

CITY OF CLARKSVILLE, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

- Prepared By -

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CITY OF CLARKSVILLE, IOWA

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CITY OF CLARKSVILLE, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
G. Todd Powers	Mayor	January 2008
Jeff Kolb	Mayor Pro Tem	January 2008
David Kelm	Council Member	January 2010
Mike Miller	Council Member	January 2010
Jeanette Kramer	Council Member	January 2008
Diane Renning	Council Member	January 2010
Larry Betts	Clerk/Treasurer	Indefinite
Quintin Goeke	Attorney	Indefinite



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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarksville, Iowa, as of and for the year ended June 30, 2007, 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 Clarksville's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2006.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, 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, each major fund and the aggregate remaining fund information of the City of Clarksville as of June 30, 2007, 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, I have also issued my report dated August 30, 2007 on my consideration of the City of Clarksville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarksville's basic financial statements. Other supplementary information included in Schedules 1 through 3 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

August 30, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarksville 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, 2007. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 54%, or approximately \$337,000 from fiscal 2006 to fiscal 2007. The City received \$125,000 in note proceeds during fiscal 2007 while operating grants increased \$123,000.

Disbursements of the City's governmental activities increased 17%, or approximately \$119,000, in fiscal 2007 from fiscal 2006. Community and economic development disbursements increased approximately \$20,000 while capital projects disbursements increased \$55,000.

The City's total cash basis net assets increased 39%, or approximately \$141,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$123,000 and the assets of the business type activities increased by approximately \$18,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

### **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, 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, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. 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 water, sewer, garbage, and customer deposits, considered to be major funds of the City.

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 \$309,733 to \$432,467. The analysis that follows focuses on the changes in cash balances for governmental activities.

**Changes in Cash Basis Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service	\$ 50	\$ 44
Operating grants, contributions and restricted interest	309	186
Capital grants, contributions and restricted assets	1	-
General receipts:		
Property tax	324	303
Local option sales tax	69	63
Unrestricted investment earnings	10	11
Other general receipts	68	17
Note proceeds	125	-
Sale of assets	5	-
Total receipts	\$ 961	\$ 624
Disbursements:		
Public safety	\$ 145	\$ 126
Public works	206	190
Culture and recreation	92	101
Community and economic development	148	128
General government	92	102
Debt service	98	70
Capital projects	58	3
Total disbursements	\$ 839	\$ 720
Change in cash basis net assets	\$ 122	\$ (96)
Cash basis net assets beginning of year	310	406
Cash basis net assets end of year	\$ 432	\$ 310

The City's total receipts for governmental activities increased by 54%, or \$337,000. The total cost of all programs and services increased by approximately \$119,000, or 17%, with no new programs added this year. The increase in disbursements was primarily the result of increased community and economic development disbursements.

The cost of all governmental activities this year was \$839,000 compared to \$720,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$479,000 because some of the cost was paid by those directly benefited from the programs (\$50,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest \$(310,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$324,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

**Changes in Cash Basis Net Assets of Business Type Activities**  
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 115	\$ 115
Sewer	66	65
Garbage	129	121
Other	6	15
General receipts:		
Unrestricted interest on investments	1	1
Miscellaneous	5	1
Total receipts	<u>\$ 322</u>	<u>\$ 318</u>
Disbursements:		
Water	\$ 85	\$ 231
Sewer	87	102
Garbage	127	123
Other	5	1
Total disbursements	<u>\$ 304</u>	<u>\$ 457</u>
Change in cash basis net assets	\$ 18	\$ (139)
Cash basis net assets beginning of year	<u>55</u>	<u>194</u>
Cash basis net assets end of year	<u>\$ 73</u>	<u>\$ 55</u>

Total business type activities receipts for the fiscal year were \$322,000 compared to \$318,000 last year. This increase was due primarily to an increase in garbage receipts. Total disbursements for the fiscal year decreased by 33% to a total of \$304,000 because of a water construction project in 2006.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Clarksville completed the year, its governmental funds reported a combined fund balance of \$432,467, an increase of 40% from last year's total of \$309,733. 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 \$68,538 from the prior year to \$188,412. This increase was due mainly to decreased expenses.

The Road Use Tax Fund cash balance decreased by \$61,202 to \$7,337 in 2007 due to increased disbursements.

The LOST-Property Improvement Fund cash balance increased by \$24,301 to \$42,478 due to no capital outlays in 2007.

The Housing Grant Fund Cash balance increased \$24,759 from the prior year to negative \$1,676 due to the receipt of grant funds.

The Debt Service Fund cash balance decreased \$14,995 to negative \$12,602 during the fiscal year. The deficit will be eliminated with future property tax receipts.

The Equipment Project Fund cash balance increased by \$103,392 during the fiscal year. This increase was attributable to bank note proceeds received during the year. The City intends to use this money for public safety and public works equipment.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$33,503 to \$19,564, due primarily to a decrease in operating expenses.

The Sewer Fund cash balance decreased by \$21,297 to \$583, due primarily to an increase in operating expenses.

The Garbage Utility Fund cash balance increased by \$1,422 to \$2,601 due to an increase in operating receipts.

The Customer Deposits Fund cash balance increased by \$1,699 due to an increase in customer deposits.

**BUDGETARY HIGHLIGHTS**

Over the course of the year the City amended its budget once. The amendment was approved May 1, 2007 and increased operating revenues and disbursements by \$270,000. The City did exceed the original budget prior to May 1, 2007.

**DEBT ADMINISTRATION**

At June 30, 2007, the City had approximately \$214,000 in other long-term debt, compared to approximately \$179,000 last year, as follows:

**Outstanding Debt at Year-End**  
(Expressed in Thousands)

	June 30,	
	2007	2006
Bank notes	<u>\$ 214</u>	<u>\$ 179</u>

The City incurred \$125,000 of new debt during 2007. Principal and interest payments were made as scheduled. 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 \$214,000 is significantly below its constitutional debt limit of \$1,105,666.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Clarksville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

**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 Larry Betts, City Clerk, City of Clarksville.

CITY OF CLARKSVILLE, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 145,424	\$ 42,234	\$ 942	\$ -
Public works	205,737	-	124,457	-
Health and social services	-	-	-	-
Culture and recreation	91,927	7,600	7,365	-
Community and economic development	147,868	-	157,046	-
General government	91,715	-	-	-
Debt service	98,374	-	19,316	-
Capital projects	57,639	-	-	1,015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	\$ 838,684	\$ 49,834	\$ 309,126	\$ 1,015
Business type activities:				
Water utility	\$ 85,081	\$ 115,627	\$ -	\$ -
Sewer utility	87,219	65,922	-	-
Garbage utility	127,277	128,699	-	-
Customer deposits	4,391	6,090	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total business type activities	\$ 303,968	\$ 316,338	\$ -	\$ -
Total	<u>\$1,142,652</u>	<u>\$ 366,172</u>	<u>\$ 309,126</u>	<u>\$ 1,015</u>

(Continued)

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (102,248)	\$ -	\$ (102,248)
(81,280)	-	(81,280)
-	-	-
(76,962)	-	(76,962)
9,178	-	9,178
(91,715)	-	(91,715)
(79,058)	-	(79,058)
(56,624)	-	(56,624)
\$ (478,709)	\$ -	\$ (478,709)
\$ -	\$ 30,546	\$ 30,546
-	(21,297)	(21,297)
-	1,422	1,422
-	1,699	1,699
\$ -	\$ 12,370	\$ 12,370
\$ (478,709)	\$ 12,370	\$ (466,339)

CITY OF CLARKSVILLE, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

**General Receipts:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
Note proceeds  
Sale of assets

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
    Streets  
    Other purposes  
Unrestricted

**Total cash basis net assets**

*See Notes to Financial Statements.*

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 279,860	\$ -	\$ 279,860
44,063	-	44,063
69,432	-	69,432
9,772	921	10,693
68,292	5,036	73,328
125,000	-	125,000
<u>5,024</u>	<u>-</u>	<u>5,024</u>
<u>\$ 601,443</u>	<u>\$ 5,957</u>	<u>\$ 607,400</u>
\$ 122,734	\$ 18,327	\$ 141,061
<u>309,733</u>	<u>54,446</u>	<u>364,179</u>
<u><b>\$ 432,467</b></u>	<u><b>\$ 72,773</b></u>	<u><b>\$ 505,240</b></u>
\$ 7,337	\$ -	\$ 7,337
112,838	-	112,838
<u>312,292</u>	<u>72,773</u>	<u>385,065</u>
<u><b>\$ 432,467</b></u>	<u><b>\$ 72,773</b></u>	<u><b>\$ 505,240</b></u>

CITY OF CLARKSVILLE, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue			
	General	Road Use Tax	LOST- Property Improvement	Housing Grant
<b>RECEIPTS:</b>				
Property tax	\$ 279,860	\$ -	\$ -	\$ -
Other city tax	-	-	24,301	-
Licenses and permits	6,011	-	-	-
Use of money and property	9,772	-	-	-
Intergovernmental	19,558	120,100	-	157,046
Charges for service	38,584	-	-	-
Special assessments	-	140	-	-
Miscellaneous	60,530	4,217	-	-
Total receipts	\$ 414,315	\$ 124,457	\$ 24,301	\$ 157,046
<b>DISBURSEMENTS:</b>				
Operating:				
Public safety	\$ 145,424	\$ -	\$ -	\$ -
Public works	20,078	185,659	-	-
Culture and recreation	91,927	-	-	-
Community and economic development	3,262	-	-	132,287
General government	91,715	-	-	-
Debt service	-	-	-	-
Capital projects	6,371	-	-	-
Total disbursements	\$ 358,777	\$ 185,659	\$ -	\$ 132,287
Excess (deficiency) of receipts over (under) disbursements	\$ 55,538	\$ (61,202)	\$ 24,301	\$ 24,759
Other financing sources (uses):				
Note proceeds	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-
Operating transfers in	13,000	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	\$ 13,000	\$ -	\$ -	\$ -
Net change in cash balances	\$ 68,538	\$ (61,202)	\$ 24,301	\$ 24,759
Cash balances beginning of year	119,874	68,539	18,177	(26,435)
<b>Cash balances end of year</b>	<b>\$ 188,412</b>	<b>\$ 7,337</b>	<b>\$ 42,478</b>	<b>\$ (1,676)</b>
<b>Cash Basis Fund Balances:</b>				
Unreserved:				
General fund	\$ 188,412	\$ -	\$ -	\$ -
Special revenue funds	-	7,337	42,478	(1,676)
Debt service	-	-	-	-
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 188,412	\$ 7,337	\$ 42,478	\$ (1,676)

*See Notes to Financial Statements.*

<u>Debt Service</u>	<u>Capital Project Equipment Project</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 44,063	\$ -	\$ -	\$ 323,923
-	-	45,131	69,432
-	-	-	6,011
-	-	-	9,772
19,316	-	1,015	317,035
-	-	-	38,584
-	-	-	140
-	-	1,750	66,497
<u>\$ 63,379</u>	<u>\$ -</u>	<u>\$ 47,896</u>	<u>\$ 831,394</u>
\$ -	\$ -	\$ -	\$ 145,424
-	-	-	205,737
-	-	-	91,927
-	-	12,319	147,868
-	-	-	91,715
98,374	-	-	98,374
-	26,632	24,636	57,639
<u>\$ 98,374</u>	<u>\$ 26,632</u>	<u>\$ 36,955</u>	<u>\$ 838,684</u>
<u>\$ (34,995)</u>	<u>\$ (26,632)</u>	<u>\$ 10,941</u>	<u>\$ (7,290)</u>
\$ -	\$ 125,000	\$ -	\$ 125,000
-	5,024	-	5,024
20,000	-	-	33,000
-	-	(33,000)	(33,000)
<u>\$ 20,000</u>	<u>\$ 130,024</u>	<u>\$ (33,000)</u>	<u>\$ 130,024</u>
\$ (14,995)	\$ 103,392	\$ (22,059)	\$ 122,734
-	-	127,185	309,733
<u>\$ (12,602)</u>	<u>\$ 103,392</u>	<u>\$ 105,126</u>	<u>\$ 432,467</u>
\$ -	\$ -	\$ -	\$ 188,412
-	-	15,909	64,048
(12,602)	-	-	(12,602)
-	103,392	(23,621)	79,771
-	-	112,838	112,838
<u>\$ (12,602)</u>	<u>\$ 103,392</u>	<u>\$ 105,126</u>	<u>\$ 432,467</u>

CITY OF CLARKSVILLE, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>
Operating receipts:			
Charges for service	\$ 110,287	\$ 65,922	\$ 128,699
Miscellaneous	5,340	-	-
	<u>\$ 115,627</u>	<u>\$ 65,922</u>	<u>\$ 128,699</u>
Operating disbursements:			
Business type activities	<u>85,081</u>	<u>87,219</u>	<u>127,277</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 30,546</u>	<u>\$ (21,297)</u>	<u>\$ 1,422</u>
Non-operating receipts:			
Interest on investments	\$ 921	\$ -	\$ -
Miscellaneous	2,036	-	-
Total non-operating receipts	<u>\$ 2,957</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ 33,503	\$ (21,297)	\$ 1,422
Cash balances beginning of year	<u>(13,939)</u>	<u>21,880</u>	<u>1,179</u>
<b>Cash balances end of year</b>	<b><u>\$ 19,564</u></b>	<b><u>\$ 583</u></b>	<b><u>\$ 2,601</u></b>
<b>Cash Basis Fund Balances</b>			
Reserved for other	\$ -	\$ -	\$ -
Unreserved	<u>19,564</u>	<u>583</u>	<u>2,601</u>
<b>Total cash basis fund balances</b>	<b><u>\$ 19,564</u></b>	<b><u>\$ 583</u></b>	<b><u>\$ 2,601</u></b>

*See Notes to Financial Statements.*

<u>Customer Deposit</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 304,908
6,090	3,000	14,430
<u>\$ 6,090</u>	<u>\$ 3,000</u>	<u>\$ 319,338</u>
 4,391	 -	 303,968
<u>\$ 1,699</u>	<u>\$ 3,000</u>	<u>\$ 15,370</u>
\$ -	\$ -	\$ 921
-	-	2,036
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,957</u>
\$ 1,699	\$ 3,000	\$ 18,327
<u>41,826</u>	<u>3,500</u>	<u>54,446</u>
<u><b>\$ 43,525</b></u>	<u><b>\$ 6,500</b></u>	<u><b>\$ 72,773</b></u>
\$ 43,525	\$ 6,500	\$ 50,025
<u>-</u>	<u>-</u>	<u>22,748</u>
<u><b>\$ 43,525</b></u>	<u><b>\$ 6,500</b></u>	<u><b>\$ 72,773</b></u>

CITY OF CLARKSVILLE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The City of Clarksville is a political subdivision of the State of Iowa located in Butler County. It was first incorporated on September 21, 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture 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 Clarksville 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. The City has no component units which meet the Governmental Accounting Standards Board Criteria.

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 Butler County Assessor's Conference Board and Butler County Emergency Management Commission.

B. Basis of Presentation

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

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

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

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

CITY OF CLARKSVILLE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

(1) Summary of Significant Accounting Policies - continued

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.

Special Revenue:

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

The LOST-Property Improvement Fund is used to account for the portion of local option sales tax to be used for property improvements.

The Housing Grant Fund is used to account for CDBG grant projects.

The Equipment Project Fund is used to account for equipment purchases.

The City reports the following major proprietary funds:

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

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Utility Fund accounts for the operation and maintenance of the City's garbage pick up.

The Customer Deposits Fund accounts for utility deposits received by the City.

CITY OF CLARKSVILLE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting

The City of Clarksville 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.

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, 2007, disbursements exceeded the original budget prior to amending in the public works and community and economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 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.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF CLARKSVILLE, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007

(3) **Notes Payable**

The City has entered into the following loan agreements with Iowa State Bank, Clarksville, Iowa:

Date of Loan	9/05/2002	2/05/2007	8/01/2003
Original amount	\$ 83,000	\$ 125,000	\$ 182,000
Interest Rate	4.38	4.05	4.13
Payment dates	quarterly	quarterly	quarterly
Payment amount	\$ 2,576	\$ 6,900	\$ 3,890
Maturity date	9/15/2012	12/15/2011	3/15/2011
Collateral	none	none	none

At June 30, 2007:

Number of payments remaining	21	18	15
Outstanding balance	\$ 47,765	\$ 112,538	\$ 53,523

(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 3.70% of their annual covered salary and the City is required to contribute 5.75% 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 contribution to IPERS for the year ended June 30, 2007, was \$13,740, which was equal to the required contribution for the year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and sick leave payable to employees at June 30, 2007, primarily relating to the General Fund, is \$19,429. This liability has been computed based on rates of pay in effect at June 30, 2007.

CITY OF CLARKSVILLE, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007

(6) **Risk Management**

The City of Clarksville is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: LOST-Recreation	\$ 13,000
Debt Service	Special Revenue: LOST-General Tax Relief	<u>20,000</u>
Total		<u>\$ 33,000</u>

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

(8) **Deficit Balances**

The Special Revenue Fund - Housing Grant, Capital Project Fund - Fire Station Remodeling and Debt Service Fund had deficit balances of \$1,676, \$23,621 and \$12,602, respectively, at June 30, 2007. The deficits will be eliminated upon receipt of property taxes and intergovernmental revenues.

(9) **Commitments**

At June 30, 2007, the following construction commitments had been made:

<u>Project</u>	<u>Total</u>	<u>Costs</u>
	<u>Contract</u>	<u>to Date</u>
2007 Street Project	\$ 79,476	\$ -
2007 Water Improvement Project	<u>47,223</u>	<u>-</u>
Total	<u>\$126,699</u>	<u>\$ -</u>

(10) **Subsequent Events**

On July 17, 2007 the City approved the fire station remodeling bid with Hirsch Construction Company for \$156,000.

On June 19, 2007 the City approved a loan agreement for a fire truck of \$140,000 and on August 7, 2007 approved the issuance of \$200,000 in general obligation capital loan notes for the fire station improvement project. No proceeds were received as of June 30, 2007.

**Required Supplementary Information**

CITY OF CLARKSVILLE, IOWA  
 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, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>			
Property tax	\$ 323,923	\$ -	\$ -
Other city tax	69,432	-	-
Licenses and permits	6,011	-	-
Use of money and property	9,772	921	-
Intergovernmental	317,035	-	-
Charges for service	38,584	304,908	-
Special assessments	140	-	-
Miscellaneous	66,497	16,466	-
Total receipts	<u>\$ 831,394</u>	<u>\$ 322,295</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 145,424	\$ -	\$ -
Public works	205,737	-	-
Culture and recreation	91,927	-	-
Community and economic development	147,868	-	-
General government	91,715	-	-
Debt service	98,374	-	-
Capital projects	57,639	-	-
Business type activities	-	303,968	-
Total disbursements	<u>\$ 838,684</u>	<u>\$ 303,968</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (7,290)	\$ 18,327	\$ -
Other financing sources, net	<u>130,024</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 122,734	\$ 18,327	\$ -
Balances beginning of year	<u>309,733</u>	<u>54,446</u>	<u>-</u>
<b>Balances end of year</b>	<u><b>\$ 432,467</b></u>	<u><b>\$ 72,773</b></u>	<u><b>\$ -</b></u>

*See Accompanying Independent Auditor's Report.*

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 323,923	\$ 309,009	\$ 309,009	\$ 14,914
69,432	73,865	223,865	(154,433)
6,011	5,025	5,025	986
10,693	10,700	10,700	(7)
317,035	146,344	146,344	170,691
343,492	359,310	359,310	(15,818)
140	140	140	-
82,963	12,000	137,000	(54,037)
<u>\$1,153,689</u>	<u>\$ 916,393</u>	<u>\$ 1,191,393</u>	<u>\$ (37,704)</u>
\$ 145,424	\$ 145,916	\$ 145,916	\$ 492
205,737	183,242	213,242	7,505
91,927	100,254	100,254	8,327
147,868	89,165	239,165	91,297
91,715	107,833	107,833	16,118
98,374	67,138	107,138	8,764
57,639	65,500	115,500	57,861
303,968	381,874	381,874	77,906
<u>\$1,142,652</u>	<u>\$1,140,922</u>	<u>\$ 1,410,922</u>	<u>\$ 268,270</u>
\$ 11,037	\$ (224,529)	\$ (219,529)	\$ 230,566
<u>130,024</u>	<u>-</u>	<u>-</u>	<u>130,024</u>
\$ 141,061	\$ (224,529)	\$ (219,529)	\$ 360,590
<u>364,179</u>	<u>347,662</u>	<u>347,662</u>	<u>16,517</u>
<u>\$ 505,240</u>	<u>\$ 123,133</u>	<u>\$ 128,133</u>	<u>\$ 377,107</u>

**CITY OF CLARKSVILLE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**JUNE 30, 2007**

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 Governmental 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 Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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, the budget was amended once, resulting in no increase in budgeted disbursements. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works and community and economic development functions prior to the budget amendment.

Other Supplementary Information

CITY OF CLARKSVILLE, IOWA  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Special Revenue</u>		<u>Capital Project</u>
	<u>LOST- Recreation</u>	<u>LOST- General Tax Relief</u>	<u>Fire Station Remodeling</u>
<b>RECEIPTS:</b>			
Other city tax	\$ 20,830	\$ 24,301	\$ -
Intergovernmental	-	-	1,015
Miscellaneous	-	-	-
Total receipts	<u>\$ 20,830</u>	<u>\$ 24,301</u>	<u>\$ 1,015</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Community and economic development	\$ 12,319	\$ -	\$ -
Capital projects	-	-	24,636
Total disbursements	<u>\$ 12,319</u>	<u>\$ -</u>	<u>\$ 24,636</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 8,511	\$ 24,301	\$ (23,621)
Other financing sources (uses):			
Operating transfers out	<u>(13,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in cash balances	\$ (4,489)	\$ 4,301	\$ (23,621)
Cash balances beginning of year	<u>9,828</u>	<u>6,269</u>	<u>-</u>
<b>Cash balances end of year</b>	<b><u>\$ 5,339</u></b>	<b><u>\$ 10,570</u></b>	<b><u>\$ (23,621)</u></b>
<b>Cash Basis Fund Balances:</b>			
Unreserved:			
Special revenue funds	\$ 5,339	\$ 10,570	\$ -
Capital project funds	-	-	(23,621)
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 5,339</u>	<u>\$ 10,570</u>	<u>\$ (23,621)</u>

*See Accompanying Independent Auditor's Report.*

<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ 45,131
-	1,015
1,750	1,750
<u>\$ 1,750</u>	<u>\$ 47,896</u>
\$ -	\$ 12,319
-	24,636
<u>\$ -</u>	<u>\$ 36,955</u>
\$ 1,750	\$ 10,941
<u>-</u>	<u>(33,000)</u>
\$ 1,750	\$ (22,059)
<u>111,088</u>	<u>127,185</u>
<b><u>\$ 112,838</u></b>	<b><u>\$ 105,126</u></b>
\$ -	\$ 15,909
-	(23,621)
112,838	112,838
<u>112,838</u>	<u>105,126</u>
<b><u>\$ 112,838</u></b>	<b><u>\$ 105,126</u></b>

CITY OF CLARKSVILLE, IOWA  
 SCHEUDLE OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 NONMAJOR PROPRIETARY FUND  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Enterprise</u> <u>Fund</u> Water Tower <u>Lease</u>
Operating Receipts:	
Miscellaneous	\$ 3,000
Operating Disbursements:	
None	<u>          -</u>
Net change in cash balance	\$ 3,000
Cash balance beginning of year	<u>          3,500</u>
<b>Cash balance end of year</b>	<b><u>          \$ 6,500</u></b>
<b>Cash Basis Fund Balance:</b>	
Reserved for other	<b><u>          \$ 6,500</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF CLARKSVILLE, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 YEAR ENDED JUNE 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Notes Payable:			
Equipment	02-05-07	4.05%	\$ 125,000
Fire	08-01-03	4.13	182,000
Ambulance	09-05-02	4.38	83,000
Street	07-20-00	6.02	254,275

*See Accompanying Independent Auditor's Report.*

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$125,000	\$ 12,462	\$112,538	\$ 1,338	\$ -
85,290	-	31,767	53,523	3,112	-
55,759	-	7,994	47,765	2,311	-
<u>38,067</u>	<u>-</u>	<u>38,067</u>	<u>-</u>	<u>1,323</u>	<u>-</u>
<u>\$ 179,116</u>	<u>\$125,000</u>	<u>\$ 90,290</u>	<u>\$213,826</u>	<u>\$ 8,084</u>	<u>\$ -</u>



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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:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarksville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated August 30, 2007. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2006. I conducted my 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.

Internal Control Over Financial Reporting

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

My 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, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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 Clarksville'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 Clarksville's financial statements that is more than inconsequential will not be prevented or detected by the City of Clarksville's internal control. I consider the deficiencies in internal control described in Part II of 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 Clarksville's internal control.

My 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, I believe the significant deficiency described above, Item II-A-07, is a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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 Clarksville's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Clarksville's responses and, accordingly, I 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 Clarksville and other parties to whom the City of Clarksville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



August 30, 2007

CITY OF CLARKSVILLE, IOWA  
Schedule of Findings  
Year Ended June 30, 2007

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

- (a) Qualified opinions were issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2006.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-07      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 incompatible. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City 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 reported.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable

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

IV-A-07      Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amount budgeted in the public works and community and economic development functions prior to the budget amendment. 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.

CITY OF CLARKSVILLE, IOWA  
Schedule of Findings  
Year Ended June 30, 2007

**Part IV: Other Findings Related to Required Statutory Reporting:** - continued

Response - We will do this in the future.

Conclusion - Response accepted.

IV-B-07      Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07      Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-07      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 insure that the coverage is adequate for current operations.

IV-F-07      Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

IV-G-07      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-07      Financial Condition - The Special Revenue Fund - Housing Grant, Capital Project Fund - Fire Station Remodeling and Debt Service Fund had deficit balances of \$1,676, \$23,621, and \$12,602, respectively, at June 30, 2007.

Recommendation - The City should monitor these accounts and investigate alternatives to eliminate the deficits in order to restore the funds to a sound financial condition.

Response - These accounts will be monitored in the future.

Conclusion - Response accepted.

IV-I-07      Employee Benefit Levy - I noted that the proceeds from the Employee Benefits and Emergency Levy were recorded in the General Fund.

Recommendation - The City should establish separate Employee Benefits and Emergency Levy Accounts for better accountability of the tax levy proceeds.

Response - Subsequent to year end, we have set up a new Employee Benefits Fund and Emergency Levy Fund to account for proceeds from the tax levies.

Conclusion - Response accepted.

