction of the library, to the Foundation to establish the fund. As of June 30, 2012, these funds were still held by the Foundation.

City of Clarinda

Schedule of Findings

Year ended June 30, 2012

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit Foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2009. The advice letter states, in part:

"... I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

Consistent with the Iowa Attorney General's advice letter, the donations and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and the rules of the City. According to the financial reports of the Foundation, the Foundation's investments are commingled with investments from two other community foundations and, therefore, we are unable to determine if the funds are invested in the allowable investments for public funds specified in Chapter 12B.10(5) of the Code of Iowa.

In addition, the agreement with the Foundation does not require the Foundation to notify the City, in writing, of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the letter of advice, does not exist. We are not aware of any statutory authority for the Library Board of Trustees and/or the City to relinquish its fiduciary responsibility over the public funds to a separate non-profit organization.

The City should consult legal counsel about the disposition of this matter. The City should determine if the funds should be returned to the City or if a 28E agreement should be entered into requiring the Foundation to invest the funds as required by Chapter 12B.10(5) of the Code of Iowa. If the Foundation continues to invest these funds, the City should require the Foundation to notify the City, in writing, of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the types of services being provided under the agreement.

Response – The City will consult legal counsel to determine a resolution to this matter.

Conclusion – Response accepted.

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City of Clarinda

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Brandon J. Vogel, Staff Auditor  
Matthew S. Nye, Assistant Auditor  
Matthew J. Erlbacher, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State