

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

March 30, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Clarinda, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$9,646,459 for the year ended June 30, 2020, a 22% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$7,890,212, a 0.2% decrease from the prior year. The significant increase in receipts is due primarily to the sale of bonds for the City's sanitary sewer system and street improvement projects.

AUDIT FINDINGS:

Sand reported one finding related to the receipt and disbursement of taxpayer funds. The finding is found on pages 54 through 57 of this report. The finding addresses a lack of segregation of duties for the City. Sand provided the City with recommendations to address the finding.

The finding discussed above is repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of their operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

###

CITY OF CLARINDA

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

JUNE 30, 2020

City of Clarinda



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Rob Sand
Auditor of State

March 25, 2021

Officials of the City of Clarinda
Clarinda, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Clarinda for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Clarinda throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Clarinda

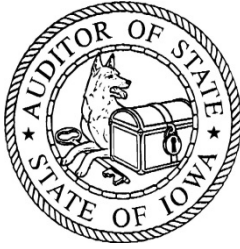
Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lisa Hull	Mayor	Jan 2022
Gary Alger	Mayor Pro tem	Jan 2020
Craig Hill	Council Member	Nov 2019
Jeff McCall	Council Member	Jan 2020
Matt Ridge	Council Member	Jan 2022
James Shore	Council Member	Jan 2022
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Ron Bitting	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lisa Hull	Mayor	Jan 2022
Jeff McCall	Mayor Pro tem	Jan 2024
Matt Ridge	Council Member	Jan 2022
James Shore	Council Member	Jan 2022
Craig Hill	Council Member	Jan 2024
Austin Ascherl	Council Member	Jan 2024
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Ron Bitting	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business Type Activities	Adverse
Discretely Presented Component Unit	Unmodified
Major Governmental Funds:	
General	Unmodified
Special Revenue:	
Road Use Tax	Unmodified
Employee Benefits	Unmodified
Local Option Sales Tax	Unmodified
Debt Service	Unmodified
Capital Projects	Unmodified
Major Enterprise Funds:	
Clarinda Regional Health Center	Adverse
Water	Unmodified
Sewer	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinions on the Enterprise, Clarinda Regional Health Center Fund and on Business Type Activities

Management has not included the Enterprise, Clarinda Regional Health Center Fund in the City's financial statements because the Clarinda Regional Health Center reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles require this fund be presented as a major Enterprise Fund and financial information about the Enterprise, Clarinda Regional Health Center Fund be part of the business type activities, thus increasing that activity's receipts and disbursements and changing its net position. The amounts by which this departure affects the receipts, disbursements and cash balance of the business type activities and the omitted major fund are \$51,858,908, \$38,895,446 and \$34,831,768, respectively.

Adverse Opinions

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on the Enterprise, Clarinda Regional Health Center Fund and on Business Type Activities" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the Enterprise, Clarinda Regional Health Center Fund and the business type activities of the City of Clarinda as of June 30, 2020 or the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the discretely presented component unit, the General Fund, the major Special Revenue Funds, including the Road Use Tax, Employee Benefits and Local Option Sales Tax Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Water and Sewer Funds, and the aggregate remaining fund information of the City of Clarinda as of June 30, 2020 and the respective changes in its cash basis financial position for the year then ended in accordance the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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 third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed adverse opinions on the business type activities and the Enterprise, Clarinda Regional Health Center Fund due to the omission of the Enterprise, Clarinda Regional Health Center Fund from the City's financial statements and unmodified opinions on the financial statements of the governmental activities, the discretely presented component unit, the major governmental funds, the major Enterprise Funds and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements. 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinions on the Enterprise, Clarinda Regional Health Center Fund and on Business Type Activities" paragraph on the preceding page, it is not appropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 40, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2021 on our consideration of the City of Clarinda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Clarinda's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 25, 2021

City of Clarinda

Basic Financial Statements

City of Clarinda

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

		Program Receipts		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Service		
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,149,486	21,246	86,611	-
Public works	1,099,734	55,552	716,216	-
Health and social services	3,250	-	-	-
Culture and recreation	976,787	238,503	29,084	-
Community and economic development	205,122	-	-	-
General government	346,166	8,321	8,566	-
Debt service	572,532	-	-	-
Capital projects	411,445	-	-	155,926
Total governmental activities	4,764,522	323,622	840,477	155,926
Business type activities:				
Water	1,542,473	1,382,310	-	-
Sewer	1,557,039	1,208,488	-	-
Yard waste	17,214	23,934	-	-
Storm water	8,964	61,272	-	-
Total business type activities	3,125,690	2,676,004	-	-
Total primary government	\$ 7,890,212	2,999,626	840,477	155,926
Component Unit:				
Clarinda Economic Development Corporation	\$ 78,615	-	-	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Sale of capital assets				
General obligation bond proceeds				
Sewer revenue bonds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Employee benefits				
Debt service				
Capital projects				
Library purposes				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Clarinda Economic Development Corporation
(1,041,629)	-	(1,041,629)	
(327,966)	-	(327,966)	
(3,250)	-	(3,250)	
(709,200)	-	(709,200)	
(205,122)	-	(205,122)	
(329,279)	-	(329,279)	
(572,532)	-	(572,532)	
(255,519)	-	(255,519)	
(3,444,497)	-	(3,444,497)	
-	(160,163)	(160,163)	
-	(348,551)	(348,551)	
-	6,720	6,720	
-	52,308	52,308	
-	(449,686)	(449,686)	
(3,444,497)	(449,686)	(3,894,183)	
			(78,615)
1,904,513	-	1,904,513	-
334,378	-	334,378	-
171,241	-	171,241	-
511,220	-	511,220	-
56,460	-	56,460	-
78,712	-	78,712	-
2,557	-	2,557	99,082
18,859	3,850	22,709	3,266
61,600	-	61,600	-
1,577,375	-	1,577,375	-
-	906,004	906,004	-
23,661	-	23,661	-
4,740,576	909,854	5,650,430	102,348
1,296,079	460,168	1,756,247	23,733
2,584,786	2,155,407	4,740,193	143,032
\$ 3,880,865	2,615,575	6,496,440	166,765
\$ 160,666	-	160,666	-
535,002	-	535,002	-
520,688	-	520,688	-
166,143	-	166,143	-
1,651,769	-	1,651,769	-
262,760	-	262,760	-
131,108	-	131,108	-
452,729	2,615,575	3,068,304	166,765
\$ 3,880,865	2,615,575	6,496,440	166,765

City of Clarinda

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

As of and for the year ended June 30, 2020

	General	Special Revenue		
		Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,268,954	-	535,329	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	511,220
Other city tax	126,938	-	29,752	-
Licenses and permits	21,272	-	-	-
Use of money and property	82,246	-	-	-
Intergovernmental	99,457	716,216	19,983	-
Charges for service	237,631	-	-	-
Miscellaneous	21,784	-	13,558	-
Total receipts	1,858,282	716,216	598,622	511,220
Disbursements:				
Operating:				
Public safety	824,831	-	260,697	-
Public works	56,643	921,467	121,624	-
Health and social services	3,250	-	-	-
Culture and recreation	835,522	-	134,543	-
Community and economic development	143,879	-	-	-
General government	326,749	-	19,417	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,190,874	921,467	536,281	-
Excess (deficiency) of receipts over (under) disbursements	(332,592)	(205,251)	62,341	511,220
Other financing sources (uses):				
General obligation bond proceeds, net of \$33,750 of issuance costs	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	61,600	-	-	-
Transfers in	371,768	-	-	-
Transfers out	(102,734)	-	-	(511,220)
Total other financing sources (uses)	330,634	-	-	(511,220)
Change in cash balances	(1,958)	(205,251)	62,341	-
Cash balances beginning of year	526,833	740,253	458,347	-
Cash balances end of year	\$ 524,875	535,002	520,688	-
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Library	-	-	-	-
Restricted for:				
Streets	-	535,002	-	-
Employee benefits	-	-	520,688	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Library purposes	-	-	-	-
Other purposes	72,146	-	-	-
Unassigned	452,729	-	-	-
Total cash basis fund balances	\$ 524,875	535,002	520,688	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
317,417	-	-	2,121,700
-	-	171,241	171,241
-	-	-	511,220
16,961	-	-	173,651
-	-	-	21,272
-	-	4,802	87,048
11,392	48,658	-	895,706
-	-	-	237,631
-	107,268	59,547	202,157
345,770	155,926	235,590	4,421,626
-	-	63,958	1,149,486
-	-	-	1,099,734
-	-	-	3,250
-	-	6,722	976,787
-	-	61,243	205,122
-	-	-	346,166
572,532	-	-	572,532
-	411,445	-	411,445
572,532	411,445	131,923	4,764,522
(226,762)	(255,519)	103,667	(342,896)
-	1,466,250	-	1,466,250
-	111,125	-	111,125
-	-	-	61,600
240,794	154,978	50,000	817,540
-	(105,237)	(98,349)	(817,540)
240,794	1,627,116	(48,349)	1,638,975
14,032	1,371,597	55,318	1,296,079
31,013	280,172	548,168	2,584,786
45,045	1,651,769	603,486	3,880,865
-	-	60,666	60,666
-	-	100,000	100,000
-	-	-	535,002
-	-	-	520,688
45,045	-	121,098	166,143
-	1,651,769	-	1,651,769
-	-	262,760	262,760
-	-	58,962	131,108
-	-	-	452,729
45,045	1,651,769	603,486	3,880,865

City of Clarinda

City of Clarinda

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

As of and for the year ended June 30, 2020

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 1,374,347	1,206,523	85,206	2,666,076
Miscellaneous	7,963	1,965	-	9,928
Total operating receipts	1,382,310	1,208,488	85,206	2,676,004
Operating disbursements:				
Business type activities	851,890	608,356	26,178	1,486,424
Excess of operating receipts over operating disbursements	530,420	600,132	59,028	1,189,580
Non-operating receipts (disbursements):				
Interest on investments	527	3,323	-	3,850
Sewer revenue bond proceeds	-	1,573,474	-	1,573,474
Debt service	(407,580)	(676,733)	-	(1,084,313)
Capital outlay	(283,003)	(939,420)	-	(1,222,423)
Net non-operating disbursements	(690,056)	(39,356)	-	(729,412)
Excess (deficiency) of receipts over (under) disbursements	(159,636)	560,776	59,028	460,168
Cash balances beginning of year	797,440	1,266,261	91,706	2,155,407
Cash balances end of year	\$ 637,804	1,827,037	150,734	2,615,575
Cash Basis Fund Balances				
Unrestricted	\$ 637,804	1,827,037	150,734	2,615,575

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2020

(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 1866 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 except for the Enterprise, Clarinda Regional Medical Center Fund. 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), 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 Clarinda City Council. 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, the Page County Emergency Management Commission, the Page County Joint 911 Service Board and the Page County Landfill.

Related Organization

The City Council is 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 Cash Basis Statement of Activities and Net Position 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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.

Special Revenue:

The 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 Employee Benefits Fund is used to account for the employee benefits property tax levy for the payment of employee benefits.

The Local Option Sales Tax Fund is used to account for receipts from the tax authorized by referendum and used for property tax relief, community protection, streets and economic development.

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

The Enterprise, Sewer Fund accounts 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 position 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 are 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. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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 ensure 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Long-Term Debt

Bonds and Notes

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,365,000	1,500,000	535,000	2,330,000	510,000
Business type activities:					
Water revenue bonds	\$ 2,729,000	-	353,000	2,376,000	365,000
Sewer revenue bonds	671,470	1,650,474	671,470	1,650,474	-
Business-type activities total	\$ 3,400,470	1,650,474	1,024,470	4,026,474	365,000

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Issued Jul 15, 2011			Corporate Purpose Issued Oct 28, 2011		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	2.85%	\$ 190,000	5,415	2.55%	\$ 120,000	3,060

Year Ending June 30,	Corporate Purpose Issued Mar 25, 2015			Corporate Purpose Issued Mar 11, 2020		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	1.85%	\$ 100,000	12,053	3.00%	\$ 100,000	55,000
2022	2.25	100,000	10,202	3.00	140,000	42,000
2023	2.25	105,000	7,953	3.00	140,000	37,800
2024	2.60	105,000	5,590	3.00	145,000	33,600
2025	2.60	110,000	2,860	3.00	150,000	29,250
2026-2030		-	-	3.00	825,000	75,750
Total		\$ 520,000	38,658		\$ 1,500,000	273,400

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 510,000	75,528	585,528
2022	240,000	52,202	292,202
2023	245,000	45,753	290,753
2024	250,000	39,190	289,190
2025	260,000	32,110	292,110
2026-2030	825,000	75,750	900,750
Total	\$ 2,330,000	320,533	2,650,533

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. The bonds were issued for the purpose of paying the cost, to that extent, of constructing street, water system, sanitary sewer and storm sewer improvements, acquiring equipment for the street department and refunding the callable 2003 notes. During the year ended June 30, 2020, the City paid \$185,000 of principal and \$10,410 of interest on the bonds.

On October 28, 2011, the City issued \$1,000,000 of general obligation corporate purpose bonds with interest rates ranging from 0.65% to 2.55% per annum. The bonds were issued for the purposes of paying the cost, to that extent, of constructing improvements to the municipal recreation center, constructing street improvements and acquiring a fire truck. During the year ended June 30, 2020, the City paid \$115,000 of principal and \$5,820 of interest on the bonds.

On March 25, 2015, the City issued \$995,000 of general obligation bonds with interest rates ranging from 1.00% to 2.60% per annum. The bonds were issued for the purpose of paying the cost, to that extent, of constructing street improvements. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$13,903 of interest on the bonds.

On March 11, 2020, the City issued \$1,500,000 of general obligation bonds with an interest rate of 3.00% per annum. The bonds were issued for the purpose of paying the costs, to that extent, of constructing street repairs and improvements, including incidental related public infrastructure work. The City did not make any principal or interest payments during fiscal year 2020.

Revenue Notes

A summary of the City's June 30, 2020 revenue bonds payable is as follows:

Year Ending June 30,	Water			
	Issued Oct 19, 2005			
	Interest Rates	Principal	Interest	Total
2021	1.75%	\$ 365,000	41,580	406,580
2022	1.75	377,000	35,193	412,193
2023	1.75	389,000	28,595	417,595
2024	1.75	402,000	21,787	423,787
2025	1.75	415,000	14,753	429,753
2026-2030	1.75	428,000	7,490	435,490
Total		\$ 2,376,000	149,398	2,525,398

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 up to \$6,500,000 of drinking water revenue bonds with interest at 3% per annum. The Iowa Finance Authority approved a reduction to the interest rate from 3.0% per annum to 1.75% per annum effective December 1, 2015. 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 the year ended June 30, 2020, the City paid principal of \$353,000 and interest of \$47,758 leaving a principal balance of \$2,376,000 at June 30, 2020.

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 expected to require approximately 76% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,525,398. For the current year, principal and interest paid and total customer net receipts were \$400,758 and \$530,420, 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 the water system and to produce and maintain net receipts at a level not less than 110% of the amount of the annual principal and interest due on the revenue bonds.

Sewer Revenue Bonds

On December 20, 2019, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority (IFA), the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of up to \$15,400,000 of sewer revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa for the purpose of paying the costs of construction of a wastewater treatment facility. The City will draw down funds from IFA upon request to reimburse the City for costs as they are incurred. During the year ended June 30, 2020, the City drew down \$1,650,474 of the authorized amount. An initiation fee of \$77,000 (0.5% of the authorized borrowing) was charged by IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City. A final repayment schedule has not yet been adopted. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2020, the City made no principal payments and paid interest of \$8,105, leaving a principal balance of \$1,650,474 at June 30, 2020.

The resolution providing for the issuance of the sewer 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 the water system and to produce and maintain net receipts at a level not less than 110% of the amount of the annual principal and interest due on the revenue bonds.

(4) Pension Plan

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 19.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$129,743.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$560,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.009671%, which was a decrease of 0.000124% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$168,999, \$104,093 and \$142,800, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 1,338,241	560,032	(92,292)

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$420,208 and plan members eligible for benefits contributed \$40,797 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, there were 26 active employees and no inactive employees or beneficiaries receiving benefit payments.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory 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, holiday and compensatory hours payable to employees at June 30, 2020, primarily relating to the General Fund and the Enterprise, Water and Sewer Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 124,000
Holiday	39,000
Compensatory time	19,000
Total	<u>\$ 182,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 349,731
	Capital Projects	22,037
		<u>371,768</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	59,245
	Tax Increment Financing	98,349
	Capital Projects	83,200
		<u>240,794</u>
Tax Increment Financing	General	<u>50,000</u>
Capital Projects	General	52,734
	Special Revenue:	
	Local Option Sales Tax	102,244
		<u>154,978</u>
Total		<u>\$ 817,540</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 development and rebate agreements to assist in an urban renewal project. 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 developer will be rebated for a period of ten years beginning with the tax year in which property tax on the completed value of the improvement is first paid. The total amount rebated each year shall be 100% of the incremental property tax received by the City, not to exceed \$2,650,000. The City has certified \$102,835 for the agreements as TIF debt. During the year ended June 30, 2020, the City rebated \$61,243 of the incremental property tax received. The total cumulative amount rebated since inception of the agreements is \$132,735. The estimated outstanding balance to be paid on the agreements at June 30, 2020 is \$1,178,488. Of this amount, \$1,200,000 is subject to annual appropriation.

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

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 778 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$123,742.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, airport liability and employee blanket bond in the amounts of \$1,000,000, \$1,000,000 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.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount.

Additionally, the City provides tax abatements for urban revitalization projects under Chapter 404 of the Code of Iowa. For these types of projects, the City will abate up to \$150,000 of assessed value of a property for the revitalized portion of taxes upon prior approval of the City Council. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$26,778 of property tax was diverted from the City under the urban renewal and economic development agreements and \$21,875 of property tax under the urban revitalization projects.

(11) Subsequent Events

In December 2020, the City entered into a Third Supplemental Indenture of Trust, which constitutes a loan agreement, to borrow money in a principal amount not to exceed \$2,000,000 for the purpose of providing a portion of the permanent financing for the Clarinda Regional Health Center Project, and issue its Taxable Hospital Revenue Bonds, Series 2020, to be purchased by PCSB Bank, pursuant to the terms of the Third Supplemental Indenture.

(12) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Clarinda, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Clarinda's operations and finances.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

City of Clarinda

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual (Excluding Clarinda Regional Health Center)	Unaudited Clarinda Regional Health Center Actual
Receipts:			
Property tax	\$ 2,121,700	-	-
Tax increment financing	171,241	-	-
Other city tax	684,871	-	-
Licenses and permits	21,272	-	-
Use of money and property	87,048	3,850	400,973
Intergovernmental	895,706	-	-
Charges for service	237,631	2,666,076	39,067,935
Miscellaneous	202,157	9,928	9,213,800
Total receipts	4,421,626	2,679,854	48,682,708
Disbursements:			
Public safety	1,149,486	-	-
Public works	1,099,734	-	-
Health and social services	3,250	-	-
Culture and recreation	976,787	-	-
Community and economic development	205,122	-	-
General government	346,166	-	-
Debt service	572,532	-	-
Capital projects	411,445	-	-
Business type activities	-	3,793,160	38,895,446
Total disbursements	4,764,522	3,793,160	38,895,446
Excess (deficiency) of receipts over (under) disbursements	(342,896)	(1,113,306)	9,787,262
Other financing sources, net	1,638,975	1,573,474	3,176,200
Change in balances	1,296,079	460,168	12,963,462
Balances beginning of year	2,584,786	2,155,407	21,868,306
Balances end of year	\$ 3,880,865	2,615,575	34,831,768

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Variance
		Original	Final	
-	2,121,700	2,108,841	2,108,841	12,859
-	171,241	168,350	168,350	2,891
-	684,871	647,824	647,824	37,047
-	21,272	10,500	10,500	10,772
1,727	490,144	9,800	9,800	480,344
-	895,706	681,398	681,398	214,308
-	41,971,642	59,946,020	59,864,020	(17,892,378)
59,547	9,366,338	5,000	5,000	9,361,338
61,274	55,722,914	63,577,733	63,495,733	(7,772,819)
63,958	1,085,528	1,111,092	1,121,092	35,564
-	1,099,734	1,022,712	1,222,712	122,978
-	3,250	23,250	23,250	20,000
6,722	970,065	1,009,638	1,029,638	59,573
-	205,122	242,000	247,000	41,878
-	346,166	402,472	402,472	56,306
-	572,532	572,533	572,533	1
-	411,445	3,000,000	3,000,000	2,588,555
-	42,688,606	59,088,358	59,288,358	16,599,752
70,680	47,382,448	66,472,055	66,907,055	19,524,607
(9,406)	8,340,466	(2,894,322)	(3,411,322)	11,751,788
-	6,388,649	3,000,000	3,000,000	3,388,649
(9,406)	14,729,115	105,678	(411,322)	15,140,437
133,326	26,475,173	7,043,296	7,043,296	19,431,877
123,920	41,204,288	7,148,974	6,631,974	34,572,314

City of Clarinda

City of Clarinda

Notes to Other Information – Budgetary Reporting

June 30, 2020

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 and discretely presented component units. The City's budget includes the Clarinda Regional Health Center, a City department which is excluded from the City's financial statements because the Health Center uses a financial reporting framework which differs from the financial reporting framework used by the City. 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 435,000.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

City of Clarinda

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.009671%	0.009795%	0.010573%	0.011433%
City's proportionate share of the net pension liability	\$ 560	620	704	719
City's covered payroll	\$ 1,299	1,253	1,250	1,246
City's proportionate share of the net pension liability as a percentage of its covered payroll	43.11%	49.48%	56.32%	57.70%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2016	2015
0.010974%	0.010297%
542	408
1,305	1,332
41.53%	30.63%
85.19%	87.61%

City of Clarinda

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 130	127	116	116
Contributions in relation to the statutorily required contribution	(130)	(127)	(116)	(116)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 1,338	1,299	1,253	1,250
Contributions as a percentage of covered payroll	9.72%	9.78%	9.26%	9.28%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
115	122	125	114	105	91
(115)	(122)	(125)	(114)	(105)	(91)
-	-	-	-	-	-
1,246	1,305	1,332	1,240	1,213	1,163
9.23%	9.35%	9.35%	9.19%	8.66%	7.82%

City of Clarinda

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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, 2020

	Special Revenue			
	Tax Increment Financing	Library Special	Clarinda Library Foundation	Clarinda Fire and Rescue
Receipts:				
Tax increment financing	\$ 171,241	-	-	-
Use of money and property	-	3,075	1,081	646
Miscellaneous	-	-	3,524	56,023
Total receipts	171,241	3,075	4,605	56,669
Disbursements:				
Operating:				
Public safety	-	-	-	63,958
Culture and recreation	-	-	6,722	-
Community and economic development	61,243	-	-	-
Total disbursements	61,243	-	6,722	63,958
Excess of receipts over disbursements	109,998	3,075	(2,117)	(7,289)
Other financing sources (uses):				
Transfers in	50,000	-	-	-
Transfers out	(98,349)	-	-	-
Total other financing sources (uses)	(48,349)	-	-	-
Change in cash balances	61,649	3,075	(2,117)	(7,289)
Cash balances beginning of year	59,449	194,727	67,075	66,251
Cash balances end of year	\$ 121,098	197,802	64,958	58,962
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Library	-	-	-	-
Restricted for:				
Debt service	121,098	-	-	-
Library purposes	-	197,802	64,958	-
Other purposes	-	-	-	58,962
Total cash basis fund balances	\$ 121,098	197,802	64,958	58,962

See accompanying independent auditor's report.

Permanent		
Cemetery		
Perpetual	Library	
Care	Bequest	Total
-	-	171,241
-	-	4,802
-	-	59,547
-	-	235,590
-	-	63,958
-	-	6,722
-	-	61,243
-	-	131,923
-	-	103,667
-	-	50,000
-	-	(98,349)
-	-	(48,349)
-	-	55,318
60,666	100,000	548,168
60,666	100,000	603,486
60,666	-	60,666
-	100,000	100,000
-	-	121,098
-	-	262,760
-	-	58,962
60,666	100,000	603,486

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, 2020

	Enterprise		
	Yard Waste	Storm Water	Total
Operating receipts:			
Charges for service	\$ 23,934	61,272	85,206
Operating disbursements:			
Business type activities	17,214	8,964	26,178
Change in cash balances	6,720	52,308	59,028
Cash balances beginning of year	58,937	32,769	91,706
Cash balances end of year	<u>\$ 65,657</u>	<u>85,077</u>	<u>150,734</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 65,657</u>	<u>85,077</u>	<u>150,734</u>

See accompanying independent auditor's report.

City of Clarinda
Schedule of Indebtedness
June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Aug 1, 2009	1.75-4.00%	\$ 1,100,000
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
Corporate purpose	Mar 25, 2015	1.00-2.60	995,000
Corporate purpose	Mar 11, 2020	3.00	1,500,000
Total			
Revenue bonds/notes:			
Water	Oct 19, 2005	1.75% *	\$ 6,409,000
Sewer anticipation project	Apr 27, 2018	0.00	920,000
Sewer	Dec 20, 2019	1.75 *	1,650,474
Total			

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance. Effective December 1, 2015, the interest rate on the water revenue bonds was reduced to 1.75%.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
135,000	-	135,000	-	5,400
375,000	-	185,000	190,000	10,410
235,000	-	115,000	120,000	5,820
620,000	-	100,000	520,000	13,903
-	1,500,000	-	1,500,000	-
\$ 1,365,000	1,500,000	535,000	2,330,000	35,533
2,729,000	-	353,000	2,376,000	47,758
671,470	-	671,470	-	-
-	1,650,474	-	1,650,474	8,105
\$ 3,400,470	1,650,474	1,024,470	2,376,000	55,863

City of Clarinda

Bond Maturities

June 30, 2020

General Obligation							
Year Ending June 30,	Corporate Purpose and Refunding			Corporate Purpose			Corporate Purpose
	Issued Jul 15, 2011			Issued Oct 28, 2011			Issued Mar 25, 2015
	Interest			Interest			Interest
	Rates	Amount		Rates	Amount		Rates Amount
2021	2.85%	\$	190,000	2.55%	\$	120,000	1.85% \$ 100,000
2022			-			-	2.25 100,000
2023			-			-	2.25 105,000
2024			-			-	2.60 105,000
2025			-			-	2.60 110,000
2026			-			-	
2027			-			-	
2028			-			-	
2029			-			-	
2030			-			-	
Total		\$	190,000		\$	120,000	\$ 520,000

Revenue Bonds			
Year Ending June 30,	Water		
	Issued Oct 19, 2005		
	Interest		
	Rates	Amount	
2021	1.75%	\$	365,000
2022	1.75		377,000
2023	1.75		389,000
2024	1.75		402,000
2025	1.75		415,000
2026	1.75		428,000
Total		\$	2,376,000

See accompanying independent auditor's report.

Bonds

<u>Corporate Purpose</u>		
<u>Issued Mar 11, 2020</u>		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.00% \$	100,000	\$ 510,000
3.00	140,000	240,000
3.00	140,000	245,000
3.00	145,000	250,000
3.00	150,000	260,000
3.00	155,000	155,000
3.00	160,000	160,000
3.00	165,000	165,000
3.00	170,000	170,000
3.00	175,000	175,000
	<u>\$ 1,500,000</u>	<u>\$ 2,330,000</u>

City of Clarinda

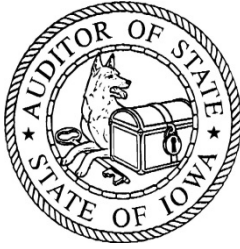
Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 2,121,700	2,066,458	2,019,399	2,040,810
Tax increment financing	171,241	167,565	170,265	110,598
Local option sales tax	511,220	488,406	542,615	511,170
Other city tax	173,651	191,856	175,769	99,793
Licenses and permits	21,272	20,015	19,468	16,858
Use of money and property	87,048	91,850	77,532	74,953
Intergovernmental	895,706	1,196,064	1,125,602	1,400,193
Charges for service	237,631	299,894	321,272	339,578
Special assessments	-	1,955	3,615	908
Miscellaneous	202,157	100,630	405,858	128,393
Total	<u>\$ 4,421,626</u>	<u>4,624,693</u>	<u>4,861,395</u>	<u>4,723,254</u>
Disbursements:				
Operating:				
Public safety	\$ 1,149,486	1,125,549	1,125,113	1,105,094
Public works	1,099,734	598,093	596,175	622,860
Health and social services	3,250	2,000	2,000	1,500
Culture and recreation	976,787	1,009,856	950,356	1,116,212
Community and economic development	205,122	243,351	193,316	118,514
General government	346,166	349,854	370,490	346,732
Debt service	572,532	581,225	578,520	573,720
Capital projects	411,445	622,764	454,177	939,136
Total	<u>\$ 4,764,522</u>	<u>4,532,692</u>	<u>4,270,147</u>	<u>4,823,768</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
2,042,509	2,023,560	2,092,540	2,062,717	2,084,968	2,043,926
66,907	116,939	116,536	111,514	-	60,400
455,211	436,113	458,065	468,813	413,911	412,585
107,662	105,472	99,388	100,752	103,104	105,797
14,802	15,366	16,476	11,814	13,667	10,165
85,594	67,380	54,967	57,934	38,897	10,605
941,078	889,712	696,848	939,497	682,598	1,182,714
334,123	344,808	354,319	388,888	329,354	346,033
649	209	-	-	-	-
82,627	89,039	204,652	336,820	124,753	179,666
4,131,162	4,088,598	4,093,791	4,478,749	3,791,252	4,351,891
1,127,618	1,189,329	1,180,801	1,229,097	1,094,803	1,037,992
940,471	605,753	714,380	641,000	652,449	792,443
1,500	1,500	1,000	1,034	14,705	26,761
948,919	1,011,389	988,277	964,396	830,245	805,352
99,782	116,751	90,084	94,313	96,138	89,868
328,951	301,021	303,255	340,090	340,325	302,712
581,306	650,993	645,205	646,412	1,201,605	682,311
1,162,085	313,744	8,131	806,227	1,449,831	1,498,207
5,190,632	4,190,480	3,931,133	4,722,569	5,680,101	5,235,646



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

To the Honorable Mayor and Members of the City Council:

We have audited 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, the 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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2021. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed unmodified opinions on the governmental activities, the discretely presented component unit, the General Fund, the major Special Revenue Funds, including the Road Use Tax, the Employee Benefits and the Local Option Sales Tax Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Water and Sewer Funds, and the aggregate remaining fund information of the City of Clarinda, Iowa, as of June 30, 2020. We expressed adverse opinions on the business type activities and the Enterprise, Clarinda Regional Health Center Fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clarinda's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Clarinda's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarinda's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, we identified certain deficiencies in internal control, described as items (A) through (C) in the accompanying Schedule of Findings, we consider 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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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.

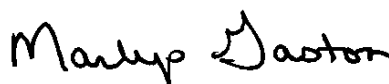
The City of Clarinda's Responses to the Findings

The City of Clarinda's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Clarinda's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 25, 2021

City of Clarinda

Schedule of Findings

Year ended June 30, 2020

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – The Lied Recreation Center and Lied Public Library are departments of the City. For those departments, collecting and the posting of receipts to the receipts journal are performed by the same person.

Cause – The Lied Recreation Center and Lied Public Library have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its operating procedures to obtain the maximum internal control possible under the circumstances. Currently available staff, including elected officials or other City employees, should be utilized to provide additional control through a review of financial transactions and reconciliations.

Response – Due to the limited number of employees at the Lied Recreation Center and Lied Public Library, segregation of duties is not always possible. The Director of each facility reviews the daily receipts and prepares the deposit for City Hall. City Hall staff are responsible for the actual deposit and posting to the City's general ledger.

Conclusion – Response accepted.

(B) Segregation of Duties – Component Units

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the component unit financial statements.

City of Clarinda

Schedule of Findings

Year ended June 30, 2020

Condition – For the Library Foundation and the Clarinda Fire and Rescue, the collecting, depositing, posting of cash receipts to the cash receipts journal, disbursement preparation and check signing are all performed by the same person.

Cause – The Library Foundation and Clarinda Fire and Rescue have a limited number of Board members and employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Library Foundation's and the Clarinda Fire and Rescue's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Library Foundation and the Clarinda Fire and Rescue operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Currently available staff and Board members should be utilized to provide additional control through a review of financial transactions and reconciliations.

Responses –

Library Foundation – Due to a limited number of Board members, segregation of duties are 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 Board members and utilize administrative personnel to provide additional control through review of financial transactions and reports.

(C) Prenumbered Receipts

Criteria – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

Condition – For the Library Foundation and the Clarinda Fire and Rescue, prenumbered receipts are not issued for all collections.

Cause – The Library Foundation and Clarinda Fire and Rescue do not require prenumbered receipts to be issued for all collections.

Effect – Lack of prenumbered receipts could result in unrecorded or unaccounted for transactions and the opportunity for misappropriation.

Recommendation – The Library Foundation and the Clarinda Fire and Rescue should use prenumbered receipts for donation and other miscellaneous receipts.

City of Clarinda

Schedule of Findings

Year ended June 30, 2020

Responses –

Library Foundation – The Library Foundation presently provides non-numbered receipts and logs information into accounting software. The Library Foundation will review its policies and procedures to strengthen internal controls and will review periodically for additional opportunities to strengthen internal controls.

Clarinda Fire and Rescue – The Clarinda Fire Department presently provides non-numbered receipts and logs information into our accounting software. The Clarinda Fire Department will review its policies and procedures to strengthen internal controls and will review periodically for additional opportunities to strengthen internal controls.

Conclusion – Response acknowledged. The Library Foundation and Clarinda Fire and Rescue should issue prenumbered receipts at the time of collection to provide additional control over the proper collection and recording of all money.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Clarinda

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 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) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (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 the coverage is adequate for current operations.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Bonds – No instance of non-compliance with the revenue bond resolution were noted.
- (10) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report were noted.

City of Clarinda

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tiffany M. Ainger, CPA, Manager
Micaela A. Tintjer, CPA, Senior Auditor
Brandon G. Sommers, Staff Auditor
Priscilla M. Ruiz Torres, Assistant Auditor