CLARKE COUNTY RESERVOIR COMMISSION

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS

June 30, 2011

Officials

Name	Title	Representing
Sandy Kale	Chairperson	Osceola Water Board
Jack Cooley	Vice-Chairperson	Clarke County Supervisors
Fred Diehl	Secretary	City of Osceola
William Trickey	Treasurer	Clarke County Development Corporation
Dan McIntosh	Member	Southern Iowa Rural Water Association
Norm Lust	Member	Clarke Soil & Water Conservation District
Harold Allen, Jr.	Member	City of Woodburn
Frank Riley	Member	Clakre County Conservation Board
Scott Busick	Member	City of Murray
Anne Welker	Member	Member at Large

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Independent Auditor's Report

To the Sponsors of
Clarke County Reservoir Commission
Osceola, Iowa 50213

I have audited the accompanying financial statements of Clarke County Reservoir Commission as of and for the year ended June 30, 2011. These financial statements are the responsibility of Clarke County Reservoir Commission's management. My responsibility is to express an opinion 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 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 misstatements. An audit includes examing, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clarke County Reservoir Commission as of June 30, 2011 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated October 13, 2011, on my consideration of Clarke County Reservoir Commission's internal control over financial reporting and on my 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 my 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 my audit.

Ted Willets CPA
Creston, Iowa
October 13, 2011

CLARKE COUNTY RESERVOIR COMMISSION

Statement of Net Assets

June 30, 2011

ASSETS

Current Assets	
Cash	$ 2,077,804
Accounts receivable	210,224
Prepaid expense	1,368
Total Current Assets	2,289,396
Total Assets	$ 2,289,396

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 27,756
Total Current Liabilities	27,756
Net Assets	
Unrestricted	9,677
Temporarily restricted	2,251,963
Total Net Assets	2,261,640
Total Net Assets and Liabilities	$ 2,289,396

The Notes to the Financial Statements are an integral part of this statement.

CLARKE COUNTY RESERVOIR COMMISSION

Statement of Revenues, Expenses and
Changes in Net Assets

For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Local option sales and service tax	$ ---	$ 943,138	$ 943,138
Sponsor fees	39,500	---	39,500
Interest	26,907	---	26,907
Net assets released from restrictions	131,060	(131,060)	---
Total revenue and support	197,467	812,078	1,009,545
Expenses			
Engineering	16,744	---	16,744
Professional fees	240,071	---	240,071
Advertising	1,087	---	1,087
Postage	941	---	941
Insurance	1,490	---	1,490
Other	1,201	---	1,201
Total expenses	261,534	---	261,534
Change in net assets from operations	(64,067)	812,078	748,011
Net assets beginning of year	73,744	1,439,885	1,513,629
Net assets end of year	$ 9,677	$ 2,251,963	$ 2,261,640

The Notes to the Financial Statements are an integral part of this statement.

CLARKE COUNTY RESERVOIR COMMISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

Cash flows from operating activities:	
Change in net assets	$ 748,011
Adjustments to reconcile change in net assets to Net cash provided by operating activities:	
(Increase) in accounts receivable	(131,978)
Decrease in prepaid expenses	8,866
(Decrease) in accounts payables	(22,364)
Net cash provided by operating activities	602,535
Net increase in cash	602,535
Cash at beginning of year	1,475,269
Cash at end of year	$ 2,077,804

The Notes to the Financial Statements are an integral part of this statement.

CLARKE COUNTY RESERVOIR COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1 Nature of Business

Clarke County Reservoir Commission is a public organization established pursuant to the provisions of Chapter 28E, Code of Iowa and amendments thereto. The Commission purposes are to make decisions in the locating, planning, and design of a new reservoir and regional facility in Clarke County, Iowa. The mission of Clarke County Reservoir Commission is the development of a large multi-purpose lake in Clarke County, Iowa which will serve, as its primary purpose, as a regional water supply reservoir as part of the SIRWA emergency grid system.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash and Cash Equivalents

The organization considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents.

Subsequent Events

There have been no event from June 30, 2011 through October 13,2011 that would have had a material affect on these financial statements.

Note 3 Temporarily Restricted Net Assets

Temporally restricted net assets consist of local option sales and services tax funds received for the purposes voted for by public referendums in Clarke County and the cities of Osceola, Woodburn and Murray.

Note 4 Referendums

2008 referendum revenues to be used for design, construct, equip and maintain the Clarke County Water Reservoir and related infrastructure until such time as all debt incurred is fully paid. The balance at June 30, 2011 was $ 332,512.

2009 and 2010 referendum revenues to be used to fund, under one or more agreements, the acquisition of land, planning, design, construction, equipping and maintenance while any project debt is outstanding, for the Clarke County Reservoir Project. The balance at June 30, 2011 was $ 1,919,451.

SUPPLEMENTAL INFORMATION

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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 Sponsors of
Clarke County Reservoir Commission

I have audited the financial statements of Clarke County Reservoir Commission as of and for the year ended June 30, 2011, and have issued my report thereon dated October 13, 2011. 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 Clarke County Reservoir Commission's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County Reservoir Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination if deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County Reservoir Commission financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contract, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, and others within the entity, the Board of Directors and is not intended to be and should not be used by anyone other than these specific parties.

Fred W. Oleto CPA
Creston, Iowa
October 13, 2011