

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

October 17, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$10,757,769 for the year ended June 30, 2023, a 22% decrease. Disbursements for the year ended June 30, 2023 totaled \$11,432,601, a 21.7% decrease from the prior year. The significant decrease in receipts is primarily due to less sewer revenue bond proceeds received in fiscal year 2023 compared with fiscal year 2022. The decrease in disbursements for fiscal year 2023 is primarily due to fewer construction expenses due to the completion of the wastewater treatment plant project.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds at the City and two findings related to the City's component units. The findings are found on pages 59 through 65 of this report. The findings address a lack of segregation of duties and a lack of independent review of bank reconciliations. Sand provided the City with recommendations to address these findings.

One of the findings related to the City and both findings related to the City's component units discussed above are repeated from the prior year. The City Council and management of the component units have a fiduciary responsibility to provide oversight of the City's and the component units' 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 website at [Audit Reports – Auditor of State](#).

###

CITY OF CLARINDA

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

JUNE 30, 2023

City of Clarinda



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

July 24, 2024

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, 2023. 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

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-31
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds		34-35
Notes to Other Information – Budgetary Reporting		37
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset)		38-39
Schedule of City Contributions		40-41
Notes to Other Information – Pension Liability		42
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	44-45
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3	48-49
Schedule of Expenditures of Federal Awards	4	51
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 <u>Government Auditing Standards</u>		52-53
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		55-57
Schedule of Findings and Questioned Costs		58-65
Staff		66

City of Clarinda

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Hill	Mayor	Jan 2026
Jeff McCall	Mayor Pro tem	Jan 2024
Kaley Neal (Appointed Feb 2022)	Council Member	Nov 2023
Austin Ascherl	Council Member	Jan 2024
Matt Ridge	Council Member	Jan 2026
James Shore	Council Member	Jan 2026
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Ron Bitting	Attorney	Indefinite



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Adverse Opinion on the Business Type Activities and the Enterprise, Clarinda Regional Health Center Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinion section of our report, the accompanying financial statements referred to above do not present fairly, the financial position of the business type activities and the Enterprise, Clarinda Regional Health Center Fund of the City of Clarinda as of June 30, 2023, or the changes in its cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Unmodified Opinions on Governmental Activities, Discretely Presented Component Unit, Each Major Governmental Fund, the Major Enterprise Funds, Water and Sewer and the Aggregate Remaining Fund Information

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, each major governmental fund, the major Enterprise Funds, Water and Sewer and the aggregate remaining fund information of the City of Clarinda as of June 30, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Clarinda, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Adverse Opinion on the Business Type Activities and the Enterprise, Clarinda Regional Health Center Fund

The financial statements do not include data for the Enterprise, Clarinda Regional Health Center Fund 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 \$54,782,652, \$66,836,099 and \$18,171,856, respectively.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Clarinda's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Clarinda’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Clarinda’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2022 (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, Water and Sewer and the aggregate remaining fund information which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 basic financial statements. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 34 through 42 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2024 on our consideration of the 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

July 24, 2024

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, 2023

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,262,180	31,769	84,032	-
Public works	853,742	72,268	783,835	-
Health and social services	5,000	-	-	-
Culture and recreation	1,369,842	299,959	77,404	4,000
Community and economic development	381,811	-	2,569	238,290
General government	468,256	6,508	-	-
Debt service	460,120	-	-	-
Capital projects	2,507,492	-	275,000	500,000
Total governmental activities	7,308,443	410,504	1,222,840	742,290
Business type activities:				
Water	1,470,970	1,537,081	-	-
Sewer	2,527,563	1,653,557	-	620
Yard waste	16,367	24,123	-	-
Storm water	109,258	88,898	-	-
Total business type activities	4,124,158	3,303,659	-	620
Total primary government	\$ 11,432,601	3,714,163	1,222,840	742,910
Component Unit:				
Clarinda Economic Development Corporation	\$ 105,323	-	154,423	-
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				
American Rescue Plan Act				
Rent income				
Unrestricted interest on investments				
Sale of capital assets				
Revenue bond proceeds				
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
(1,146,379)	-	(1,146,379)	
2,361	-	2,361	
(5,000)	-	(5,000)	
(988,479)	-	(988,479)	
(140,952)	-	(140,952)	
(461,748)	-	(461,748)	
(460,120)	-	(460,120)	
(1,732,492)	-	(1,732,492)	
(4,932,809)	-	(4,932,809)	
-	66,111	66,111	
-	(873,386)	(873,386)	
-	7,756	7,756	
-	(20,360)	(20,360)	
-	(819,879)	(819,879)	
(4,932,809)	(819,879)	(5,752,688)	
			49,100
2,084,077	-	2,084,077	-
434,927	-	434,927	-
193,322	-	193,322	-
677,340	-	677,340	-
123,506	-	123,506	-
67,635	-	67,635	-
-	401,170	401,170	-
29,972	-	29,972	-
27,881	1,460	29,341	4,833
28,850	-	28,850	-
-	984,850	984,850	-
22,866	-	22,866	-
3,690,376	1,387,480	5,077,856	4,833
(1,242,433)	567,601	(674,832)	53,933
4,440,120	3,035,735	7,475,855	282,045
\$ 3,197,687	3,603,336	6,801,023	335,978
\$ 160,666	-	160,666	-
770,992	-	770,992	-
643,877	-	643,877	-
119,254	-	119,254	-
286,955	-	286,955	-
430,283	-	430,283	-
76,671	-	76,671	-
708,989	3,603,336	4,312,325	335,978
\$ 3,197,687	3,603,336	6,801,023	335,978

City of Clarinda

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

As of and for the year ended June 30, 2023

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,424,309	-	553,565	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	677,340
Other city tax	230,825	-	-	-
Licenses and permits	23,847	-	-	-
Use of money and property	137,274	-	-	-
Intergovernmental	160,604	738,835	15,098	-
Charges for service	300,038	-	-	-
Special assessments	1,961	-	-	-
Miscellaneous	37,678	-	-	-
Total receipts	2,316,536	738,835	568,663	677,340
Disbursements:				
Operating:				
Public safety	935,762	-	255,419	-
Public works	93,310	624,458	135,974	-
Health and social services	5,000	-	-	-
Culture and recreation	1,136,516	-	157,651	-
Community and economic development	220,410	-	-	-
General government	450,453	-	17,803	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,841,451	624,458	566,847	-
Excess (deficiency) of receipts over (under) disbursements	(524,915)	114,377	1,816	677,340
Other financing sources (uses):				
Sale of capital assets	28,850	-	-	-
Transfers in	690,139	-	-	-
Transfers out	(306,504)	(329,141)	-	(677,340)
Total other financing sources (uses)	412,485	(329,141)	-	(677,340)
Change in cash balances	(112,430)	(214,764)	1,816	-
Cash balances beginning of year	821,419	985,756	642,061	-
Cash balances end of year	\$ 708,989	770,992	643,877	-
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Library	-	-	-	-
Restricted for:				
Streets	-	770,992	-	-
Employee benefits	-	-	643,877	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Library purposes	-	-	-	-
Other purposes	-	-	-	-
Unassigned	708,989	-	-	-
Total cash basis fund balances	\$ 708,989	770,992	643,877	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
415,913	-	-	2,393,787
-	-	193,322	193,322
-	-	-	677,340
17,898	-	-	248,723
-	-	-	23,847
-	-	4,293	141,567
11,828	984,778	-	1,911,143
-	-	-	300,038
-	-	-	1,961
-	4,000	103,754	145,432
445,639	988,778	301,369	6,037,160
-	-	70,999	1,262,180
-	-	-	853,742
-	-	-	5,000
-	-	75,675	1,369,842
-	-	161,401	381,811
-	-	-	468,256
460,120	-	-	460,120
-	2,507,492	-	2,507,492
460,120	2,507,492	308,075	7,308,443
(14,481)	(1,518,714)	(6,706)	(1,271,283)
-	-	-	28,850
-	741,976	29,136	1,461,251
-	(148,266)	-	(1,461,251)
-	593,710	29,136	28,850
(14,481)	(925,004)	22,430	(1,242,433)
53,144	1,211,959	725,781	4,440,120
38,663	286,955	748,211	3,197,687
-	-	60,666	60,666
-	-	100,000	100,000
-	-	-	770,992
-	-	-	643,877
38,663	-	80,591	119,254
-	286,955	-	286,955
-	-	430,283	430,283
-	-	76,671	76,671
-	-	-	708,989
38,663	286,955	748,211	3,197,687

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, 2023

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 1,524,435	1,653,557	113,021	3,291,013
Miscellaneous	12,646	620	-	13,266
Total operating receipts	1,537,081	1,654,177	113,021	3,304,279
Operating disbursements:				
Business type activities	995,302	616,704	125,625	1,737,631
Excess (deficiency) of operating receipts over (under) operating disbursements	541,779	1,037,473	(12,604)	1,566,648
Non-operating receipts (disbursements):				
Interest on investments	200	1,260	-	1,460
Sewer revenue bond proceeds	-	984,850	-	984,850
Debt service	(421,680)	(913,235)	-	(1,334,915)
American Rescue Plan Act	-	401,170	-	401,170
Capital outlay	(53,988)	(997,624)	-	(1,051,612)
Net non-operating disbursements	(475,468)	(523,579)	-	(999,047)
Change in cash balances	66,311	513,894	(12,604)	567,601
Cash balances beginning of year	635,047	2,135,235	265,453	3,035,735
Cash balances end of year	\$ 701,358	2,649,129	252,849	3,603,336
Cash Basis Fund Balances				
Unrestricted	\$ 701,358	2,649,129	252,849	3,603,336

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2023

(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 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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments: is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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, 2023, disbursements exceeded the amounts budgeted in the capital projects function.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2023 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

A summary of changes in bonds and notes payable for the year ended June 30, 2023 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,020,000	-	390,000	2,630,000	400,000
Business type activities:					
Water revenue bonds - Direct borrowing	\$ 1,634,000	-	389,000	1,245,000	402,000
Sewer revenue bonds - Direct borrowing	12,642,337	984,850	646,000	12,981,187	-
Business-type activities total	\$ 14,276,337	984,850	1,035,000	14,226,187	402,000

General Obligation Bonds

A summary of the City's June 30, 2023 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose Issued Mar 11, 2020			Corporate Purpose Issued Mar 10, 2021		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2024	3.00%	\$ 145,000	33,600	2.00%	\$ 255,000	26,120
2025	3.00	150,000	29,250	2.00	260,000	21,020
2026	3.00	155,000	24,750	2.00	160,000	15,820
2027	3.00	160,000	20,100	2.00	160,000	12,620
2028	3.00	165,000	15,300	2.00	165,000	9,420
2029-2031	3.00	345,000	15,600	1.00-2.00	510,000	11,560
Total		<u>\$1,120,000</u>	<u>138,600</u>		<u>\$ 1,510,000</u>	<u>96,560</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2024	\$ 400,000	59,720	459,720
2025	410,000	50,270	460,270
2026	315,000	40,570	355,570
2027	320,000	32,720	352,720
2028	330,000	24,720	354,720
2029-2031	855,000	27,160	882,160
Total	<u>\$ 2,630,000</u>	<u>235,160</u>	<u>2,865,160</u>

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. During the year ended June 30, 2023, the City paid \$140,000 of principal and \$37,800 of interest on the bonds.

On March 10, 2021, the City issued \$2,000,000 of general obligation bonds with interest rates ranging from 1.00% to 2.00% 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 infrastructure work, acquiring a fire truck, and a current refunding of the 2015 general obligation bonds. During the year ended June 30, 2023, the City paid 250,000 of principal and \$31,120 of interest on the bonds.

Revenue Bonds – Direct Borrowing

A summary of the City's June 30, 2023 revenue bonds payable is as follows:

Year Ending June 30,	Water			
	Issued Oct 19, 2005			
Interest Rates	Principal	Interest	Total	
2024	1.75%	\$ 402,000	21,787	423,787
2025	1.75	415,000	14,753	429,753
2026	1.75	428,000	7,490	435,490
		<u>\$1,245,000</u>	<u>44,030</u>	<u>1,289,030</u>

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. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2023, the City paid principal of \$389,000 and interest of \$28,595 leaving a principal balance of \$1,245,000 at June 30, 2023.

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 77% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,289,030. For the current year, principal and interest paid and total customer net receipts were \$417,595 and \$541,779, 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. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. 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, 2023, the City drew down \$984,850 of the authorized amount. A final repayment schedule has not yet been adopted. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2023, the City made a principal payment of \$646,000 and paid interest of \$233,753, leaving a principal balance of \$12,981,187 at June 30, 2023.

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 at 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 2023, 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 totaled \$136,478.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$221,364 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the City’s proportion was 0.005859%, which was a decrease of 0.123532% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(16,235), \$1,523,573 and \$1,571,272, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 geometric 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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
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)	\$ 837,825	221,364	(320,656)

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, 2023, the City contributed \$404,286 and plan members eligible for benefits contributed \$47,023 to the plan. At June 30, 2023, 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, 2023, there were 23 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, 2023, primarily relating to the General Fund and the Enterprise, Water and Sewer Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 131,000
Holiday	19,000
Compensatory time	<u>19,000</u>
Total	<u>\$ 169,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(7) Hospital Revenue Notes

In 2010 through June 30, 2023, the City issued a total of \$45,170,000 of hospital revenue notes for Clarinda Regional Health Center under the provisions of Chapter 419 of the Code of Iowa, of which \$30,268,593 is outstanding at June 30, 2023. The bonds and related interest are payable solely from the revenues of the health center, and the bond principal and interest do not constitute liabilities of the City.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 541,873
	Capital Projects	148,266
		<u>690,139</u>
Special Revenue:	General	29,136
Tax Increment Financing	General	277,368
Capital Projects	Special Revenue:	
	Local Option Sales Tax	135,467
	Road Use Tax	329,141
		<u>741,976</u>
Total		<u>\$ 1,461,251</u>

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

(9) 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 \$3,200,000. The City has certified \$396,071 for the agreements as TIF debt. During the year ended June 30, 2023, the City rebated \$161,401 of the incremental property tax received. The total cumulative amount rebated since inception of the agreements is \$453,835. The estimated outstanding balance to be paid on the agreements at June 30, 2023 is \$2,896,164. Of this amount, \$2,135,531 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.

(10) 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 800 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, employment practices liability, public officials liability, cyber liability, law enforcement liability and property. 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, 2023 were \$184,523.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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. As of June 30, 2023, 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. 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.

(11) 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 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, 2023, \$69,344 of property tax was diverted from the City under the urban renewal and economic development agreements and \$7,444 of property tax under the urban revitalization projects.

(12) Lease Agreements

On October 6, 1999, the City entered into a twenty-year lease with a private organization for the use of land for a cellular telecommunications system. On October 6, 2019, the lease was automatically renewed for an additional five years and has three additional five-year options that will automatically renew. The annual rental amount for each renewal term shall be equal to 120% of the previous term's annual rental amount. The City is to receive annual payments ranging from \$1,440 to \$2,488, with an incremental lending rate of 1.79%.

Year Ending June 30,	Land Rental		
	Principal	Interest	Total
2024	\$ 939	501	1,440
2025	1,243	485	1,728
2026	1,266	462	1,728
2027	1,288	440	1,728
2028	1,311	417	1,728
2029-2033	8,337	1,685	10,022
2034-2038	11,185	841	12,026
2039	2,445	44	2,489
Total	\$ 28,014	4,875	32,889

(13) Interfund Loan

As of the year ended June 30, 2023, the General Fund has loaned the Special Revenue, Urban Renewal Tax Increment fund (TIF) \$164,884 at no interest. The loan was established to help provide economic development support to developers undertaking the development of residential subdivisions in an urban renewal area. Payments are to be made on the loan starting in fiscal year 2024 to the extent there are incremental tax receipts available which have been allocated to the Special Revenue, TIF fund. No repayments have been made as of June 30, 2023.

City of Clarinda

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, 2023

	Governmental Funds Actual	Proprietary Funds Actual (Excluding Clarinda Regional Health Center)	Unaudited Clarinda Regional Health Center Actual
Receipts:			
Property tax	\$ 2,393,787	-	-
Tax increment financing	193,322	-	-
Other city tax	926,063	-	-
Licenses and permits	23,847	-	-
Use of money and property	141,567	1,460	344,920
Intergovernmental	1,911,143	401,170	-
Charges for service	300,038	3,291,013	40,068,889
Special assessment	1,961	-	-
Miscellaneous	145,432	13,266	4,868,843
Total receipts	<u>6,037,160</u>	<u>3,706,909</u>	<u>45,282,652</u>
Disbursements:			
Public safety	1,262,180	-	-
Public works	853,742	-	-
Health and social services	5,000	-	-
Culture and recreation	1,369,842	-	-
Community and economic development	381,811	-	-
General government	468,256	-	-
Debt service	460,120	-	-
Capital projects	2,507,492	-	-
Business type activities	-	4,124,158	66,836,099
Total disbursements	<u>7,308,443</u>	<u>4,124,158</u>	<u>66,836,099</u>
Deficiency of receipts under disbursements	(1,271,283)	(417,249)	(21,553,447)
Other financing sources, net	<u>28,850</u>	<u>984,850</u>	<u>9,500,000</u>
Change in balances	(1,242,433)	567,601	(12,053,447)
Balances beginning of year	<u>4,440,120</u>	<u>3,035,735</u>	<u>30,225,303</u>
Balances end of year	<u>\$ 3,197,687</u>	<u>3,603,336</u>	<u>18,171,856</u>

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Variance
		Original	Final	
-	2,393,787	2,385,248	2,385,248	8,539
-	193,322	201,114	201,114	(7,792)
-	926,063	847,891	847,891	78,172
-	23,847	9,000	9,000	14,847
935	487,012	39,400	39,400	447,612
-	2,312,313	1,328,398	1,393,398	918,915
-	43,659,940	83,732,540	83,802,540	(40,142,600)
-	1,961	-	-	1,961
103,754	4,923,787	1,000	31,000	4,892,787
104,689	54,922,032	88,544,591	88,709,591	(33,787,559)
70,999	1,191,181	1,329,124	1,329,124	137,943
-	853,742	830,288	890,288	36,546
-	5,000	25,000	25,000	20,000
75,675	1,294,167	1,196,395	1,296,395	2,228
-	381,811	407,359	418,359	36,548
-	468,256	496,373	516,373	48,117
-	460,120	459,920	460,920	800
-	2,507,492	1,090,000	1,090,000	(1,417,492)
-	70,960,257	85,570,021	85,665,021	14,704,764
146,674	78,122,026	91,404,480	91,691,480	13,569,454
(41,985)	(23,199,994)	(2,859,889)	(2,981,889)	(20,218,105)
-	10,513,700	2,500,000	2,500,000	8,013,700
(41,985)	(12,686,294)	(359,889)	(481,889)	(12,204,405)
345,021	37,356,137	17,925,819	17,925,819	19,430,318
303,036	24,669,843	17,565,930	17,443,930	7,225,913

City of Clarinda

City of Clarinda

Notes to Other Information – Budgetary Reporting

June 30, 2023

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 \$287,000.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the capital projects function.

City of Clarinda

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.005859%	0.129391% **	0.010725%	0.009671%
City's proportionate share of the net pension liability (asset)	\$ 221	(447)	753	560
City's covered payroll	\$ 1,438	1,377	1,338	1,299
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.37%	(32.46)%	56.28%	43.11%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.009795%	0.010573%	0.011433%	0.010974%	0.010297%
620	704	719	542	408
1,253	1,250	1,246	1,305	1,332
49.48%	56.32%	57.70%	41.53%	30.63%
83.62%	82.21%	81.82%	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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 136	135	131	130
Contributions in relation to the statutorily required contribution	<u>(136)</u>	<u>(135)</u>	<u>(131)</u>	<u>(130)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,452	1,438	1,377	1,338
Contributions as a percentage of covered payroll	9.37%	9.39%	9.51%	9.72%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
127	116	116	115	122	125
(127)	(116)	(116)	(115)	(122)	(125)
-	-	-	-	-	-
1,299	1,253	1,250	1,246	1,305	1,332
9.78%	9.26%	9.28%	9.23%	9.35%	9.35%

City of Clarinda

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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, 2023

	Special Revenue			
	Tax Increment Financing	Library Special	Clarinda Library Foundation	Clarinda Fire and Rescue
Receipts:				
Tax increment financing	\$ 193,322	-	-	-
Use of money and property	-	3,358	-	935
Miscellaneous	-	-	36,377	67,377
Total receipts	193,322	3,358	36,377	68,312
Disbursements:				
Operating:				
Public safety	-	-	-	70,999
Culture and recreation	-	-	75,675	-
Community and economic development	161,401	-	-	-
Total disbursements	161,401	-	75,675	70,999
Excess (deficiency) of receipts over (under) disbursements	31,921	3,358	(39,298)	(2,687)
Other financing sources:				
Transfers in	29,136	-	-	-
Change in cash balances	61,057	3,358	(39,298)	(2,687)
Cash balances beginning of year	19,534	200,560	265,663	79,358
Cash balances end of year	\$ 80,591	203,918	226,365	76,671
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Library	-	-	-	-
Restricted for:				
Debt service	80,591	-	-	-
Library purposes	-	203,918	226,365	-
Other purposes	-	-	-	76,671
Total cash basis fund balances	\$ 80,591	203,918	226,365	76,671

See accompanying independent auditor's report.

<u>Permanent</u>		
Cemetery Perpetual Care	Library Bequest	Total
-	-	193,322
-	-	4,293
-	-	103,754
-	-	301,369
-	-	70,999
-	-	75,675
-	-	161,401
-	-	308,075
-	-	(6,706)
-	-	29,136
-	-	22,430
60,666	100,000	725,781
60,666	100,000	748,211
60,666	-	60,666
-	100,000	100,000
-	-	80,591
-	-	430,283
-	-	76,671
60,666	100,000	748,211

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, 2023

	Enterprise		
	Yard Waste	Storm Water	Total
Operating receipts:			
Charges for service	\$ 24,123	88,898	113,021
Operating disbursements:			
Business type activities	16,367	109,258	125,625
Change in cash balances	7,756	(20,360)	(12,604)
Cash balances beginning of year	76,159	189,294	265,453
Cash balances end of year	<u>\$ 83,915</u>	<u>168,934</u>	<u>252,849</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 83,915</u>	<u>168,934</u>	<u>252,849</u>

See accompanying independent auditor's report.

City of Clarinda

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

For the Last Ten Years

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 2,393,787	2,302,904	2,275,500	2,121,700
Tax increment financing	193,322	104,041	55,283	171,241
Local option sales tax	677,340	694,843	753,417	511,220
Other city tax	248,723	180,631	175,147	173,651
Licenses and permits	23,847	21,940	17,457	21,272
Use of money and property	141,567	112,639	81,978	87,048
Intergovernmental	1,911,143	1,228,948	1,361,341	895,706
Charges for service	300,038	299,660	246,922	237,631
Special assessments	1,961	10,567	768	-
Miscellaneous	145,432	456,469	163,285	202,157
Total	\$ 6,037,160	5,412,642	5,131,098	4,421,626
Disbursements:				
Operating:				
Public safety	\$ 1,262,180	1,194,482	1,172,231	1,149,486
Public works	853,742	772,792	669,523	1,099,734
Health and social services	5,000	5,000	4,000	3,250
Culture and recreation	1,369,842	1,314,743	981,798	976,787
Community and economic development	381,811	287,851	216,479	205,122
General government	468,256	417,391	432,522	346,166
Debt service	460,120	467,202	587,028	572,532
Capital projects	2,507,492	1,500,971	1,611,045	411,445
Total	\$ 7,308,443	5,960,432	5,674,626	4,764,522

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
2,066,458	2,019,399	2,040,810	2,042,509	2,023,560	2,092,540
167,565	170,265	110,598	66,907	116,939	116,536
488,406	542,615	511,170	455,211	436,113	458,065
191,856	175,769	99,793	107,662	105,472	99,388
20,015	19,468	16,858	14,802	15,366	16,476
91,850	77,532	74,953	85,594	67,380	54,967
1,196,064	1,125,602	1,400,193	941,078	889,712	696,848
299,894	321,272	339,578	334,123	344,808	354,319
1,955	3,615	908	649	209	-
100,630	405,858	128,393	82,627	89,039	204,652
4,624,693	4,861,395	4,723,254	4,131,162	4,088,598	4,093,791
1,125,549	1,125,113	1,105,094	1,127,618	1,189,329	1,180,801
598,093	596,175	622,860	940,471	605,753	714,380
2,000	2,000	1,500	1,500	1,500	1,000
1,009,856	950,356	1,116,212	948,919	1,011,389	988,277
243,351	193,316	118,514	99,782	116,751	90,084
349,854	370,490	346,732	328,951	301,021	303,255
581,225	578,520	573,720	581,306	650,993	645,205
622,764	454,177	939,136	1,162,085	313,744	8,131
4,532,692	4,270,147	4,823,768	5,190,632	4,190,480	3,931,133

City of Clarinda

City of Clarinda

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

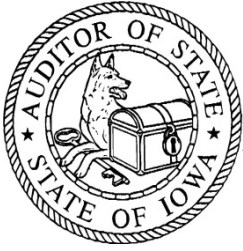
Grantor/Program	Assistance Listings Number	Pass-through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Community Facilities Loans and Grants	10.766	16-073-426004378	\$ 500,000
Community Facilities Loans and Grants	10.766	22-ARPDH-09	<u>275,000</u>
Total U.S. Department of Agriculture			<u>775,000</u>
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority:			
Community Development Block Grants/Entitlement Grants	14.218	21-CF-002	<u>322,907</u>
Total U.S. Department of Housing and Urban Development			<u>322,907</u>
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		<u>1,145</u>
Total U.S. Department of Justice			<u>1,145</u>
U.S. Department of Transportation:			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-19-0017-017-2021	13,000
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-19-0017-019-2022	<u>32,000</u>
Total U.S. Department of Transportation			<u>45,000</u>
U.S. Department of Treasury:			
Passed through Iowa Department of Revenue			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		400,000
Passed through Iowa Economic Development Authority			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		<u>197,850</u>
Total U.S. Department of Treasury			<u>597,850</u>
Federal Communications Commission			
COVID-19, Emergency Connectivity Fund Program	32.009	ECF202106579	<u>23,804</u>
Total Federal Communications Commission			<u>23,804</u>
Total			<u>\$ 1,765,706</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Clarinda under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Clarinda, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Clarinda.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Clarinda has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

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 auditing standards generally accepted in the United States of America 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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 24, 2024. 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, 2023. We expressed adverse opinions on the business type activities and the Enterprise, Clarinda Regional Health Center Fund.

Report on 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 (internal control) as a basis for designing audit procedures that are 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-003 through 2023-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarinda’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City’s operations for the year ended June 30, 2023 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.

City of Clarinda’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Clarinda’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Clarinda’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Brian R. Brustkern, CPA
Deputy Auditor of State

July 24, 2024

City of Clarinda



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Clarinda, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Clarinda's major federal program for the year ended June 30, 2023. The City of Clarinda's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Clarinda complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Clarinda and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Clarinda's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Clarinda's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Clarinda's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Clarinda's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Clarinda's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Clarinda's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarinda's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brian R. Brustkern, CPA
Deputy Auditor of State

July 24, 2024

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

- (a) Unmodified opinions were issued 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. Adverse opinions were issued on the business type activities and the Enterprise, Clarinda Regional Health Center Fund. The financial statements were prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weakness in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 10.766 Community Facilities Loans and Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Clarinda did not qualify as a low-risk auditee.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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 – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Investments – detailed record keeping, custody and reconciling.
- (2) Receipts – opening mail is not segregated from other accounting functions. In addition, an initial listing of mail receipts is not prepared.

Cause – The City has 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 control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will review its internal control activities to try to obtain maximum internal control possible under current circumstances.

Conclusion – Response accepted.

2023-002 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – Monthly reconciliations of book to bank balances are prepared; however, the bank reconciliations are not reviewed by an independent person.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Cause – Policies have not been designed and procedures have not been implemented to ensure bank reconciliations are reviewed by an independent person.

Effect – Lack of an independent review of bank reconciliations increases the risk misstatements may not be prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – An independent person should review all bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Response – The Mayor of Clarinda will review the bank reconciliations and document their review by signing and dating the monthly reconciliations.

Conclusion – Response accepted.

2023-003 Segregation of Duties – Lied Recreation Center and Lied Public Library

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 controls through review of the financial transactions, reconciliations and financial report. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Responses –

Lied Public Library – The limited number of staff and resources at the Library has posed challenges in achieving a complete segregation of duties; however, the Library does have a rotation of duties in which different employees are responsible for the collection of funds and the daily reconciliation which is initiated by that staff member and reviewed by the director. The Library Director is responsible for the weekly reconciliation and deposit to City Hall, which is again counted and deposited by City Hall staff. The Library uses QuickBooks software to automate record keeping.

Lied Recreation Center – The City will review its operating procedures to obtain maximum internal control procedures. Due to the limited number of staff, proper internal control is a challenge.

Conclusions – Responses acknowledged. Elected officials or other City employees should be utilized to provide additional control through review of financial transactions, reconciliations and financial reports.

2023-004 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.

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.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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 Board members and utilize administrative personnel to provide additional control through review of financial transactions and reports.

2023-005 Prenumbered Receipts – Component Units

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.

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.

Conclusions – Responses 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 NONCOMPLIANCE:

No matters were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal controls over the major program were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part IV: Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City did not classify the proprietary capital project correctly in their financials, therefore causing the capital projects function to go over budget. Moving forward, the city will classify capital projects in the correct categories on their financial statements.

Conclusion – Response accepted.

2023-B 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.

2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-D Business Transactions – No business transactions between the City and City officials or employees were noted.

2023-E 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.

2023-F 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.

2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2023-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

2023-I Revenue Bonds – No instance of noncompliance with the revenue bond resolutions were noted.

2023-J Annual Urban Renewal Report – No instances of noncompliance with the Annual Urban Renewal Report were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-K Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Clarinda properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Clarinda

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Tiffany M. Ainger, CPA, Manager
Adam J. Sverak, Senior Auditor
Brianna M. Denton, Staff Auditor
Benjamin I. Manchester, Staff Auditor
Brandon L. Weddell, Staff Auditor