



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

March 31, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Clarinda, Iowa.

The City's receipts totaled \$24,588,534 for the year ended June 30, 2009, a 5 percent decrease from the prior year. The receipts included \$1,905,374 in property tax, \$206,498 in tax increment financing, \$20,982,558 from charges for service, \$669,741 from operating grants and contributions, \$91,607 from capital grants and contributions, \$369,879 from local option sales tax, \$135,192 from unrestricted interest on investments, \$49,300 from hotel/motel tax, \$50,100 from the sale of property, \$71,606 from bond proceeds and \$56,679 from other general receipts.

Disbursements for the year totaled \$23,387,633, a less than one percent increase over the prior year, and included \$921,107 for public safety, \$763,169 for culture and recreation and \$592,485 for debt service. Also, disbursements for business type activities totaled \$19,731,178.

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

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**CITY OF CLARINDA**

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

**JUNE 30, 2009**

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**City of Clarinda**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Kokenge	Mayor	Jan 2010
Darrel Wichman	Mayor Pro tem	Jan 2010
Dave Long	Council Member	Jan 2010
Gary Alger	Council Member	Jan 2012
Jeff McCall	Council Member	Jan 2012
Billy McComb	Council Member	Jan 2012
John Clark	Hospital Board of Trustees, Chairman	Jan 2010
Randy Pullen II	Hospital Board of Trustees, Vice Chairman	Jan 2010
Joy Tunnicliff	Hospital Board of Trustees, Secretary/Treasurer	Jan 2012
Ronald Richardson	Hospital Board of Trustees (Special Election)	Jan 2012
Stanley Johnson	Hospital Board of Trustees	Jan 2010
Melissa Walter	Hospital Chief Executive Officer	Indefinite
Gary McClarnon	City Manager/Clerk/Treasurer	Indefinite
Sanford Turner	Attorney	Indefinite

**City of Clarinda**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clarinda, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Clarinda's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clarinda Regional Health Center and Affiliate (the Health Center), a major Proprietary Fund, which represents 81% of the cash basis net assets and 90% of the operating receipts of the business type activities of the City of Clarinda. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center, is based solely upon the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditors provide a reasonable basis for our opinions.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clarinda as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

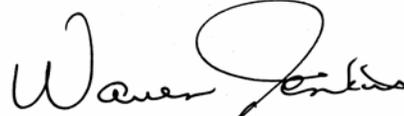
In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2010 on our consideration of the City of Clarinda's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarinda's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Clarinda provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 5.9%, or approximately \$231,800, from fiscal year 2008 to fiscal year 2009. Capital grants and contributions decreased approximately \$180,200.
- Disbursements of the City's governmental activities remained consistent with the prior year. However, debt service disbursements decreased \$85,800.
- The City's governmental funds cash balance increased 5.2%, or \$61,651, from June 30, 2008 to June 30, 2009.

### **USING THIS ANNUAL REPORT**

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

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

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

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

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

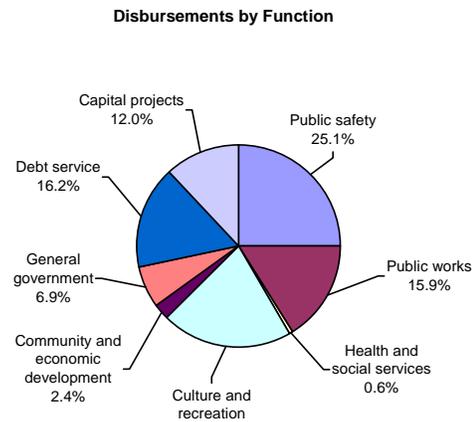
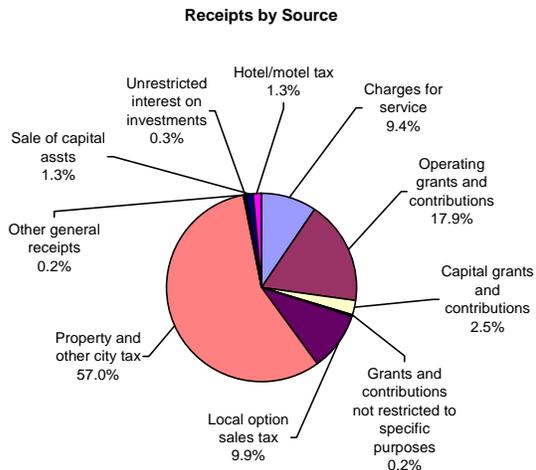
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Clarinda Regional Health Center and Affiliate, Water and Sewer Funds, considered to be major funds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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,181,108 to \$1,242,759. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended	
	June 30,	
	2009	2008
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 350,496	367,339
Operating grants and contributions	665,147	750,244
Capital grants and contributions	91,607	271,774
General receipts:		
Property and other city tax	2,111,872	2,119,512
Local option sales tax	369,879	391,975
Hotel/motel tax	49,300	8,733
Grants and contributions not restricted to specific purposes	8,667	15,014
Unrestricted interest on investments	12,535	21,259
Sale of capital assts	50,100	-
Other general receipts	8,503	4,083
<b>Total receipts</b>	<b>3,718,106</b>	<b>3,949,933</b>
<b>Disbursements:</b>		
Public safety	921,107	844,163
Public works	580,188	594,886
Health and social services	21,175	19,298
Culture and recreation	763,169	722,635
Community and economic development	87,326	120,168
General government	252,127	244,413
Debt service	592,485	678,285
Capital projects	438,878	434,650
<b>Total disbursements</b>	<b>3,656,455</b>	<b>3,658,498</b>
Increase in cash basis net assets	61,651	291,435
Cash basis net assets beginning of year	1,181,108	889,673
Cash basis net assets end of year	\$ 1,242,759	1,181,108



The City's total receipts for governmental activities decreased 5.9%, or approximately \$231,800. The total cost of all programs and services remained consistent with the prior year with no new programs added this year. The decrease in receipts was primarily the result of a decrease in several capital grants and contributions. The decrease in disbursements was primarily due to a decrease in debt service disbursements due to smaller amounts of principal and interest payments required on outstanding debt in the current year.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Clarinda Regional Health Center and Affiliate	\$ 18,638,043	18,743,847
Water	1,229,066	1,272,656
Sewer	702,540	747,280
Storm water	62,413	62,259
Operating grants and contributions	4,594	4,269
Capital grants and contributions	-	261,263
General receipts:		
Unrestricted interest on investments	122,658	123,321
Bond proceeds	71,605	622,686
Other general receipts	39,509	112,981
Total receipts	<u>20,870,428</u>	<u>21,950,562</u>
Disbursements:		
Clarinda Regional Health Center and Affiliate	17,846,925	16,854,018
Water	1,237,902	2,120,491
Sewer	598,182	598,101
Storm water	48,169	7,587
Total disbursements	<u>19,731,178</u>	<u>19,580,197</u>
Increase in cash basis net assets	1,139,250	2,370,365
Cash basis net assets beginning of year	<u>7,738,686</u>	<u>5,368,321</u>
Cash basis net assets end of year	<u>\$ 8,877,936</u>	<u>7,738,686</u>

Total business type activities receipts for the fiscal year were \$20,870,428 compared to \$21,950,562 last year. This decrease of approximately 5% was due primarily to the decrease in capital grants and contributions of \$261,263, primarily related to the construction of the drinking water treatment facility in the prior year and a decrease of \$551,081 in bond proceeds, also relating to the construction of the drinking water treatment facility in the prior year.

Total disbursements for the fiscal year increased .8% to a total of \$19,731,178. Water disbursements decreased \$882,589, due primarily to the construction of the drinking water treatment facility in the prior year.

The above changes in receipts and disbursements resulted in an increase in the cash balance of \$1,139,250 to an ending balance of \$8,877,936.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Clarinda completed the year, its governmental funds reported a combined fund balance of \$1,242,759, an increase of more than \$61,600 over last year's total of \$1,181,108. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$155,917 from the prior year to a deficit of \$157,532. Total receipts increased 10.9% and disbursements increased 6.3%. There were no transfers from the Enterprise, Water and Sewer Funds during the fiscal year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$21,336 to \$230,330 during the fiscal year.
- The Debt Service Fund cash balance increased from \$54,548 to \$56,102 during the fiscal year. Receipts decreased \$151,334 as a result of less payments due on general obligation debt.
- The Capital Projects Fund cash balance decreased \$221,195 to \$297,912 during the fiscal year. The decrease was due to a greater amount of funding received and disbursed in the prior year for several new capital projects.

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

- The cash balance of the Clarinda Regional Health Center and Affiliate Fund increased \$947,097 to \$7,174,415. Receipts decreased 1%, or \$165,299, due to a decrease in charges for service and disbursements increased 6%, or \$992,907.
- The cash balance of the Water Fund increased \$63,617 to \$700,546. The receipts and disbursements decreased due to less grant and bond proceeds than in the prior year, which were used for construction of a drinking water treatment facility. Also, water usage decreased during the current fiscal year.
- The Sewer Fund cash balance increased \$114,292 to \$825,947, due primarily to increased sewer fees and additional funds necessary for the sanitary sewer project.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 14, 2009 and resulted in an increase of \$25,000 in operating receipts related to the Lied Public Library and the Police Department. Also, disbursements increased \$230,000 as a result of a new siren system, increased labor due to illness, increased costs of snow removal, increased cost of mowing, unplanned boiler repairs at the Lied Center, unplanned property demolition, unplanned water infrastructure replacement and unplanned special election costs. Even with this budget amendment, the City exceeded the amount budgeted in the culture and recreation function after the amendment was approved.

Total actual receipts were less than the final budgeted amount, primarily due to actual receipts being less than anticipated for the Clarinda Regional Health Center and Affiliate. Actual miscellaneous receipts exceeded the amount budgeted, primarily due to an unanticipated refund of an insurance premium from ICAP. Capital projects actual disbursements were less than budgeted due to not completing all of the planned street repairs and due to not completing the Airport Turnaround Project until fiscal year 2010. Other functions were less than budgeted due to various budget cuts. Business type activities actual disbursements were less than budgeted due to actual hospital disbursements being lower than budgeted.

## DEBT ADMINISTRATION

At June 30, 2009, the City had \$10,096,227 in bonds and other long-term debt outstanding, compared to \$11,588,861 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation notes	\$ 2,525,000	3,005,000
Revenue notes/bonds	6,105,000	6,472,394
Clarinda Regional Health Center and Affiliate revenue bonds	808,874	1,002,297
Clarinda Regional Health Center and Affiliate capital leases	657,353	1,109,170
Total	\$ 10,096,227	11,588,861

Debt decreased as a result of regular principal payments made during the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,525,000 is significantly below its constitutional debt limit of \$9,012,410.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarinda's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's total assessed valuations have increased slightly. Also, funding from the State has decreased due to the State's budget constraints.

Property tax is expected to increase in fiscal year 2010 as compared to fiscal year 2009 due to the property assessed valuations increasing. The General Fund balance is expected to increase slightly by the close of fiscal year 2010.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$75,000 by the close of fiscal year 2010.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary McClarnon, City Manager, 200 South 15th Street, City of Clarinda, Iowa 51632-2298.

## **Basic Financial Statements**

City of Clarinda

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 921,107	9,410	98,722	-
Public works	580,188	27,821	480,269	-
Health and social services	21,175	-	-	-
Culture and recreation	763,169	302,361	25,717	-
Community and economic development	87,326	-	-	-
General government	252,127	10,904	58,439	-
Debt service	592,485	-	-	-
Capital projects	438,878	-	2,000	91,607
Total governmental activities	3,656,455	350,496	665,147	91,607
Business type activities:				
Clarinda Regional Health Center and Affiliate	17,846,925	18,638,043	-	-
Water	1,237,902	1,229,066	-	-
Sewer	598,182	702,540	4,594	-
Storm water	48,169	62,413	-	-
Total business type activities	19,731,178	20,632,062	4,594	-
Total primary government	\$ 23,387,633	20,982,558	669,741	91,607
<b>Component Unit</b>				
Clarinda Economic Development Corporation	\$ 83,587	-	-	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Water bond proceeds				
Sale of property				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets:</b>				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
(812,975)	-	(812,975)	-
(72,098)	-	(72,098)	-
(21,175)	-	(21,175)	-
(435,091)	-	(435,091)	-
(87,326)	-	(87,326)	-
(182,784)	-	(182,784)	-
(592,485)	-	(592,485)	-
(345,271)	-	(345,271)	-
(2,549,205)	-	(2,549,205)	-
-	791,118	791,118	-
-	(8,836)	(8,836)	-
-	108,952	108,952	-
-	14,244	14,244	-
-	905,478	905,478	-
(2,549,205)	905,478	(1,643,727)	-
			83,587
1,464,016	-	1,464,016	-
441,358	-	441,358	-
206,498	-	206,498	-
369,879	-	369,879	-
49,300	-	49,300	-
8,667	-	8,667	30,000
12,535	122,657	135,192	829
-	71,606	71,606	-
50,100	-	50,100	-
8,503	39,509	48,012	11,370
2,610,856	233,772	2,844,628	42,199
61,651	1,139,250	1,200,901	(41,388)
1,181,108	7,738,686	8,919,794	121,770
\$ 1,242,759	8,877,936	10,120,695	80,382
\$ 277,524	-	277,524	-
230,330	-	230,330	-
56,102	1,149,676	1,205,778	-
297,912	195,604	493,516	-
538,423	-	538,423	80,382
(157,532)	7,532,656	7,375,124	-
\$ 1,242,759	8,877,936	10,120,695	80,382

City of Clarinda

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

As of and for the year ended June 30, 2009

	General	Special Revenue Road Use Tax	Debt Service
<b>Receipts:</b>			
Property tax	\$ 966,661	-	429,127
Tax increment financing	-	-	-
Other city tax	83,897	-	12,231
Licenses and permits	10,428	-	-
Use of money and property	18,678	-	-
Intergovernmental	76,665	472,098	-
Charges for service	322,411	-	-
Miscellaneous	89,740	-	-
Total receipts	<u>1,568,480</u>	<u>472,098</u>	<u>441,358</u>
<b>Disbursements:</b>			
Operating:			
Public safety	690,751	-	-
Public works	12,797	450,762	-
Health and social services	21,175	-	-
Culture and recreation	634,165	-	-
Community and economic development	40,058	-	-
General government	249,633	-	-
Debt service	-	-	592,485
Capital projects	-	-	-
Total disbursements	<u>1,648,579</u>	<u>450,762</u>	<u>592,485</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(80,099)</u>	<u>21,336</u>	<u>(151,127)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	-	-	-
Operating transfers in	236,016	-	152,681
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>236,016</u>	<u>-</u>	<u>152,681</u>
Net change in cash balances	155,917	21,336	1,554
Cash balances beginning of year	<u>(313,449)</u>	<u>208,994</u>	<u>54,548</u>
Cash balances end of year	<u>\$ (157,532)</u>	<u>230,330</u>	<u>56,102</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	56,102
Unreserved:			
General fund	(157,532)	-	-
Special revenue funds	-	230,330	-
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ (157,532)</u>	<u>230,330</u>	<u>56,102</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	454,270	1,850,058
-	206,498	206,498
-	383,663	479,791
-	-	10,428
-	3,273	21,951
79,670	-	628,433
-	-	322,411
13,937	44,759	148,436
93,607	1,092,463	3,668,006
-	230,356	921,107
-	116,629	580,188
-	-	21,175
-	129,004	763,169
-	47,268	87,326
-	2,494	252,127
-	-	592,485
438,878	-	438,878
438,878	525,751	3,656,455
(345,271)	566,712	11,551
50,100	-	50,100
73,976	-	462,673
-	(462,673)	(462,673)
124,076	(462,673)	50,100
(221,195)	104,039	61,651
519,107	711,908	1,181,108
297,912	815,947	1,242,759
-	-	56,102
-	-	(157,532)
-	538,423	768,753
297,912	-	297,912
-	277,524	277,524
297,912	815,947	1,242,759

**Exhibit C**

## City of Clarinda

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

As of and for the year ended June 30, 2009

	Enterprise				Total
	Clarinda Regional Health Center and Affiliate	Water	Sewer	Nonmajor Storm Water	
	Operating receipts:				
Charges for service	\$ 18,378,998	1,229,066	702,540	62,413	20,373,017
Miscellaneous	259,045	-	4,594	-	263,639
Total operating receipts	18,638,043	1,229,066	707,134	62,413	20,636,656
Operating disbursements:					
Business type activities	16,763,533	714,369	387,797	48,169	17,913,868
Excess of operating receipts over operating disbursements	1,874,510	514,697	319,337	14,244	2,722,788
Non-operating receipts (disbursements):					
Unrestricted contributions	39,509	-	-	-	39,509
Interest on investments	116,470	847	5,340	-	122,657
Water bond proceeds	-	71,606	-	-	71,606
Acquisition of capital and other assets	(356,713)	(97,066)	-	-	(453,779)
Debt service	(726,679)	(426,467)	(210,385)	-	(1,363,531)
Total non-operating receipts (disbursements)	(927,413)	(451,080)	(205,045)	-	(1,583,538)
Net change in cash balances	947,097	63,617	114,292	14,244	1,139,250
Cash balances beginning of year	6,227,318	636,929	711,655	162,784	7,738,686
Cash balances end of year	\$ 7,174,415	700,546	825,947	177,028	8,877,936
<b>Cash Basis Fund Balances</b>					
Reserved for:					
Debt service	\$ 500,000	-	649,676	-	1,149,676
Capital projects	-	195,604	-	-	195,604
Unreserved	6,674,415	504,942	176,271	177,028	7,532,656
Total cash basis fund balances	\$ 7,174,415	700,546	825,947	177,028	8,877,936

See notes to financial statements.

City of Clarinda

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

The City of Clarinda is a political subdivision of the State of Iowa located in Page County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarinda has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the foregoing criteria, the Clarinda Regional Health Center and Affiliate (the Health Center) is considered to be part of the primary government and, therefore, the financial information for the Health Center is included in the City's financial statements. The financial activities of the Health Center are reported as an Enterprise Fund. Certain disclosures about the Health Center are not included because the Health Center has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Clarinda Regional Health Center and Affiliate.

These financial statements present the City of Clarinda (the primary government), the Clarinda Economic Development Corporation, the Clarinda Library Foundation and Clarinda Fire and Rescue (component units). These component units, discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These nonprofit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit

The Clarinda Economic Development Corporation (CEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The CEDC is governed by a nine-member board. Two members are elected from the City Council of Clarinda. The CEDC is dependent on City funding to maintain its existence.

### Blended Component Units

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

### Jointly Governed Organizations

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

### Related Organization

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

## B. Basis of Presentation

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

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

#### *Restricted net assets*

Nonexpendable – Net assets subject to externally imposed stipulations they be maintained permanently by the City, including the City's Permanent Funds.

Expendable – Net assets whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City, pursuant to those stipulations or that expire by the passage of time.

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

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Clarinda Regional Health Center and Affiliate Fund is used to account for the operation and maintenance of the Clarinda Regional Health Center and Affiliate.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's 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 incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the culture and recreation function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Long-Term Debt**

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

Year Ending June 30,	General Obligation Notes		Sewer Refunding Revenue Notes		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 500,000	96,245	195,000	14,210	257,000	171,150	952,000	281,605
2011	520,000	79,393	205,000	7,482	265,000	163,440	990,000	250,315
2012	530,000	60,825	-	-	274,000	155,490	804,000	216,315
2013	235,000	40,985	-	-	282,000	147,270	517,000	188,255
2014	245,000	31,548	-	-	292,000	138,810	537,000	170,358
2015 - 2019	495,000	42,787	-	-	1,606,000	556,950	2,101,000	599,737
2020 - 2024	-	-	-	-	1,886,000	299,850	1,886,000	299,850
2025 - 2026	-	-	-	-	843,000	38,130	843,000	38,130
Total	\$ 2,525,000	351,783	400,000	21,692	5,705,000	1,671,090	8,630,000	2,044,565

### Sewer Refunding Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$945,000 of sewer refunding revenue notes issued on April 1, 2003. Proceeds from the notes provided financing for the refunding of prior note issuances. The notes are payable solely from sewer customer net receipts and are payable through 2011. Annual principal and interest payments on the notes are expected to require less than 66 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$421,692. For the current year, principal and interest paid and total customer net receipts were \$210,385 and \$319,337, respectively.

The resolution providing for the issuance of the sewer refunding revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal at maturity or interest on the notes when there are insufficient funds in the sewer revenue note sinking account.
- (d) Additional monthly transfers shall be made to a sewer improvement account until a specific balance has been accumulated. This account is restricted for the purpose of paying principal or interest on the notes when there are insufficient funds in the sinking or reserve accounts and, to the extent not required for the foregoing, to pay the cost of extraordinary maintenance or repair, renewals and replacements, payment of rentals on any part of the systems and for capital improvements.

### Water Revenue Bonds

On October 19, 2005, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$6,500,000 of drinking water revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of construction of a drinking water treatment facility. Upon request, the Trustee will reimburse the City for costs as they are incurred. At June 30, 2009, the City had drawn a total of \$6,409,000, including a \$65,000 initiation fee, with \$91,000 of unused proceeds from the \$6,500,000 authorized. During fiscal year 2009, the City made a principal payment of \$249,000 and an interest payment of \$177,467, leaving a principal balance of \$5,705,000 at June 30, 2009.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$6,409,000 of drinking water revenue bonds. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are generally expected to require less than 83 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$426,467 and \$514,697, respectively.

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

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

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

A schedule of long-term debt obligations at June 30, 2009 for the Health Center is as follows:

	<u>Amount</u>
Health Center Revenue Bonds, 1997 Series A	\$ 278,704
Health Center Revenue Bonds, 1997 Series B	530,170
Capital leases	<u>657,353</u>
Total	<u>\$ 1,466,227</u>

The Health Center revenue bonds, 1997 Series A, require monthly payments of principal and interest. The interest rate is adjustable every five years beginning in October 2002. The interest rate at June 30, 2009 was 4.44% per annum. Principal and interest payments are due through September 2012.

The Health Center revenue bonds, 1997 Series B, require monthly payments of principal and interest. The interest rate is adjustable every five years beginning in October 2003. The interest rate at June 30, 2009 was 3.51% per annum. Principal and interest payments are due through September 2013.

The 1997 Series A and B revenue bond agreements require the Health Center to maintain a minimum of 40% of the outstanding bond balance, but not less than \$500,000, in Board-designated funds at all times. In connection with the Health Center revenue bonds, 1997 Series A and B, the Health Center is required to comply with specific covenants outlined within the loan agreement. The Health Center was not in compliance with a covenant stipulating the Health Center will not grant a mortgage lien or encumbrance on any of its physical properties so long as the bonds are outstanding, but appropriate waivers were obtained.

The Health Center has pledged future revenues, net of operating expenses, (net revenues) to repay \$1,000,000 and \$1,500,000 of revenue bonds, 1997 Series A and B, respectively, issued February 1997. Proceeds from the bonds were used for capital improvements, equipment and costs of additions to and renovation and remodeling of the Health Center. The bonds are payable solely from the Health Center's net revenues and are payable through September 2012 and September 2013. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. The total principal and interest remaining to be paid on both bond series is \$871,548. Principal and interest paid in the current year on both bond issues and total net revenues were \$228,115 and \$1,874,510, respectively.

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

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 519,372	56,513	575,885
2011	423,260	32,769	456,029
2012	291,482	16,798	308,280
2013	202,135	5,386	207,521
2014	29,978	414	30,392
Total	<u>\$ 1,466,227</u>	<u>111,880</u>	<u>1,578,107</u>

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$79,705, \$75,101 and \$76,397, respectively, equal to the required contributions for each year. The Health Center's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were approximately \$483,000, \$452,000 and \$428,000, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 94,000
Compensatory time	<u>20,000</u>
Total	<u>\$ 114,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

The Health Center's liability for earned compensated absences payable to employees is approximately \$510,400 at June 30, 2009.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 208,475
	Emergency	27,541
		<u>236,016</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	87,428
	Tax Increment Financing	65,253
		<u>152,681</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	73,976
Total		<u>\$ 462,673</u>

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

**(7) Development and Rebate Agreement**

The City entered into a development and rebate agreement during the year ended June 30, 2004 to assist in an urban renewal project. The City agreed to rebate incremental tax paid by the developer in exchange for public improvement infrastructure constructed by the developer as set forth in the urban renewal plan.

In accordance with the fiscal year 2004 development and rebate agreement, the incremental 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 represent 100% of the incremental property tax received by the City, not to exceed \$320,000. During the year ended June 30, 2009, the City paid the developer \$47,268 from the incremental property tax received.

No bonds or notes were issued for this project.

**(8) Risk Management**

City

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any

portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$53,693.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

#### Health Center

The Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from

independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Health Center's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

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

The Health Center has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual claims and to provide claims processing and other administrative duties. Claims are accrued as incurred. The amounts charged to expense include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at the end of the year. Total expenses of \$948,023 were recognized under the plan by the Health Center for the year ended June 30, 2009.

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

On February 14, 2006, the City received \$1,000,000 from the Iowa Department of Economic Development (Department) under a CEBA loan agreement to promote and assist economic growth through the development and expansion of qualified businesses, the creation of jobs and the expansion of the municipal and county tax base. In accordance with the agreement, the City loaned \$1,000,000 to a qualified business. The loan consists of a \$500,000 forgivable loan and a \$500,000 interest-free conventional loan. Repayment of the conventional loan is to be made in annual installments of \$100,000 beginning the first year from the date CEBA funds are received. The three year forgivable loan does not require any principal or interest payments in the first three years. At the project completion date, if the business has fulfilled at least 50% of its job creation/retention and wage obligation, \$1,340.49 will be forgiven for each new FTE job created/retained and maintained for at least ninety days past the project completion date. Any shortfall will be amortized over a two year period at 6% interest per annum with equal monthly payments. The City's liability for repayment of this note to the Department is limited to the amounts the City collects through its good faith enforcement of the security interest which secures its loan with NSK Corporation. Therefore, the liability for this loan is not included on the Schedule of Indebtedness (Schedule 2). Repayments on the loan are made to the Department by NSK Corporation. The loan balance at June 30, 2009 was \$800,000.

**(10) Deficit Fund Balance**

The General Fund had a deficit fund balance of \$157,532 at June 30, 2009. The City has established a finance committee to address this issue.

**(11) Subsequent Events**

City - In July 2009, the City issued \$1,100,000 of general obligation bonds for swimming pool improvements and street projects.

Health Center - The Health Center has plans to construct a new facility in the City to better meet the needs of local residents. The current estimated cost of the project is approximately \$27,000,000, for which the Health Center is pursuing financing options.

In October 2009, the Health Center Board of Trustees authorized the purchase of 30 acres of land in the City at a cost of approximately \$180,000, of which \$50,000 was paid in November 2009.

**Required Supplementary Information**

City of Clarinda

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,850,058	-	-
Tax increment financing	206,498	-	-
Other city tax	479,791	-	-
Licenses and permits	10,428	-	-
Use of money and property	21,951	122,657	749
Intergovernmental	628,433	-	-
Charges for service	322,411	20,373,017	-
Miscellaneous	148,436	303,148	44,759
Total receipts	<u>3,668,006</u>	<u>20,798,822</u>	<u>45,508</u>
Disbursements:			
Public safety	921,107	-	29,532
Public works	580,188	-	-
Health and social services	21,175	-	-
Culture and recreation	763,169	-	6,879
Community and economic development	87,326	-	-
General government	252,127	-	-
Debt service	592,485	-	-
Capital projects	438,878	-	-
Business type activities	-	19,731,178	-
Total disbursements	<u>3,656,455</u>	<u>19,731,178</u>	<u>36,411</u>
Excess of receipts over disbursements	11,551	1,067,644	9,097
Other financing sources, net	<u>50,100</u>	<u>71,606</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	61,651	1,139,250	9,097
Balances beginning of year	<u>1,181,108</u>	<u>7,738,686</u>	<u>109,664</u>
Balances end of year	<u>\$ 1,242,759</u>	<u>8,877,936</u>	<u>118,761</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,850,058	1,846,634	1,846,634	3,424
206,498	225,144	225,144	(18,646)
479,791	521,030	521,030	(41,239)
10,428	9,550	9,550	878
143,859	36,000	36,000	107,859
628,433	675,500	675,500	(47,067)
20,695,428	22,811,326	22,831,326	(2,135,898)
406,825	34,500	39,500	367,325
<u>24,421,320</u>	<u>26,159,684</u>	<u>26,184,684</u>	<u>(1,763,364)</u>
891,575	852,329	930,329	38,754
580,188	577,361	589,361	9,173
21,175	32,000	32,000	10,825
756,290	722,269	752,269	(4,021)
87,326	83,000	88,000	674
252,127	247,440	252,440	313
592,485	592,686	592,686	201
438,878	600,000	600,000	161,122
19,731,178	21,694,805	21,794,805	2,063,627
<u>23,351,222</u>	<u>25,401,890</u>	<u>25,631,890</u>	<u>2,280,668</u>
1,070,098	757,794	552,794	517,304
<u>121,706</u>	<u>250,000</u>	<u>250,000</u>	<u>(128,294)</u>
1,191,804	1,007,794	802,794	389,010
<u>8,810,130</u>	<u>5,352,997</u>	<u>5,352,997</u>	<u>3,457,133</u>
<u>10,001,934</u>	<u>6,360,791</u>	<u>6,155,791</u>	<u>3,846,143</u>

City of Clarinda

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$230,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the culture and recreation function.

**Other Supplementary Information**

City of Clarinda

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

As of and for the year ended June 30, 2009

	Special Revenue				
	Local Option Sales Tax	Employee Benefits	Tax Increment Financing	Emergency	Library Memorial
Receipts:					
Property tax	\$ -	427,540	-	26,730	-
Tax increment financing	-	-	206,498	-	-
Other city tax	369,879	12,973	-	811	-
Use of money and property	-	-	-	-	2,524
Miscellaneous	-	-	-	-	-
Total receipts	369,879	440,513	206,498	27,541	2,524
Disbursements:					
Operating:					
Public safety	-	200,824	-	-	-
Public works	-	116,629	-	-	-
Culture and recreation	-	100,237	-	-	5,945
Community and economic development	-	-	47,268	-	-
General government	-	2,494	-	-	-
Total disbursements	-	420,184	47,268	-	5,945
Excess (deficiency) of receipts over (under) disbursements	369,879	20,329	159,230	27,541	(3,421)
Other financing uses:					
Operating transfers out	(369,879)	-	(65,253)	(27,541)	-
Net change in cash balances	-	20,329	93,977	-	(3,421)
Cash balances beginning of year	-	105,195	182,820	-	20,762
Cash balances end of year	\$ -	125,524	276,797	-	17,341
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ -	125,524	276,797	-	17,341
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ -	125,524	276,797	-	17,341

See accompanying independent auditor's report.

Permanent						
Clarinda Library Foundation	Clarinda Fire and Rescue	Cemetery Perpetual Care	Library Endowment	Library Bequest		Total
-	-	-	-	-	-	454,270
-	-	-	-	-	-	206,498
-	-	-	-	-	-	383,663
326	423	-	-	-	-	3,273
5,899	38,860	-	-	-	-	44,759
6,225	39,283	-	-	-	-	1,092,463
-	29,532	-	-	-	-	230,356
-	-	-	-	-	-	116,629
6,879	-	-	15,943	-	-	129,004
-	-	-	-	-	-	47,268
-	-	-	-	-	-	2,494
6,879	29,532	-	15,943	-	-	525,751
(654)	9,751	-	(15,943)	-	-	566,712
-	-	-	-	-	-	(462,673)
(654)	9,751	-	(15,943)	-	-	104,039
54,290	55,374	60,666	132,801	100,000	-	711,908
53,636	65,125	60,666	116,858	100,000	-	815,947
53,636	65,125	-	-	-	-	538,423
-	-	60,666	116,858	100,000	-	277,524
53,636	65,125	60,666	116,858	100,000	-	815,947

City of Clarinda  
Schedule of Indebtedness  
Year ended June 30, 2009

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

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,160,000	-	270,000	890,000	39,407
715,000	-	60,000	655,000	27,128
1,130,000	-	150,000	980,000	44,950
<b>\$ 3,005,000</b>	<b>-</b>	<b>480,000</b>	<b>2,525,000</b>	<b>111,485</b>
590,000	-	190,000	400,000	20,385
5,882,394	71,606	249,000	5,705,000	177,467
<b>\$ 6,472,394</b>	<b>71,606</b>	<b>439,000</b>	<b>6,105,000</b>	<b>197,852</b>
\$ 357,090	-	78,386	278,704	12,489
645,207	-	115,037	530,170	22,203
1,109,170	-	451,817	657,353	46,747
<b>\$ 2,111,467</b>	<b>-</b>	<b>645,240</b>	<b>1,466,227</b>	<b>81,439</b>

City of Clarinda  
 Note and Bond Maturities  
 June 30, 2009

Year Ending June 30,	General Obligation Notes							Total
	Refunding		Library		Corporate Purpose			
	Issued Apr 1, 2003		Issued Aug 1, 2003		Issued Aug 1, 2004			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2010	3.30%	\$ 285,000	3.15%	\$ 65,000	3.60%	\$ 150,000	500,000	
2011	3.50	300,000	3.35	65,000	3.80	155,000	520,000	
2012	3.65	305,000	3.55	65,000	4.00	160,000	530,000	
2013		-	3.70	70,000	4.15	165,000	235,000	
2014		-	3.85	70,000	4.30	175,000	245,000	
2015		-	4.00	75,000	4.45	175,000	250,000	
2016		-	4.20	80,000		-	80,000	
2017		-	4.30	80,000		-	80,000	
2018		-	4.40	85,000		-	85,000	
Total		<u>\$ 890,000</u>		<u>\$ 655,000</u>		<u>\$ 980,000</u>	<u>2,525,000</u>	

See accompanying independent auditor's report.

Revenue Notes/Bonds					
Year Ending June 30,	Sewer Refunding		Water Revenue		Total
	Issued Apr 1, 2003		Issued October 19, 2005		
	Interest Rates	Amount	Interest Rates	Amount	
2010	3.45%	\$ 195,000	3.00%	\$ 257,000	452,000
2011	3.65	205,000	3.00	265,000	470,000
2012		-	3.00	274,000	274,000
2013		-	3.00	282,000	282,000
2014		-	3.00	292,000	292,000
2015		-	3.00	301,000	301,000
2016		-	3.00	311,000	311,000
2017		-	3.00	321,000	321,000
2018		-	3.00	331,000	331,000
2019		-	3.00	342,000	342,000
2020		-	3.00	353,000	353,000
2021		-	3.00	365,000	365,000
2022		-	3.00	377,000	377,000
2023		-	3.00	389,000	389,000
2024		-	3.00	402,000	402,000
2025		-	3.00	415,000	415,000
2026		-	3.00	428,000	428,000
Total		<u>\$ 400,000</u>		<u>\$ 5,705,000</u>	<u>6,105,000</u>

City of Clarinda

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

For the Last Seven Years

	2009	2008	2007	2006
<b>Receipts:</b>				
Property tax	\$ 1,850,058	1,932,527	1,828,565	1,726,674
Tax increment financing	206,498	124,820	106,557	62,759
Other city tax	479,791	465,471	469,272	451,297
Licenses and permits	10,428	12,081	9,712	9,938
Use of money and property	21,951	36,918	31,352	30,480
Intergovernmental	628,433	710,728	1,740,055	1,592,450
Charges for service	322,411	306,908	286,852	275,526
Miscellaneous	148,436	360,480	212,719	167,729
<b>Total</b>	<b>\$ 3,668,006</b>	<b>3,949,933</b>	<b>4,685,084</b>	<b>4,316,853</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 921,107	844,163	847,801	977,718
Public works	580,188	594,886	542,108	450,075
Health and social services	21,175	19,298	27,928	38,293
Culture and recreation	763,169	722,635	742,258	946,885
Community and economic development	87,326	120,168	96,746	115,454
General government	252,127	244,413	287,921	349,429
Debt service	592,485	678,285	676,808	673,165
Capital projects	438,878	434,650	1,247,898	1,372,219
<b>Total</b>	<b>\$ 3,656,455</b>	<b>3,658,498</b>	<b>4,469,468</b>	<b>4,923,238</b>

See accompanying independent auditor's report.

2005	2004	2003
1,586,760	1,475,004	1,467,847
11,685	-	-
395,003	403,456	358,398
9,512	8,948	9,187
62,875	44,514	31,929
573,785	726,244	575,731
264,716	256,303	311,380
934,953	710,787	483,361
<u>3,839,289</u>	<u>3,625,256</u>	<u>3,237,833</u>
940,357	921,658	968,317
441,016	467,568	490,103
33,371	3,500	-
843,964	842,821	999,046
136,940	160,694	134,748
386,249	328,775	94,155
2,230,532	1,870,911	559,977
1,384,965	1,828,052	345,739
<u>6,397,394</u>	<u>6,423,979</u>	<u>3,592,085</u>

**City of Clarinda**



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

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Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clarinda, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 25, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Clarinda Regional Health Center and Affiliate (the Health Center), a major Proprietary Fund, as described in our report on the City of Clarinda's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Clarinda's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Clarinda's financial statements that is more than inconsequential will not be prevented or detected by the City of Clarinda's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Clarinda's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Clarinda's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clarinda and other parties to whom the City of Clarinda. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarinda during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2010

City of Clarinda  
Schedule of Findings  
Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – There was no evidence of review by an independent person of the monthly reconciliations of the Clerk’s balances to the bank accounts and investments.

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

Response – The City will appoint a council member to review monthly reconciliations.

Conclusion – Response accepted.

- (B) Electronic Data Processing Systems – The City does not have written policies for requiring changes to passwords every 60 to 90 days.

Recommendation – The City should develop a written policy requiring changes to passwords every 60 to 90 days.

Response – The City will work towards a written policy requiring password changes every 60 to 90 days.

Conclusion – Response accepted.

- (C) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are not incompatible. For the separately maintained records of the Library Foundation and Clarinda Fire and Rescue, the cash receipts listing, bank deposits, the posting of cash receipts to the cash receipts journal, disbursement preparation and check signing are all performed by the same person. Also, prenumbered receipts are not issued for all collections.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Library Foundation and Clarinda Fire and Rescue should review their control procedures to obtain the maximum internal control possible under the circumstances.

Responses:

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Clarinda

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the culture and recreation 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 will closely monitor expenditures on a monthly basis and approve budget amendments in a more timely fashion.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

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

- (8) Revenue Notes/Bonds – No instances of non-compliance with the revenue note and bond resolutions were noted.

- (9) Financial Condition – The General Fund had a deficit balance at June 30, 2009 of \$157,532.

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

Response – The City continues to work on reducing the General Fund deficit and is currently expecting the deficit to be eliminated by June 2011.

Conclusion – Response accepted.

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City of Clarinda

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Melissa M. Wellhausen, CPA, Senior Auditor  
Michael F. Conroy, Assistant Auditor  
Clinton J. Krapfl, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State